

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.

\$15,610,000
FLORIDA MUNICIPAL LOAN COUNCIL
REVENUE REFUNDING BONDS,
SERIES 2005C

Dated: Date of Delivery**Due:** April 1, as shown on the inside cover

The Revenue Refunding Bonds, Series 2005C (the "Bonds") are being issued by the Florida Municipal Loan Council (the "Issuer"). The Issuer is a separate legal entity created pursuant to an Interlocal Agreement entered into initially by and among the City of Stuart, the City of Deland and the City of Rockledge, each of which is a Florida municipality.

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

Interest on the Bonds is payable semiannually on each April 1 and October 1, commencing October 1, 2005. The principal of, premium, if any, and interest on the Bonds will be paid through Wachovia Bank, National Association, as Trustee. So long as DTC or its nominee, Cede & Co., is the registered owner, such payments will be made directly to Cede & Co. Disbursement of such payments to the DTC Participants (as defined herein) is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants (as defined herein), as more fully described herein.

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

The proceeds to be received by the Issuer from the sale of the Bonds will be used by the Issuer to make loans (the "Loans") to four State of Florida municipalities (City of Fort Myers, City of Lauderdale Lakes, City of North Miami Beach and City of Port Richey) (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 refinance a portion of certain loans made to the Borrowers by the Issuer and thereby refund a portion of the Issuer's Revenue Bonds, Series 2000A and (ii) paying costs and expenses related to the issuance of the Bonds, including the premiums for the municipal bond insurance policy and debt service reserve fund surety bond.

Payments made by the Borrowers in repayment of the loans (the "Loan Repayments") will be assigned by the Issuer to Wachovia Bank, National Association, as Trustee, pursuant to a Trust Indenture, dated as of June 1, 2005 between the Issuer and the Trustee (the "Indenture").

The Bonds are not a general debt, liability or obligation of the Issuer, but are limited obligations of the Issuer, payable solely from the (i) payments to be made by the Borrowers pursuant to the Loan Agreements (as defined herein) (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) all Revenues, any proceeds of the Bond Insurance Policy (as defined in the Indenture), any proceeds of the Surety Bond (as defined in the Indenture) any and all other property, rights and interest of every kind and nature from time to time hereafter by delivery or by writing of any kind subjected to the Indenture, as and for additional security for the Bonds, by the Issuer or by any other person on its behalf or with its written consent (collectively, the "Trust Estate"), as more fully described herein. The obligations of the respective Borrowers pursuant to the Loan Agreements are not a general debt, liability or obligation of the respective Borrowers, but are limited obligations of the Borrowers payable from the sources described herein. The Bonds are not a debt, liability or obligation of the State of Florida or any political subdivision or entity thereof other than the Issuer.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty 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 & Olive P.A., Tampa, Florida, Bond Counsel. Certain legal matters will be passed upon for the Issuer by its counsel Craig A. Conn, Esq. counsel to the Issuer, as assistant general counsel to the Florida League of Cities, Inc., for the Insurer by its counsel Kutak Rock, LLP, Omaha, Nebraska, and for the Underwriter by its counsel, Moyle, Flanigan, Katz, Raymond & Sheehan, P.A., West Palm Beach, Florida. Waters and Company, LLC, Birmingham, Alabama 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 July 12, 2005.

Banc of America Securities LLC

AMOUNTS, MATURITIES, INTEREST RATES AND PRICES

\$13,220,000 Serial Bonds

Maturity (April)	<u>Amount</u>	Interest <u>Rate</u>	<u>Price</u>
2006	\$ 280,000	3.000%	100.188
2007	85,000	3.000	100.297
2008	95,000	3.250	100.723
2009	100,000	3.250	100.555
2010	100,000	3.500	101.257
2011	1,040,000	3.250	99.634
2012	1,075,000	3.375	99.668
2013	1,105,000	3.500	99.594
2014	1,145,000	5.000	110.156
2015	1,210,000	5.000	110.440
2016	1,275,000	5.000	109.755
2017	1,335,000	5.000	109.160
2018	1,395,000	4.000	99.011
2019	1,455,000	4.000	98.643
2020	1,525,000	4.125	98.744

\$2,390,000 4.375% Term Bonds Due April 1, 2030 - Price 98.581%

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

THE 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

\$15,610,000

FLORIDA MUNICIPAL LOAN COUNCIL

Revenue Refunding Bonds

Series 2005C

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 \$15,610,000 Florida Municipal Loan Council Revenue Refunding Bonds, Series 2005C (the "Bonds") to be issued by the Florida Municipal Loan Council (the "Issuer").

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

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

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 17, 2005 and a Trust Indenture (the "Indenture"), dated as of June 1, 2005, between the Issuer and Wachovia Bank, National Association, as trustee (the "Trustee").

The Bonds are being issued to provide funds to make 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 Fort Myers, the City of Lauderdale Lakes, the City of North Miami Beach, and the City of Port Richey (collectively, the "Borrowers," and individually, a "Borrower") pursuant to Loan Agreements, dated as of June 1, 2005, between the Issuer and each Borrower (collectively, the "Loan Agreements"). Each Borrower will use proceeds of the loan made to it by the Issuer (a "Loan") to refinance a portion of a loan previously made to it by the Issuer from the proceeds of the Issuer's Revenue Bonds, Series 2000A (the "2000A Bonds"), and thereby provide for the refunding of a portion of the Refunded Bonds (hereinafter defined) and to pay a proportionate share of the costs of issuance of the Bonds. The "Refunded Bonds" are those 2000A Bonds maturing on and after April 1, 2011 as are allocable to the Borrowers. After the issuance of the Bonds, a portion of the 2000A Bonds will remain outstanding, and each of the Borrowers will remain obligated for its portion of the debt service thereon pursuant to its loan agreement with the Issuer executed in connection with the 2000A 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."

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

Pursuant to the Indenture, the Issuer has assigned and pledged to the Trustee all of the Issuer's right, title and interest (with certain exceptions specified therein) in and to the Loan Agreements, including the Issuer's right to receive Loan Repayments.

The Bonds are not a general debt, liability or obligation of the Issuer, but are limited obligations of the Issuer, payable solely from (i) the payments to be made by the Borrowers pursuant to the Loan Agreements (the "Revenues"), (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) any proceeds of the Bond Insurance Policy (as defined in the Indenture), any proceeds of the Surety Bond (as defined in the Indenture) any and all other property, rights and interest of every kind and nature from time to time hereafter by delivery or by writing of any kind subjected to the Indenture, as and for additional security for the Bonds, by the Issuer or by any other person on its behalf or with its written consent (collectively, the "Trust Estate"), as more fully described herein. The obligations of the respective Borrowers pursuant to the Loan Agreements are not a general debt, liability or obligation of the respective Borrowers, but are limited obligations of the Borrowers payable from the sources described herein. The Bonds are not a debt, liability or obligation of the State of Florida or any political subdivision or entity thereof other than the Issuer.

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

There follow in this Official Statement descriptions of the Bonds, the Issuer, the Insurer, the Borrowers and certain other matters. The descriptions and information contained herein do not purport to be complete, comprehensive, or definitive, and all references herein to documents or reports are qualified in their entirety by reference to the complete text of such documents or reports. Copies of documents and reports referred to herein that are not included in their entirety herein may be obtained from the Underwriter at 1640 Gulf-to-Bay Boulevard, FL2-020-01-04, Clearwater, Florida 33755 prior to delivery of the Bonds and thereafter from the Trustee upon payment of any required fee. Unless otherwise defined herein, terms used in capitalized form in this Official Statement shall have the same meanings as in the Indenture. See Appendices C and D for definitions of certain terms used in this Official Statement.

THE BONDS

General Description

The Bonds are being issued as fully registered bonds without coupons in principal denominations of \$5,000 or any integral multiple thereof (the "Authorized Denominations"). The Bonds will be dated as of

the date of their initial issuance and delivery, will bear interest from that date at the rates per annum and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. The Bonds will be subject to the redemption provisions set forth below. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months and will be payable semiannually on each April 1 and October 1 (each, an "Interest Payment Date,"), commencing October 1, 2005.

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. For so long as the book-entry only system of ownership of the Bonds is in effect, payments of principal, premium, if any, and interest on the Bonds will be made as described below under the caption "Book-Entry Only System."

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 April 1, 2015 are not subject to optional redemption prior to maturity. The Bonds maturing after April 1, 2015 are subject to redemption at the option of the Issuer on or after April 1, 2015 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 April 1, 2030 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 April 1, 2021 and on each April 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2021	\$195,000
2022	205,000
2023	215,000
2024	220,000
2025	230,000
2026	245,000
2027	255,000
2028	260,000
2029	275,000
2030*	290,000

*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 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, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC 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 and www.dtc.org.

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. Gadsden County, Florida, Jackson County, Florida and Leon County, Florida have each joined in the Interlocal Agreement subsequent to December 1, 1998.

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 fifteenth 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
Dottie K. Reeder	Mayor, City of Seminole
Lizbeth Benaquisto	Council Member, Village of Wellington
H.M. (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 54 members. Directors are elected by the members of the Administrator.

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

In addition to loan pool origination and administration services, the Administrator provides services to its members in the areas of pool insurance and advice on current and emerging constitutional, legislative, and regulatory issues. The Administrator has 160 full-time employees and an annual operating budget of approximately \$17.0 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 municipalities of the State of Florida. 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.

The City of Fort Myers - The City of Fort Myers is located in Lee County, Florida and was incorporated in 1886. The City of Fort Myers has an estimated population of approximately 53,000 people.

The City of Lauderdale Lakes - The City of Lauderdale Lakes is located in Broward County, Florida and was incorporated in 1961. The City of Lauderdale Lakes has an estimated population of approximately 32,000 people.

The City of North Miami Beach - The City of North Miami Beach is located in Miami-Dade County, Florida and was incorporated in 1926. The City of North Miami Beach has an estimated population of approximately 42,000 people.

The City of Port Richey - The City of Port Richey is located in Pasco County, Florida and was incorporated in 1925. The City of Port Richey has an estimated population of approximately 3,000 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) refinance portions of loans previously made to the Borrowers by the Issuer from the proceeds of the Issuer's Revenue Bonds, Series 2000A (the "2000A Bonds"), and thereby provide for the refunding of the Refunded Bonds and (ii) pay costs and

expenses related to the issuance of the Bonds, including the premiums for the Bond Insurance Policy and the Debt Service Reserve Fund Surety Bond described below.

Under the terms of the Indenture, 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 Escrow Deposit Trust Fund (hereinafter defined). 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 through its debt service payments. 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 Fort Myers - The City of Fort Myers is borrowing the proceeds of \$4,970,000 principal amount of the Bonds (which inclusive of original issue premium is \$5,132,030.15). The Fort Myers Loan is expected to be repaid over a period of 15 years.

City of Lauderdale Lakes - The City of Lauderdale Lakes is borrowing the proceeds of \$4,105,000 principal amount of the Bonds (which inclusive of original issue premium is \$4,123,984.45). The Lauderdale Lakes Loan is expected to be repaid over a period of 25 years.

City of North Miami Beach - The City of North Miami Beach is borrowing the proceeds of \$5,380,000 principal amount of the Bonds (which inclusive of original issue premium is \$5,555,039.80). The North Miami Beach Loan is expected to be repaid over a period of 15 years.

City of Port Richey - The City of Port Richey is borrowing the proceeds of \$1,155,000 principal amount of the Bonds (which inclusive of original issue premium is \$1,193,025.05). The Port Richey Loan is expected to be repaid over a period of 15 years.

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

The Refunding Program

A portion of the proceeds derived from the sale of the Bonds, together with certain funds on deposit in various funds and accounts established in connection with the Refunded Bonds, will be used to refund all of the Refunded Bonds. The Bonds are being issued for the purpose of achieving present value debt service savings.

The money required to refund the Refunded Bonds will be deposited in a trust fund (the "Escrow Deposit Trust Fund") created under an escrow deposit agreement (the "Escrow Deposit Agreement") to be entered into between the Issuer and Wachovia Bank, National Association (the "Escrow Agent"). Amounts in the Escrow Deposit Trust Fund shall be applied by the Escrow Agent to the purchase of certain direct obligations of the United States of America, the maturing principal of and interest on which, together with any cash balance, will provide money sufficient to pay the maturing principal of, redemption premium and interest on the Refunded Bonds and to redeem on their respective first callable dates, all of the Refunded Bonds. Upon making the deposit of such funds with the Escrow Agent, the Issuer will have effected the defeasance of the Refunded Bonds. Amounts held in the Escrow Deposit Trust Fund will be used only to pay the Refunded Bonds, and will not be available for payment of debt service on the Bonds.

Estimated Sources and Uses

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

SOURCES OF FUNDS:	
Par Amount	\$15,610,000.00
Net Original Issue Premium	\$ 394,079.45
Unspent Series 2000A Proceeds	<u>\$ 239,260.54</u>
TOTAL SOURCES:	\$16,243,339.99
USES OF FUNDS:	
Deposit to Escrow Deposit Trust Fund	\$15,887,183.59
Costs of Issuance(1)	<u>\$ 356,156.40</u>
TOTAL USES:	\$16,243,339.99

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

SECURITY AND SOURCES OF PAYMENT

Limited Obligations; Trust Estate

The Bonds are not a general debt, liability or obligation of the Issuer, but are limited obligations of the Issuer, payable solely from (i) the payments to be made by the Borrowers pursuant to the Loan Agreements (the "Revenues"), (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) any proceeds of the Bond Insurance Policy (as defined in the Indenture), any proceeds of the Surety Bond (as defined in the Indenture) any and all other property, rights and interest of every kind and nature from time to time hereafter by delivery or by writing of any kind subjected to the Indenture, as and for additional security for the Bonds, by the Issuer or by any other person on its behalf or with its written consent (collectively, the "Trust Estate"), as more fully described herein. The obligations of the respective Borrowers pursuant to the Loan Agreements are not a general debt, liability or obligation of the respective Borrowers, but are limited obligations of the Borrowers payable from the sources described herein. The Bonds are not a debt, liability or obligation of the State of Florida or any political subdivision or entity thereof other than the Issuer.

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.

Each Borrower has agreed to appropriate in its annual budget, by amendment, if required, and to pay when due under its respective Loan Agreement, as promptly as money becomes available, amounts of Non-Ad Valorem Revenues (hereinafter defined) of such Borrower sufficient to satisfy the Loan Repayment obligations of such Borrower. "Non-Ad Valorem Revenues" means all revenues and taxes of the particular

Borrower derived from any source whatever, other than ad valorem taxation on real and personal property, which are legally available for Loan Repayments.

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 \$80,895,000, (ii) Revenue Bonds, Series 2002A, issued May 17, 2002, and outstanding as of the date of this Official Statement in the principal amount of \$45,330,000, (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, (iv) Revenue Bonds, Series 2002C, issued November 22, 2002, and outstanding as of the date of this Official Statement in the principal amount of \$25,235,000, (v) Revenue Bonds, Series 2003A, issued May 16, 2003, and outstanding as of the date of this Official Statement in the principal amount of \$73,910,000, (vi) Revenue Bonds, Series 2003B, issued December 17, 2003, and outstanding as of the date of this Official Statement in the principal amount of \$45,545,000 (vii) Revenue Bonds, Series 2004A-1, issued July 14, 2004, and outstanding as of the date of this Official Statement in the principal amount of \$15,585,000, (viii) Revenue Bonds, Series 2005A, issued February 15, 2005, and outstanding as of the date of this Official Statement in the principal amount of \$55,630,000 and (ix) Revenue Refunding Bonds, Series 2005B, issued May 26, 2005, and outstanding as of the date of this Official Statement in the principal amount of \$18,145,000. 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. 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 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 \$16,824,500 and the premium therefor has been previously paid. At the time of issuance of the Bonds, the face amount of the Debt Service Reserve Fund Surety Bond will be increased by \$780,500 (five percent of the stated principal amount of the Bonds) to \$17,605,000, and the premium for such increase will be paid by the Issuer at the time of delivery of the Bonds.

Anti-Dilution Covenant

Each of the Borrowers, pursuant to their respective Loan Agreement, has covenanted (such covenant being referred to as the "Anti-Dilution Covenant") 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% (for the City of Fort Myers for the fiscal years ending September 30, 2005 and 2006, 25% instead of 20%) of Governmental Fund Revenues (defined as General Fund, Special Fund, Debt Service Fund and Capital Projects Fund, and, in the case of Fort Myers only, intergovernmental fund transfers), 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."

The Covenants to Budget and Appropriate

In General. In each Loan Agreement, each 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 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 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 Borrower may pledge its Non-Ad Valorem Revenues to obligations that it issues in the future and certain 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 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 Borrower is, in certain circumstances, beyond the control of the Borrower.

Financial Statements of the Borrowers

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

FINANCIAL GUARANTY 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.

Financial Guaranty 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 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 "Financial Guaranty Insurance." Additionally, the Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds.

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, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds 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 (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 an owner 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 owner 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 ownership 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 owners 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 owners 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.

MBIA Insurance Corporation

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.

The principal executive offices of the Insurer are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company license to do business in the State of New York, the Insurer is subject to the New York Insurance Law which, among other things prescribes minimum capital requirements and contingency reserves against liabilities for the Insurer, limits the classes and concentrations of investments that are made by the Insurer and requires the approval of policy rates and forms that are employed by the Insurer. State law also regulates the amount of both the aggregate and individual risks that may be insured by the Insurer, the payment of dividends by the Insurer, changes in control with respect to the Insurer and transactions among the Insurer and its affiliates.

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

Financial Strength Ratings of the Insurer

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.

MBIA Financial Information

As of December 31, 2004, MBIA had admitted assets of \$10.4 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$3.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2005, MBIA had admitted assets of \$10.6 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$3.6 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning the Insurer, see the consolidated financial statements of the Insurer and its subsidiaries as of December 31, 2004 and December 31, 2003 and for each of the three years in the period ended December 31, 2004, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2004 and the consolidated financial statements of the Insurer and its subsidiaries as of March 31, 2005 and for the three month periods ended March 31, 2005 and March 31, 2004 included in the Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2005, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by the Insurer with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to the Insurer at its principal executive offices.

Incorporation of Certain Documents by Reference

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, 2004; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of the Company's most recent Quarterly Report on Form 10-Q 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, 2004, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2005) 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 the Insurer at its principal executive offices.

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

DEBT SERVICE REQUIREMENTS

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

Year Ending April 1 <u>(Inclusive)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Debt Service</u>
2006	\$ 280,000	\$474,302.75	\$754,302.75
2007	85,000	650,862.52	735,862.52
2008	95,000	648,312.52	743,312.52
2009	100,000	645,225.02	745,225.02
2010	100,000	641,975.02	741,975.02
2011	1,040,000	638,475.02	1,678,475.02
2012	1,075,000	604,675.02	1,679,675.02
2013	1,105,000	568,393.76	1,673,393.76
2014	1,145,000	529,718.76	1,674,718.76
2015	1,210,000	472,468.76	1,682,468.76
2016	1,275,000	411,968.76	1,686,968.76
2017	1,335,000	348,218.76	1,683,218.76
2018	1,395,000	281,468.76	1,676,468.76
2019	1,455,000	225,668.76	1,680,668.76
2020	1,525,000	167,468.76	1,692,468.76
2021	195,000	104,562.50	299,562.50
2022	205,000	96,031.26	301,031.26
2023	215,000	87,062.50	302,062.50
2024	220,000	77,656.26	297,656.26
2025	230,000	68,031.26	298,031.26
2026	245,000	57,968.76	302,968.76
2027	255,000	47,250.00	302,250.00
2028	260,000	36,093.76	296,093.76
2029	275,000	24,718.76	299,718.76
2030	<u>290,000</u>	<u>12,687.50</u>	<u>302,687.50</u>
Total	\$15,610,000	\$7,921,265.51	\$23,531,265.51

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

Year Ending April 1 (inclusive)	City of <u>Fort Myers</u>	City of <u>Lauderdale Lakes</u>	City of North <u>Miami Beach</u>	City of Port <u>Richey</u>
2006	\$240,435.83	\$196,347.94	\$262,571.97	\$54,947.01
2007	231,400.00	193,518.76	257,968.76	52,975.00
2008	230,650.00	192,918.76	261,918.76	57,825.00
2009	229,837.50	197,268.76	260,618.76	57,500.00
2010	229,025.00	196,456.26	259,318.76	57,175.00
2011	598,150.00	300,581.26	642,918.76	136,825.00
2012	600,312.50	301,356.26	639,106.26	138,900.00
2013	596,475.00	301,800.00	639,425.00	135,693.76
2014	596,775.00	296,900.00	643,675.00	137,368.76
2015	600,025.00	299,900.00	645,175.00	137,368.76
2016	602,025.00	297,400.00	645,425.00	142,118.76
2017	597,775.00	299,650.00	644,425.00	141,368.76
2018	602,525.00	296,400.00	642,175.00	135,368.76
2019	601,125.00	299,600.00	644,375.00	135,568.76
2020	603,925.00	302,400.00	645,575.00	140,568.76
2021	--	299,562.50	--	--
2022	--	301,031.26	--	--
2023	--	302,062.50	--	--
2024	--	297,656.26	--	--
2025	--	298,031.26	--	--
2026	--	302,968.76	--	--
2027	--	302,250.00	--	--
2028	--	296,093.76	--	--
2029	--	299,718.76	--	--
2030	--	<u>302,687.50</u>	--	--
Total	\$7,160,460.83	\$6,974,560.56	\$7,734,672.03	\$1,661,572.09

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 maturing in the years 2006 through 2010, and 2014 through 2017, 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 2016 and 2017 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 years 2011, 2012, 2013 and 2018 and thereafter 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

On the date of delivery of the Bonds, counsel to each respective Borrower, will render an opinion that there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending, or to the best of such counsel's knowledge after due inquiry threatened, against or affecting such Borrower wherein an unfavorable decision, ruling or finding would adversely affect such Borrower, its financial condition or its ability to comply with its obligations under the Loan Agreement or the validity or enforceability of the Loan Agreement.

On the date of delivery of the Bonds, counsel to the Issuer will render an opinion that there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending, or to the best of his knowledge, after due inquiry of the Issuer, threatened against or affecting the Issuer, wherein an unfavorable decision, ruling or finding would adversely affect the validity of the Bonds, the Indenture, the Escrow Deposit Agreement or the Loan Agreements.

VALIDATION

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

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale by the Issuer of the Bonds are subject to the approving opinion of Bryant Miller & Olive P.A. 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" 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 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 financial guaranty insurance policy will be issued by the Insurer. In addition, S&P has assigned a rating of "A-" to the Bonds without regard to the insurance policy. 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 \$15,910,575.55 (which includes net original issue premium of \$394,079.45 and underwriter's discount of \$93,503.90), and to reoffer the Bonds at the prices shown on the inside cover hereof. If obligated to purchase any of the Bonds, the Underwriter will be obligated to purchase all of the Bonds. The initial public offering prices may be changed from time to time by the Underwriter.

There can be no assurance that there will be a secondary market for purchase or sale of the Bonds. Depending upon prevailing market conditions, including the financial condition or market positions of firms

which may make the secondary market, evaluation of the 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 Waters and Company, LLC, Birmingham, Alabama, 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.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of (i) the mathematical computation of the adequacy of the maturing principal amount of and interest on the investments and cash, if any, to be held by the Escrow Agent to pay, when due, the principal of, premium and interest on the Refunded Bonds to the dates of their maturities or earlier redemption and (ii) the mathematical computation of yields on the Bonds and the proceeds thereof has been verified by Causey, Demgen & Moore, independent certified public accountants, whose report with respect thereto will be available upon delivery of the Bonds.

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.

As noted elsewhere in this Official Statement, the Bonds constitute the fifteenth series of bonds issued by the Issuer. The Issuer's prior bond issues funded loans to various borrowers (the "Prior Borrowers") in a fashion similar to that described herein with respect to the Bonds. In connection with its prior bond issues, the Issuer and each of the Prior Borrowers entered into continuing disclosure agreements (the "Prior Undertakings") pursuant to the Rule. Pursuant to the Prior Undertakings, the Issuer and each Prior Borrower agreed to provide certain annual financial information on or before the date 270 days after the end of each fiscal year of the Issuer and the respective Prior Borrowers. The Issuer has complied with its Prior Undertakings, however, certain of the Prior Borrowers (the "Delinquent Borrowers") have failed to provide annual financial information as required by the Prior Undertakings. The Delinquent Borrowers have provided the information required by the Prior Undertakings, although not in a timely manner. The City of Port Richey and the City of Lauderdale Lakes both failed to timely provide their annual financial statements for the fiscal year ended September 30, 2003, although such information was subsequently provided. The Issuer has notified the Nationally Recognized Municipal Securities Information Repositories of the failure of the Prior Borrowers to timely file the annual financial information. Neither Fort Myers nor North Miami Beach is a Delinquent Borrower.

ENFORCEABILITY OF REMEDIES

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

the remedies specified by the federal bankruptcy code, the Indenture, the Bonds and any policy of insurance referred to herein may not be readily available or 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

CONTINUING DISCLOSURE AGREEMENT FOR BORROWERS

This **CONTINUING DISCLOSURE AGREEMENT** dated as of June 1, 2005 (the "Continuing Disclosure Agreement") is executed and delivered by _____, a Florida municipality ("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 Refunding Bonds, Series 2005C.

"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 June 1, 2005 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 June 1, 2005, 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" means the primary offering of the Bonds for sale by the Participating Underwriter.

"Operating Data" means operating data of the types identified in the Continuing Disclosure Certificate most recently delivered by the 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 Annual Report Date and of the Borrower's obligation hereunder not more than 60 and not less than 30 days prior to each Annual 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. Notwithstanding anything to the contrary contained herein, the obligations of the Borrower hereunder shall be limited obligations payable solely from the sources provided under Section 2.02(a) of the Loan Agreement.

SECTION 11. Concerning the Dissemination Agent and the 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 municipality, 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 June 1, 2005 (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 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

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

The undersigned duly authorized signatory of _____ (the "Borrower") hereby certifies on behalf of the Borrower pursuant to the Continuing Disclosure Agreement dated as of June 1, 2005 (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 June, 2005.

_____, as Borrower

By: _____

Its: _____

Acknowledgment of Receipt:

Florida League of Cities, Inc., as
Dissemination Agent

By: _____

Its: _____

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APPENDIX B

FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE ISSUER

This **CONTINUING DISCLOSURE AGREEMENT** dated as of May 1, 2005 (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 Refunding Bonds, Series 2005C.

"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 June 1, 2005, 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 Annual Report Date and of the Issuer's obligation hereunder not more than 60 and not less than 30 days prior to each Annual Report Date. The Issuer shall provide an Annual Report to the Dissemination Agent, 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 June 1, 2005 (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 June 1, 2005 (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 Refunding Bonds, Series 2005C.
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 June, 2005.

FLORIDA MUNICIPAL LOAN COUNCIL,
as Issuer

By: _____
Its: Chairman

Acknowledgment of Receipt:

FLORIDA LEAGUE OF CITIES, INC.,
as Dissemination Agent

By: _____
Its: Executive Director

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APPENDIX C

FORM OF TRUST INDENTURE

THIS TRUST INDENTURE is made and entered into as of June 1, 2005, 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 issued its \$30,878,847.50 Florida Municipal Loan Council Revenue Bonds, Series 2000A; and

WHEREAS, the Council hereby desires to refund the Refunded Bonds; and

WHEREAS, the Council has now determined to issue its \$_____ Florida Municipal Loan Council Revenue Refunding Bonds, Series 2005C 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

GRANTING CLAUSE SECOND

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

GRANTING CLAUSE THIRD

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

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

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

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

AND FURTHER PROVIDED, that if the Council, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of, premium, if any, and interest on the Bonds due or to become due thereon, at the times and in the manner mentioned in the Bonds and as provided in Article II hereof according to the true intent and meaning thereof, and shall cause the payments to be made as required under Article II hereof, or shall provide, as permitted hereby, for the payment thereof in accordance with Article VIII hereof, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee and any Paying Agent all sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments or deposits as provided in Article VIII hereof, this Indenture and the rights hereby granted shall cease, terminate and be void and the Trustee shall thereupon cancel and discharge this Indenture and execute and deliver to the Council such instruments in writing as shall be requisite to evidence the discharge hereof.

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

ARTICLE I

DEFINITIONS AND RULES OF INTERPRETATION

SECTION 1.01. Definitions.

Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Indenture and of any Supplemental Indenture, have the meanings herein specified.

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

“Accounts” means the accounts created pursuant to Section 4.02 hereof.

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

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

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

“Alternate Surety Bond Provider” means any provider of an Alternate Surety Bond.

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

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

“Authorized Denominations” means \$5,000 and integral multiples thereof.

“Authorized Representative” means, when used pertaining to the Council, the Chairman of the Council and such other designated members, agents or representatives as may hereafter be selected by Council resolution and, when used with reference to a Borrower which is a

municipality, means the person performing the functions of the Mayor or Deputy or Vice Mayor thereof and, when used with reference to a Borrower which is a County means the person performing the functions of the Chairman or Vice Chairman of the Board of County Commissioners of such Borrowers, and, when used with reference to an act or document, also means any other person authorized by resolution to perform such act or sign such document.

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

“Board” means the governing body of the Borrower.

“Bond Counsel” means Bryant Miller & 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 Refunding Bonds, Series 2005C 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 April 2, ending on and including the following April 1, except for the first period which begins on July ___, 2005.

“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. Such Borrowers shall be those as named on Exhibit B.

“Business Day” means a day of the year which is not a Saturday or Sunday or a day on which the Trustee is lawfully closed or on which the New York Stock Exchange is closed.

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

“Closing” means the closing of a Loan pursuant to this Indenture and a Loan Agreement.

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

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

“Council” means the Florida Municipal Loan Council.

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

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

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

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

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

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

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

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

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

“Executive Director” means the Executive Director of the Program Administrator and his successor.

“Financial Guaranty Agreement” means the agreement of that name dated _____, 2005 between the Council and the Surety Bond Provider, as amended and supplemented from time to time.

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

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

“Fitch” means Fitch, Inc. d/b/a Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with approval of the Bond Insurer, by notice to the Trustee.

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

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

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

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

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

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

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

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

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

"Indenture" means this Trust Indenture dated as of May 1, 2005 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 April 1 and October 1 of each year, beginning October 1, 2005.

"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)
 5. General Services Administration
Participation certificates
 6. Government National Mortgage Association (GNMA or "Ginnie Mae")
GNMA-guaranteed mortgage-backed bonds
GNMA-guaranteed pass-through obligations
(not acceptable for certain cash-flow-sensitive issues.)
 7. U.S. Maritime Administration
Guaranteed Title XI financing
 8. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures-U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds-U.S. government guaranteed public housing notes and bonds
- C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are permitted only if they have been stripped by the agency itself):
1. Federal Home Loan Bank System
Senior debt obligations
 2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac")
Participation Certificates
Senior debt obligations
 3. Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations
 4. Student Loan Marketing Association (SLMA or "Sallie Mae")
Senior debt obligations
 5. Resolution Funding Corp. (REFCORP) obligations

6. Farm Credit System
Consolidated systemwide bonds and notes

- D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G,” “AAA-m,” or “AAA-m” and if rated by Moody’s rated “Aaa,” “Aa1” or “Aa2.”
- [E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above, Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.]
- F. Certificates of deposit, savings accounts, deposit accounts or money market deposits that are fully insured by FDIC, including BIF and SAIF.
- G. Investment Agreements, including GIC’s, acceptable to the Bond Insurer.
- H. Commercial paper rated, at the time of purchase, “Prime - 1 by Moody’s and “A-1” or better by S&P.
- I. Bonds or notes issued by any state or municipality that are rated by Moody’s and S&P in one of the two highest rating categories assigned by such agencies.
- J. Federal funds or bankers acceptances with a maximum term of one year of any bank that has an unsecured, uninsured and unwarranted obligation rating of “Prime - 1,” or “M” or better by Moody’s and “A- 1” or “A” or better by S&P.
- K. Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

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

- 1. Repos must be between the municipal entity and a dealer bank or securities firm
 - a. Primary dealers on the Federal Reserve reporting dealer list that are rated “A” or better by S&P and Moody’s, or
 - b. Banks rated “A” or above by S&P and Moody’s .

2. The written repo contract must include the following:
 - a. Securities that are acceptable for transfer are:
 - (i) Direct U.S. governments, or
 - (ii) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA and FHLMC)
 - b. The term of the repo may be up to 30 days
 - c. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneously with payment (perfection by possession of certificated securities)
 - d. Valuation of Collateral
 - (i) The securities must be valued weekly. marked-to-market at current market price plus accrued interest
 - (a) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.
3. Legal opinion that must be delivered to the municipal entity:
 - a. Repo meets guidelines under state law for legal investment of public funds.
 - L. The Florida Municipal Investment Trust-a local government investment pool created under Section 163.01, Florida Statutes administered by the Florida League of Cities, Inc., which consists of U.S. Treasuries, federal agency securities, instrumentalities and high grade corporate securities.
 - M. 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.
 - N. 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.

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

“Loan Repayment Date” means October 20, 2005 and thereafter each April 20th and October 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.

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

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

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

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

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

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

- (a) Bonds canceled after purchase in the open market or because of payment at maturity or redemption prior to maturity;
- (b) Bonds deemed paid under Article VIII hereof; and

(c) Bonds in lieu of which other Bonds have been authenticated under Section 2.06, 2.07 or 2.09 hereof.

“Paying Agent” means the Trustee.

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

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

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

“Program” means the Council’s program of making Loans under the Act and pursuant to this Indenture.

“Program Administrator” means the Florida League of Cities, Inc., a non profit Florida corporation.

“Project” or “Projects” means a governmental undertaking approved by the governing body of a Borrower for a public purpose, including the refinancing of any indebtedness.

“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.

“Refunded Bonds” means a portion of the \$26,245,000 Florida Municipal Loan Council Revenue Bonds, Series 1999B Bonds and a portion of the \$30,878,847.50 Florida Municipal Loan Council Revenue Bonds, Series 2000A Bonds.

“Registrar” means the Trustee.

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

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

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

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

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

“S&P” means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

“Special Record Date” means the date established pursuant to Section 9.05 as a record date for the payment of defaulted interest on the Bonds.

“State” means the State of Florida.

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

“Surety Bond” means the surety bond issued by the Surety Bond Provider guaranteeing certain payments into the Reserve Fund with respect to the Bonds and any other series of the Council’s bonds, as provided therein.

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II

THE BONDS

SECTION 2.01. Authorization; Book-Entry System.

(a) Authorization, Issuance and Execution of Bonds. A single series of Bonds may be issued hereunder in order to obtain moneys to carry out the purposes of the Program for the benefit of the Council and the Borrowers. The Bonds shall be designated as “Florida Municipal Loan Council Revenue Refunding Bonds, Series 2005C”. 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 _____ Thousand Dollars (\$_____). This Indenture constitutes a continuing agreement with the Owners from time to time of the Bonds appertaining thereto to secure the full payment of the principal of, premium, if any, and interest on all such Bonds subject to the covenants, provisions and conditions herein contained.

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

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

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

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

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

SECTION 2.02. Maturity and Interest Rate Provisions. The Bonds shall be dated July __, 2005. They shall be numbered consecutively from R-1 upward. They shall be in the denomination of \$5,000 each, or integral multiples thereof. Each Bond shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated, unless authenticated on an Interest Payment Date, in which case it shall bear interest from such Interest

Payment Date, or unless authenticated prior to the first payment date, in which case it shall bear interest from its date. The Bonds shall bear interest and shall mature at the rates, in the amounts and on the dates set forth below:

\$_____ Serial Bonds

<u>Maturity</u> <u>(April 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity</u> <u>(April 1)</u>	<u>Amount</u>	<u>Interest Rate</u>
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SECTION 2.03. Payment Provisions. The principal of, premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. Principal of and premium, if any, on the Bonds shall be payable at the designated corporate trust office of the Trustee, or any successor paying agent and registrar appointed pursuant to the provisions of Sections 10.12 and 10.13 hereof (the “Paying Agent” or “Registrar”), and payment of the interest on each Bond shall be made by the Paying Agent on each Interest Payment Date to the person appearing as the registered owner thereof on the bond registration books maintained by the Registrar as of the close of business on the Record Date preceding the Interest Payment Date (or, if interest on the Bonds is in default and the Bond Insurer is in default under the Bond Insurance, a Special Record Date established pursuant to Section 9.05), by check mailed on the Interest Payment Date to such registered owner at his address as it appears on such registration books or at the prior written request and expense of an owner of \$1,000,000 in aggregate principal amount of Bonds, by bank wire transfer to a domestic bank account, notwithstanding the cancellation of any such Bonds upon any exchange or transfer thereof subsequent to the Record Date or Special Record Date and prior to such Interest Payment Date. Payment of the principal (or redemption price), of the Bonds shall be made upon the presentation and surrender of such Bonds as the same shall become due and payable.

SECTION 2.04. Matters Concerning Bond Insurance Policy. So long as the Bond Insurance Policy shall be in full force and effect, the Council and the Trustee hereby agree to comply with the following provisions:

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

B. If the deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Bond Insurer or its designee.

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

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

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

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

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

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

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

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

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

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

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

J. The Council agrees to reimburse the Bond Insurer immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses, including attorneys' fees and expenses, incurred by the Bond Insurer in connection with (i) the enforcement by the Bond Insurer of the Council's obligations, or the preservation or defense of any rights of the Bond Insurer, under this Indenture and any other document executed in connection with the issuance of the Bonds, and (ii) any consent, amendment, waiver or other action with respect to the Indenture or any related document, whether or not granted or approved, together with interest on all such expenses from and including the date incurred to the date of payment at Citibank's Prime Rate plus 3% or the maximum interest rate permitted by law, whichever is less. In addition, the Bond Insurer reserves the right to charge a fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved.

K. The Council agrees not to use the Bond Insurer's name in any public document including, without limitation, a press release or presentation, announcement or forum without the

Bond Insurer's prior consent; provided however, such prohibition on the use of the Bond Insurer's name shall not relate to the use of the Bond Insurer's standard approved form of disclosure in public documents issued in connection with the current Bonds to be issued in accordance with the terms of the MBIA Commitment; and provided further such prohibition shall not apply to the use of the Bond Insurer's name in order to comply with public notice, public meeting or public reporting requirements.

L. The Council shall not enter into any agreement nor shall it consent to or participate in any arrangement pursuant to which Bonds are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of such Bonds without the prior written consent of the Bond Insurer.

Any notice that is required to be given to a holder of the Bonds or to the Trustee pursuant to this Indenture shall also be provided to the Bond Insurer. All notices required to be given to the Bond Insurer under this Indenture shall be in writing and shall be sent by registered or certified mail addressed to 113 King Street, Armonk, New York 10504, Attention: Surveillance.

SECTION 2.05. Payments in Advance of Scheduled Maturity Dates by the Bond Insurer. In the event that the Bond Insurer shall make any payments of principal of and/or interest on any of the Bonds pursuant to the terms of the Bond Insurance Policy and the Bonds are accelerated or are redeemed pursuant to Section 3.02 hereof, the Bond Insurer may at any time and at its sole option pay all or a portion of amounts due under the Bonds to the Bondholders prior to the stated maturity dates thereof.

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

SECTION 2.07. Transfer and Exchange of Bonds; Persons Treated as Owners. The Council shall cause books for the registration and transfer of the Bonds, as provided in this Indenture, to be kept by the Registrar. Upon surrender for transfer of any Bond at the Designated office of the Registrar, accompanied by an assignment duly executed by the registered Owner or his attorney-in-fact duly authorized in writing, the Council shall execute and the Registrar shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds for a like aggregate principal amount.

Bonds of the same type may be exchanged at the Designated Office of the Registrar for a like aggregate principal amount of Bonds of other Authorized Denominations. The Council shall

execute and the Registrar shall authenticate and deliver Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not contemporaneously outstanding.

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

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

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

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

SECTION 2.09. Temporary Bonds. Pending the preparation of definitive Bonds, the Council may execute and the Registrar shall authenticate and deliver temporary Bonds. Temporary Bonds shall be issuable as fully registered Bonds, of any Authorized Denomination, and substantially in the form of the definitive Bonds but with such omissions, insertions and variations as may be appropriate for temporary Bonds, all as may be determined by the Council. Temporary Bonds may be issued without specific terms and may contain such reference to any provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Council and authenticated by the Registrar upon the same conditions and in substantially the same manner, and with like effect, as the definitive Bonds. As promptly as practicable, the Council shall execute and shall furnish definitive Bonds and thereupon temporary Bonds may be surrendered in exchange therefor without charge at the principal corporate trust office of the Registrar, and the Registrar shall authenticate and deliver in exchange for such temporary Bonds a like aggregate principal amount of definitive Bonds. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds.

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

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

ARTICLE III

REDEMPTION OF BONDS

SECTION 3.01. Optional Redemption of the Bonds.

The Bonds maturing on or before _____, 20__ are not subject to optional redemption prior to their maturities. The Bonds maturing after _____, 20__ are subject to redemption at the option of the Council on or after _____, 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, at the redemption price, equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

SECTION 3.02. Mandatory Redemption of Bonds.

The Bonds that mature on _____, 20__ 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, on _____, 20__ and on each _____ 1st thereafter, in the following principal amounts in the following years:

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

The Bonds that mature on _____, 20__ 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, on _____, 20__ and on each _____ 1st thereafter, in the following principal amounts in the following years:

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

The Bonds that mature on _____, 20__ 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, on _____, 20__ and on each _____ 1st thereafter, in the following principal amounts in the following years:

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

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.

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

redemption shall specify the numbers of the Bonds or portions thereof, including CUSIP identification numbers to be redeemed.

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

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

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

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

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

ARTICLE IV

REVENUES AND FUNDS

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

SECTION 4.02. Creation of Funds and Accounts. There are hereby established by the Council the following Funds and Accounts to be held by the Trustee: (1) the Principal Fund, (2) the Revenue Fund, (3) the Cost of Issuance Fund, (4) the Reserve Fund and (5) the Rebate Fund.

SECTION 4.03. Reserved.

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

Amounts in the Principal Fund shall be used as follows: (1) to pay scheduled principal payments of the Bonds and (2) to pay the principal of and premium, if any, on the Bonds redeemed pursuant to Section 3.01 or Section 3.02 when required by such Sections. Upon acceleration of maturity of the Bonds pursuant to Section 9.02, all amounts in the Principal Fund shall be used to pay maturing principal of and interest on the Bonds.

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

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

- (1) On each Interest Payment Date, to pay interest due on the Bonds;
- (2) At such times as are necessary, to pay accrued interest due on the Bonds redeemed pursuant to Sections 3.01 or 3.02 hereof;
- (3) At such times as are necessary, to pay the fees and expenses of the Trustee, DTC, the Program Administrator, the Registrar and the Paying Agent (including the cost of printing additional Bonds) and the fees and expenses of the Council (including costs of issuing the Bonds if insufficient amounts are on hand in the Cost of Issuance Fund), any counsel consulted by the Council with respect to any Loan, or of Accountants employed pursuant to Section 4.12 hereof; provided, further, that the Bond Insurer may authorize the payment of any such fees or expenses prior to the payment of interest on the Bonds;
- (4) On each Interest Payment Date of each year, all amounts remaining within the Revenue Fund, other than fees being collected in installments pursuant to the relevant Loan Agreement and amounts which will be credited against the relevant Borrower's next Loan Repayments, shall be deposited in the Principal Fund, as provided in Section 5.04 of the Loan Agreements.
- (5) To the extent that the amounts on deposit in the Reserve Fund are less than the Reserve Requirement, the Council shall make deposits into the Reserve Fund in the manner described below from moneys remaining in the Revenue Fund. Any withdrawals from the Reserve Fund shall be subsequently restored from the first moneys available in the Revenue Fund, after all current applications and allocations to the Principal Fund, including deficiencies for prior payments that have not been made in full. The Council may provide that the difference between the amounts on deposit in the Reserve Fund and the Reserve Requirement shall be an amount covered by a letter of credit rated in one of the two highest categories by nationally recognized rating agencies, by a surety bond, by an Alternate Surety Bond, by the Surety Bond, or any combination thereof. Moneys in the Reserve Fund shall be used only for the purpose of the payment of principal of, or interest on the Bonds when the other moneys allocated therefor are insufficient and for no other purpose.

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

SECTION 4.06. Cost of Issuance Fund. Moneys in the Cost of Issuance Fund shall be used to pay costs of issuing the Bonds to the extent not paid from other sources, which costs may include, all printing expenses in connection with this Indenture, the Loan Agreements, the preliminary and final Official Statements for the Bonds and the Bonds; the underwriter's

discount for the initial purchase of the Bonds; the initial Bond Insurance Policy and Surety Bond premiums; administrative expenses of the Council; and legal fees and expenses of counsel to the Council, bond counsel and counsel to the Bond Insurer and fees of the financial advisor to the Council; fees of the Program Administrator, any accounting expenses incurred in connection with determining that the Bonds are not arbitrage bonds, the Trustee's and the Paying Agent and Registrar's initial fees and expenses (including attorney's fees), upon the submission of requisitions by the Council signed by an officer of the Council stating the amount to be paid, to whom it is to be paid and the reason for such payment, and that the amount of such requisition is justly due and owing and has not been the subject of another requisition which was paid and is a proper expense of issuing such Bonds. Any monies remaining in the Cost of Issuance Fund on _____, 20__ 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 2005C Bonds in the sum of \$ _____ shall be deposited with the Trustee as follows:

- (i) In the Cost of Issuance Fund, the total sum of \$ _____; and
- (ii) In an Escrow Deposit Fund _____, the sum of \$ _____.

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

SECTION 4.08. Reserve Fund.

(a) The Trustee shall establish a Reserve Fund which shall be funded at closing in an amount equal to the Reserve Requirement. Such Reserve Fund shall be on a parity with any reserve fund established by the Council in any other approved series of the Council's bonds listed on Annex A to the Surety Bond. If any withdrawal is made under subsection (b)(i) below, the Council shall pay to the Trustee an amount received from the Borrower pursuant to Section 5.03(c) of the Loan Agreement which is sufficient to repay the principal and interest on the Surety Bond from such withdrawal within twelve (12) months, commencing on the first day of the month following such withdrawal, together with any interest or other expenses due from the Council to the Surety Bond Provider under the Financial Guaranty Agreement. The Surety Bond shall be payable to the Trustee on any interest payment or redemption date on which a deficiency exists which cannot be cured by funds in any other Fund or Account held pursuant to this Indenture and available for such purpose. If at any time the Reserve Fund contains both a Surety Bond and cash, the cash shall be drawn down completely before any demand is made on the Surety Bond. If at any time the Surety Bond is replaced by cash, in whole or in part, prior written consent of the Bond Insurer will be required.

The Surety Bond shall secure and satisfy the Reserve Requirement and any other reserve requirement of bonds as listed on Annex A to the Surety Bond. The Trustee may deliver a Demand for Payment in an amount less than or equal to the limit of the Surety Bond. If a Demand for Payment is made on behalf of a Borrower which has an outstanding Loan Agreement relating to the Bonds and other loan agreements relating to the other series of the

Council's bonds, then the Council's reimbursement, from the payments received by such Borrower, to the Surety Bond Provider shall be applied pro-rata to the Reserve Fund and to each reserve fund which secures such other loans. Further, if the Demand for Payment relates to one or more reserve funds from more than one series of bonds, and such Demand for Payment exceeds the limit of the Surety Bond, then the Surety Bond shall be allocated on a pro-rata basis for each reserve fund from each series and for each Borrower.

The Trustee shall deliver a Demand for Payment in the form attached to the Surety Bond at least three (3) days prior to the date on which funds are required from the Surety Bond, or as soon thereafter as the Trustee is aware that funds are required from the Surety Bond. The Trustee shall be responsible for maintaining records of withdrawals from the Reserve Fund and the reinstatement thereof. In addition, the Trustee shall be responsible for maintaining records of all withdrawals from this Reserve Fund and other reserve funds which are covered by the Surety Bond.

If a disbursement is made from the Surety Bond, the Council shall reimburse the Surety Bond Provider as soon as possible, but in any case within one year of any disbursement the amount of such disbursement. The Trustee is required to reimburse the Surety Bond Provider with interest until the face amount of the Surety Bond is reinstated before any deposit is made to the Principal Fund.

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

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

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

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

SECTION 4.09. Rebate Fund. In order to insure compliance with the rebate provisions of Section 148(f) of the Code, the Council shall create the Rebate Fund. Such Fund

shall be held by the Trustee. The Rebate Fund need not be maintained if the Council shall have received an Opinion of Bond Counsel acceptable to the Council to the effect that failure to maintain the Rebate Fund or such Account therein shall not adversely affect the exclusion of interest on the Bonds from gross income for purposes of Federal income taxation. Moneys in the Rebate Fund shall not be considered moneys held under the Indenture and shall not constitute a part of the Trust Estate held for the benefit of the Bondholders or the Council. Moneys in the Rebate Fund (including earnings and deposits therein) shall be held for future payment to the United States Government as required by the regulations and as set forth in instructions delivered to the Council upon issuance of the Bonds.

SECTION 4.10. Moneys To Be Held in Trust. With the exception of moneys deposited in the Rebate Fund, all moneys required to be deposited with or paid to the Trustee for the account of any Fund or Account established under any provision of this Indenture shall be held by the Trustee, in trust, and except for moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, and except as otherwise provided in Section 2.10 hereof, shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the security interest created hereby.

SECTION 4.11. Reports From Trustee. Unless otherwise advised in writing, the Trustee shall furnish monthly to the Council, the Bond Insurer and to any Borrower, upon request, on the twentieth (20th) day of the month following the month in which the Bonds are delivered, and on the twentieth (20th) day of each month thereafter, a report on the status of each of the Funds and Accounts established under this Article IV which are held by the Trustee, showing at least the balance in each such Fund or Account as of the first day of the preceding month, the total of deposits to and the total of disbursements from each such Fund or Account, the dates of such deposits and disbursements, and the balance in each such Fund or Account on the last day of the preceding month.

SECTION 4.12. Certain Verifications. The Council, the Trustee and/or the Bond Insurer from time to time may, but shall have no obligation to, cause a firm of Accountants to supply the Council, the Trustee and the Bond Insurer with such information as the Council, the Trustee or the Bond Insurer may request in order to determine in a manner reasonably satisfactory to the Council, the Trustee and the Bond Insurer all matters relating to (a) the sufficiency of projected cash flow receipts and disbursements on the Loans and Funds described herein to pay the principal of and interest on the Bonds; (b) the actuarial yields on the Loans and on the Bonds as the same may relate to any data or conclusions necessary to verify that the Bonds are not arbitrage bonds within the meaning of Section 148 of the Code; and (c) calculations related to rebate liability. Payment for costs and expenses incurred in connection with supplying the foregoing information shall be paid from moneys in the Revenue Fund pursuant to Section 4.05(3) hereof.

ARTICLE V

LOANS

SECTION 5.01. Terms and Conditions of Loans. The Council will make Loans to Borrowers in order to refund or refinance debt incurred by Borrowers, all in accordance with provisions more fully set forth in the Loan Agreements.

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

ARTICLE VI

SERVICING OF LOANS

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

ARTICLE VII

INVESTMENT OF MONEYS

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

Moneys in the Funds and Accounts shall be invested at the direction of the Council through its Program Administrator in Investment Securities with respect to which payments of principal thereof and interest thereon are scheduled or otherwise payable not later than the dates on which it is estimated that such moneys will be required by the Trustee for the purposes specified in this Indenture. Investment Securities acquired pursuant to this Section under a repurchase agreement with the seller thereof may be deemed to mature on the dates on and in the amounts (i.e., for the repurchase price) which the Trustee may deliver such Investment Securities to such seller for repurchase under such agreement. Notwithstanding the foregoing, Loan Repayments may not be invested in investments described under Section 1.01 hereof, "Investment Securities" sections L and M.

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

All interest, profits and other income earned from investment (other than in Loans) of all moneys in any Fund or Account (except the Rebate Fund) 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.

Subject to Section 13.08 hereof and except as provided herein, investments in any and all Funds and Accounts may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in particular Funds and Accounts of amounts received or held by the Trustee hereunder, provided that, notwithstanding any such commingling, the Trustee shall at all times account for such investments strictly in accordance with the Funds and Accounts to which they are credited and otherwise as provided in this Indenture. The Trustee may act as principal or agent in the acquisition or disposition of Investment Securities. The Trustee may sell, or present for redemption, any Investment Securities so purchased whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the Fund or Account to which such

Investment Security is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made pursuant to this Article VII.

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

ARTICLE VIII

DISCHARGE OF INDENTURE

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

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

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

Notwithstanding the foregoing paragraph, no deposit under clause (a)(ii) of the immediately preceding paragraph shall be deemed a payment of the Bonds as aforesaid (1) until the Council shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions:

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

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

(iii) if all the Bonds are not to be redeemed within 30 days, to mail, as soon as practicable, in the manner prescribed by Article III hereof, a notice to the Owners of the Bonds that the deposit required by (a)(ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, of the Bonds as specified in (i) hereof; and

(2) if any Bonds are to be redeemed within the next 30 days, until proper notice of redemption of those Bonds has been given.

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

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

Notwithstanding any provision of any other Article of this Indenture which may be contrary to the provisions of this Article, all moneys or Governmental Obligations set aside and held in trust pursuant to the provisions of this Article for the payment of Bonds (including interest thereon) shall be applied to and used solely for the payment of the particular Bonds (including interest thereon) with respect to which such moneys or obligations have been so set aside in trust.

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

Anything to the contrary provided elsewhere in this Indenture notwithstanding, this Indenture shall not be discharged as long as any amounts are owing to the Bond Insurer and no

Bond shall be deemed paid under this Indenture if the Bond Insurer shall have made any payment under the Bond Insurance Policy or Surety Bond in respect of the principal of or interest on such Bond until the amount of such principal or interest, together with interest thereon provided for herein and in the Bonds on past-due principal and interest, shall have been paid to the Bond Insurer. Furthermore, if the discharge of the Indenture is based upon, or utilizes a forward supply contract, the Insurer's prior written consent must be received before the Indenture shall be discharged by the Trustee.

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

ARTICLE IX

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

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

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

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

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

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

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

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

(c) Upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Bondholders under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the related Trust

Estate and of the Revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

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

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

No right or remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bondholders or the Bond Insurer) is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and shall be in addition to any other right or remedy given to the Trustee, the Bond Insurer or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute. The assertion or

employment of any right or remedy shall not prevent the concurrent or subsequent assertion or employment of any other right or remedy.

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

No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

No waiver of any default or Event of Default hereunder by the Trustee shall be effective without the approval of the Bond Insurer.

SECTION 9.03. Right of Bondholders to Direct Proceedings. Anything in this Indenture to the contrary notwithstanding, the Bond Insurer (unless the Bond Insurer is in default under the Bond Insurance Policy) or, with consent of the Bond Insurer (provided such consent shall not be required if the Bond Insurer is in default under the Bond Insurance Policy), the Owners of a majority in aggregate principal amount of the Outstanding Bonds shall have the right, at any time during the continuance of an Event of Default, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

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

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

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

FIRST -- To the payment to the persons entitled thereto of all amounts payable pursuant to Section 4.05(1) or Section 4.05(2) and, as to installments of interest, in the

order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

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

THIRD -- To payment to the persons entitled thereto of all amounts payable pursuant to Sections 4.05(3); and

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

(b) If the principal of all the Bonds shall have become due, all such moneys shall be applied to the payment of the principal of and interest then due and unpaid upon the Bonds and amounts payable pursuant to Section 4.05(3), with Bond principal and interest to be paid first, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, and with the items enumerated in Section 4.05(3) to be paid second to the Persons entitled thereto without any discrimination or privilege.

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

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

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

SECTION 9.07. Rights and Remedies of Bondholders. No Owner of any Bond or the Bond Insurer shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless (a) a default has occurred, (b) such default shall have become an Event of Default and the Owners of not less than 25% in aggregate principal amount of Outstanding Bonds affected thereby, with the consent of the Bond Insurer, or the Bond Insurer shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (c) such Owners of Bonds or the Bond Insurer shall have offered to the Trustee indemnity as provided in Section 10.01(k) hereof, and (d) the Trustee shall for 60 days after receipt of such request and indemnification fail or refuse to exercise the rights and remedies hereinbefore granted, or to institute such action, suit or proceeding in its own name; and such request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more Owners of the Bonds or the Bond Insurer shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by its, his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of the Owners of all Outstanding Bonds. However, nothing contained in this Indenture shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on any Bond at and after the maturity or redemption date of such principal or interest, or the obligation of the Council to pay the principal of and interest on each of the Bonds issued hereunder to the respective registered Owners thereof at the time, place, from the source and in the manner in this Indenture and in the Bonds expressed.

SECTION 9.08. Termination of Proceedings. In case the Trustee or any Owner of any Bonds or the Bond Insurer shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Council, the Trustee, the Bond Insurer and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and with regard to the property herein subject to this

Indenture, and all rights, remedies and powers of the Trustee, the Bond Insurer and Owners of Bonds shall continue as if no such proceedings had been taken.

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

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

Any notice that is required to be given to the Bondholders or the Trustee pursuant to this Indenture or any Supplemental Indenture shall also be provided to the Bond Insurer. All notices required to be given to the Bond Insurer under this Indenture shall be in writing and shall be sent by registered or certified mail addressed to the Bond Insurer at the address specified in Section 2.04 hereof.

SECTION 9.11. Bond Insurer to be Deemed Bondholder; Rights of Bond Insurer. (a) Notwithstanding any provisions of this Indenture to the contrary, unless the Bond Insurer is in default under the Bond Insurance Policy, the Bond Insurer shall at all times be deemed the exclusive Owner of all Bonds for all purposes except for the purpose of payment of the principal of and premium, if any, and interest on the Bonds prior to the payment by the Bond Insurer of the principal of and interest on the Bonds. The Bond Insurer shall have the exclusive right to direct any action or remedy to be undertaken by the Trustee, by the Owners or by any other party pursuant to this Indenture and the Loan Agreements, and no acceleration of the Bonds shall be permitted, and no event of default shall be waived, without the Bond Insurer's consent. All rights to collect, receive and dispose of such collateral shall be independent of any rights to effect acceleration of the Bonds.

(b) The Bond Insurer shall be subrogated to any and all of the rights of the Owners of any and all of the Bonds insured by the Bond Insurer (unless the Bond Insurer is in default under the Bond Insurance Policy) at all times for the purpose of the execution and delivery of a Supplemental Indenture or of any amendment, change or modification of the Loan Agreements or the initiation by Bondholders of any action to be undertaken by the Trustee at the Bondholder's request. In addition, the Bond Insurer's consent to any Supplemental Indenture and any amendment, change or modification of any Loan Agreement shall be required.

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

ARTICLE X

THE TRUSTEE

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

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to advice of counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorneys (who may but need not be the attorney or attorneys for the Council, the Bond Insurer or a Borrower) approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(c) The Trustee shall not be responsible for any recital herein, or in the Bonds, or for the validity of the execution by the Council of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee may become the Owner of Bonds secured hereby with the same rights which it would have if not the Trustee.

(e) Unless an officer of the corporate trust department of the Trustee shall have actual knowledge thereof, the Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except defaults under Section 9.01(a) hereof unless the Trustee shall be specifically notified in writing of such default by the Council or the Bond Insurer or a court of law or by any Owner of Bonds. All notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Designated office of the Trustee and, in the absence of such notice so delivered, the Trustee may conclusively assume there is no default except as aforesaid. The Trustee shall provide copies of any such notices as soon as practicable to the Council, Bond Insurer and the Borrowers.

(f) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine

and correct and to have been signed or sent by the proper person or persons. The Trustee shall not withhold unreasonably its consent, approval or action to any reasonable request of the Council. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the registered Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(g) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled in good faith to rely upon a certificate signed by an authorized officer of the Council or by an authorized officer of the Program Administrator as sufficient evidence of the facts therein contained and prior to the occurrence of a default of which the Trustee has knowledge, or is deemed to have notice pursuant to Section 10.01(e), shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of an authorized officer of the Council under its seal to the effect that a resolution in the form therein set forth has been adopted by the Council as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

(h) All moneys received by the Trustee hereunder, until used or applied as herein provided, shall be held in trust for the purposes for which they were received.

(i) At any and all reasonable times, the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives and the Bond Insurer, shall have the right to inspect any and all of the books, papers and records of the Council pertaining to the Revenues and receipts under the Loan Agreements and the Bonds, and to take such memoranda from and in regard thereto as may be desired.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Before taking the action referred to in Section 9.02 or 9.07 hereof, the Trustee may require that satisfactory indemnity be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability relating to such action, except liability which is adjudicated to have resulted from its negligence or willful default.

SECTION 10.02. Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees (including in connection with any appeal or bankruptcy proceedings and other expenses reasonably and necessarily made or incurred by the Trustee) but solely from moneys available therefor pursuant to Section 4.05 hereof or Section 9.05 hereof and pursuant to the Loan Agreements.

SECTION 10.03. Notice to Bondholders if Default Occurs Under Indenture. If the Trustee becomes aware of an Event of Default, then the Trustee shall promptly give written notice thereof by registered or certified mail to the Bond Insurer and by first-class mail to the Owners of all Outstanding Bonds affected thereby, as shown by the bond registration books.

SECTION 10.04. Intervention by Trustee. In any judicial proceeding to which the Council is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of Owners of the Bonds, the Trustee may intervene on behalf of the Bondholders, and shall do so if requested in writing by (i) the Bond Insurer, or (ii) the Owners of at least 25% of the aggregate principal amount of Bonds then Outstanding, with the consent of the Bond Insurer.

SECTION 10.05. Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer all or substantially all of the bond administration portion of its corporate trust business, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto shall be and become, to the extent permitted by law, successor Trustee hereunder and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided, however, that written notice shall be provided to the Bond Insurer the Council and the Bondholders.

Any successor Trustee appointed pursuant to this Section or through consolidation, sale, or merger shall be a trust company or bank in good standing located in or incorporated under the laws of the State or the United States, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$75,000,000 and acceptable to the Bond Insurer.

SECTION 10.06. Resignation by Trustee. The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving sixty (60) days' written notice by registered or certified mail to the Council and the Bond Insurer and by first-class mail to the registered Owner of each Bond, and such resignation shall take effect upon the appointment of a successor Trustee as hereinafter provided and the acceptance of such appointment by such successor. No such acceptance shall be effective unless the Bond Insurer has consented in writing to such appointment.

SECTION 10.07. Removal of Trustee. The Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Trustee and to the Council and signed by the Bond Insurer or the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, with consent of the Bond Insurer, for any breach of trust set forth herein, provided, that all amounts owing to the Trustee shall be paid simultaneous with or prior to such removal.

SECTION 10.08. Appointment of Successor Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by a resolution of the Council, with the consent of the Bond Insurer, or if the Council shall not have appointed a successor Trustee, by filing with the Council an instrument or concurrent instruments in writing signed by Owners of not less than a majority in principal amount of Bonds outstanding, or by their attorneys in fact, duly authorized. Nevertheless, in case of such vacancy, the Bond Insurer may appoint a temporary Trustee to fill such vacancy until a successor to the Trustee shall be appointed in the manner above prescribed; and any such temporary Trustee so appointed by the Bond Insurer shall immediately and without further act be superseded by any Trustee so appointed. Notice of the appointment of a successor Trustee shall be given by the successor Trustee in the same manner as provided by Section 10.06 hereof with respect to the resignation of a Trustee. Every such Trustee appointed pursuant to the provisions of this Section shall be a trust company or bank in good standing having a corporate trust office in the State, having a reported capital and surplus of not less than \$75,000,000 and subject to examination by federal or State authority, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms. The Bond Insurer shall be notified immediately upon the resignation or termination of the Trustee and the appointment of a successor Trustee.

SECTION 10.09. Concerning Any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its or his predecessor and also to the Council and the Bond Insurer an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the written request of the Council, or of the successor Trustee, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities, moneys, documents and other property held by it as the Trustee hereunder to its or his successor hereunder. Should any instrument in writing from the Council be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Council. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article, shall be filed or recorded by the successor Trustee in each recording office where this Indenture shall have been filed or recorded. Such successor Trustee shall give notice of such successors to Fitch and S&P.

SECTION 10.10. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Council and the Bond Insurer, at reasonable hours and under reasonable conditions.

SECTION 10.11. [Reserved]

SECTION 10.12. Paying Agent. The Council hereby appoints the Trustee as Paying Agent. The Council may, with the approval of the Trustee and the Bond Insurer appoint additional Paying Agents for the Bonds. Each Paying Agent shall designate to the Council and the Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Council under which such Paying Agent will agree, particularly:

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

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

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

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

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

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

ARTICLE XI

SUPPLEMENTAL INDENTURES

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

- (a) To cure or correct any ambiguity or omission or formal defect in this Indenture;
- (b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to make any change which, in the judgment of the Trustee, is not to the material prejudice of the Bondholders;
- (c) To subject to this Indenture additional revenues, properties or collateral;
- (d) To modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to this Indenture or any indenture supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute; or
- (e) To change or evidence or give effect to the delivery of an Alternate Surety Bond.

SECTION 11.02. Supplemental Indentures Requiring Consent of Bondholders. Exclusive of supplemental indentures covered by Section 11.01 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the Bond Insurer and the Owners of not less than two-thirds in aggregate principal amount of the Outstanding Bonds affected thereby shall have the right, from time to time, to consent to and approve the execution by the Council and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing in this Section contained shall permit, or be construed as permitting (1) without the consent of the Owners of all then Outstanding Bonds affected thereby, of (a) an extension of the maturity date of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture, or (e) except to the extent necessary to implement Section 4.08(c) hereof, the creation of any lien hereunder other than a lien ratably securing all of the Bonds at any time Outstanding hereunder, or (2) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the written consent of the Trustee.

If at any time the Council shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed by registered or certified mail to each Owner of a Bond affected thereby at the address shown on the registration books. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders. If, within sixty (60) days, or such longer period as shall be prescribed by the Council, following the mailing of such notice, the Owners of not less than two-thirds in aggregate principal amount of the Outstanding Bonds affected thereby at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Council from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

Notwithstanding the foregoing or any other provisions to the contrary, for as long as the Bond Insurance Policy remains in full force and effect, consent and approval by the Bond Insurer shall constitute the required consent and approval of the Owners of the Bonds, provided, however, that in no event shall the Bond Insurer's consent to the actions listed in subsection (1)(a) through (e) of this Section 11.02 constitute consent of the Owners.

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

ARTICLE XII

AMENDMENT OF LOAN AGREEMENTS

SECTION 12.01. Amendments, Etc., Not Requiring Consent of Bondholders.

The Council and the Trustee may, without the consent of or notice to the Bondholders, but only with the consent of the Bond Insurer, consent to any amendment, change or modification of any Loan Agreement that may be required (a) by the provisions of such Loan Agreement or to conform to the provisions of this Indenture, (b) for the purpose of curing any ambiguity or inconsistency or formal defect or omission, (c) so as to add additional rights acquired in accordance with the provisions of such Loan Agreement, (d) in connection with any other change therein which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Owners of the Bonds, or (e) in connection with the delivery of an Alternate Surety Bond.

SECTION 12.02. Amendments, Etc., Requiring Consent of Bondholders. Except for amendments, changes or modifications provided for in Section 12.01 hereof, neither the Council nor the Trustee shall consent to any amendment, change or modification of any Loan Agreement without the mailing of notice and the written approval or consent of the Bond Insurer and Owners of not less than two-thirds in aggregate principal amount of the Bonds at the time Outstanding given and procured as in this Section provided. If at any time the Council and a Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification of a Loan Agreement, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be mailed in the same manner as provided by Section 11.02 hereof with respect to supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file with the Trustee for inspection by all Bondholders. Nothing contained in this Section shall permit, or be construed as permitting, a reduction of the aggregate principal amount of Bonds the Owners of which are required to consent to any amendment, change or modification of a Loan Agreement, a reduction in, or a postponement of, the payments under any Loan Agreement or any changes that affect the exclusion of interest on the Bonds from the gross income of the Holders thereof for purposes of Federal income taxation, without the consent of the Owners of all of the Bonds then Outstanding.

Notwithstanding the foregoing or any other provisions to the contrary, for as long as the Bond Insurance remains in full force and effect, consent and approval by the Bond Insurer shall constitute the required consent and approval of the Owners of the Bonds, provided, however, that the Bond Insurer shall not be entitled to consent to a reduction in, or postponement of, the payment due the Bondholders or any change that affects the exclusion of interest on the Bonds from gross income of the Holders thereof for purposes of Federal income taxation.

Nothing contained in this Section shall be construed to prevent the Trustee, with the consent of the Council and the Bond Insurer, from settling a default under any Loan Agreement on such terms as the Trustee may determine to be in the best interests of the Owners of the Bonds.

ARTICLE XIII

GENERAL COVENANTS

SECTION 13.01. Payment of Principal and Interest. The Council covenants that it will promptly pay the principal of and interest on every Bond issued under this Indenture at the place, on the dates and in the manner provided herein and in said Bonds according to the true intent and meaning thereof, provided that the principal and interest are payable by the Council solely from the Trust Estate as provided in this Indenture, and nothing in the Bonds or this Indenture shall be considered as assigning or pledging any other funds or assets of the Council other than such Trust Estate.

SECTION 13.02. Performance of Covenants; the Council. The Council covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining hereto. The Council covenants that it is duly authorized under the Constitution and laws of the State, including particularly the Act, to issue the Bonds authorized hereby and to execute this Indenture, to execute and deliver Loan Agreements, to assign the Loan Agreements and collateral documents and amounts payable thereunder, and to pledge the Revenues and any other property hereby pledged in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken, and that the Bonds in the hands of the Owners thereof are and will be valid and enforceable obligations of the Council according to the terms thereof and hereof.

SECTION 13.03. Instruments of Further Assurance. The Council agrees that the Trustee may defend its rights to the payments of the Revenues for the benefit of the Owners of the Bonds, against the claims and demands of all persons whomsoever. The Council covenants that it will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, pledging, assigning and confirming unto the Trustee all and singular the rights assigned hereby and the amounts and other property pledged hereby to the payment of the principal of and interest on the Bonds. The Council covenants and agrees that, except as provided herein or in the Loan Agreements, it will not sell, convey, assign, pledge, encumber or otherwise dispose of any part of the Revenues or the proceeds of the Bonds or its rights under the Loan Agreements.

SECTION 13.04. Rights Under the Loan Agreements. The Loan Agreements, the form of which has been filed with the Trustee and duly executed counterparts of each of which will be retained by the Trustee, as required by Section 13.06 hereof, set forth the covenants and obligations of the Council and the Borrowers, including provisions that the Loan Agreements may not be effectively amended without the concurring written consent of the Trustee, as provided in Article XII hereof, and reference is hereby made to the Loan Agreements for a detailed statement of said covenants and obligations of the Borrowers under the Loan Agreements, and the Council agrees that the Trustee in its name or to the extent permitted by law, in the name of the Council, may enforce all rights of the Council and all obligations of the

Borrowers under the Loan Agreements (and waive the same except for rights expressly granted to the Council) on behalf of the Bondholders whether or not the Council is in default hereunder.

SECTION 13.05. Possession and Inspection of Loan Agreements. The Trustee shall retain possession of an executed copy of each Loan Agreement to which it is a party or in which it has an interest and release them only in accordance with the provisions of this Indenture. The Council and the Trustee covenant and agree that all books and documents in their possession relating to the Loan Agreements and to the distribution of proceeds thereof shall at all times be open to inspection by such accountants or other agencies or persons as the other party or the Bond Insurer may from time to time designate.

SECTION 13.06. Provision of Documents to Bondholders. If any Bondholder shall request of the Council or Trustee a copy of the Indenture, the Bond Insurance Policy or any Loan Agreement, the Trustee shall, at the expense of the Bondholder, provide such Bondholder with a photocopy or other copy of any such document requested.

SECTION 13.07. Tax Covenants.

(a) The Council shall not use or permit the use of any proceeds of the Bonds or any other funds of the Council, and the Trustee shall not knowingly use or permit the use of any proceeds of the Bonds or any other funds of the Council held by the Trustee, directly or indirectly, to acquire any securities or obligations, and shall not knowingly use or permit the use of any amounts received by the Council or Trustee with respect to the Loan Agreements in any manner, and shall not take or permit to be taken any other action or actions, which would cause any Bond to be an “arbitrage bond” within the meaning of Section 148, or “federally guaranteed” within the meaning of the Code. If at any time the Council is of the opinion that for purposes of this subsection (a) it is necessary to restrict or limit the yield on or change in any way the investment of any moneys held by the Trustee under this Indenture, the Council shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(b) The Council shall not use or permit the use of any proceeds of Bonds or any other funds of the Council, and the Trustee shall not knowingly use or permit the use of any proceeds of the Bonds or any other funds of the Council held by the Trustee, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would result in any of the Bonds being treated as a “private activity bond,” as defined in Section 141 of the Code.

(c) The Council and the Trustee (if directed by the Council) shall at all times do and perform all acts and things permitted by law and this Indenture which are necessary or desirable in order to assure that interest paid on the Bonds will be excluded from gross income for purposes of Federal income taxation and shall take no action that would result in such interest not being excluded from Federal gross income.

(d) The Council covenants that it will maintain adequate accounting records, and rebate investment income from the investment of proceeds of the Bonds to the United States

Treasury within the time allowed and in the manner specified by the Code and regulations and will otherwise comply with such laws and regulations.

SECTION 13.08. Security Interest.

(a) This Indenture creates a valid and binding assignment of, lien on and security interest in the Trust Estate in favor of the Trustee as security of payment of the Bonds, enforceable by the Trustee in accordance with the terms hereof.

(b) The Council has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of such collateral that ranks on a parity with (except the Reserve Fund) or prior to the lien, security interest or assignment granted hereby. The Council has not described such collateral in a Uniform Commercial Code financing statement. The Council shall not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in such collateral that ranks prior to or on a parity with (except the Reserve Fund) the assignment, lien, or security interest granted hereby, or file any financing statement describing any such pledge, assignment, lien or security interest, except as expressly permitted hereby.

ARTICLE XIV

MISCELLANEOUS

SECTION 14.01. Consents, etc., of Bondholders. Any consent, request, direction, approval, objection or other instrument required by this Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Council, the Trustee and any subsequent Owners of the Bonds with regard to any action taken by it under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of any witness to such execution.

(b) The fact of ownership of Bonds and the amount or amounts, numbers and other identification of Bonds, and the date of owning the same shall be proved by the registration books of the Council maintained by the Registrar pursuant to Section 2.07 hereof.

SECTION 14.02. Limitation of Rights. With the exception of rights herein expressly conferred or as otherwise provided herein, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person or company other than the parties hereto and the owners of the Bonds, any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the Owners of the Bonds as herein provided. The Bond Insurer is recognized as a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

SECTION 14.03. The Bond Insurer. All provisions in this Indenture regarding consents, approvals, directions, appointments or requests by the Bond Insurer shall be deemed to not require or permit such consents, directions, appointments or requests by the Bond Insurer and shall be read as if the Bond Insurer were not mentioned therein during any time in which (a) the Bond Insurer is in default in its obligation to make payments under the Bond Insurance Policy, (b) the Bond Insurance Policy shall at any time for any reason cease to be valid and binding on the Bond Insurer, or shall be declared to be null and void by final and conclusive judicial determination, or the validity or enforceability of any provision thereof is being contested by the Bond Insurer or any governmental agency or authority, or if the Bond Insurer is denying further liability or obligation under the Bond Insurance Policy, or (c) a final determination against the Bond Insurer, under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of the State of New York, whether now or hereafter in effect.

SECTION 14.04. Severability. If any provision of this Indenture shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

SECTION 14.05. Notices. Any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, or sent by telegram or telex, addressed to the parties as follows:

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

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

Trustee: Wachovia Bank, National Association
Corporate Trust Department, FL0122
225 Water Street, 3rd Floor
Jacksonville, Florida 32202
Attention: Stephanie Moore

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

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

The above parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 14.06. Payments Due on Saturdays, Sundays and Holidays. In any case where the date of payment of principal of or interest on the Bonds or the date fixed for redemption of any Bonds shall be a day which is not a Business Day, then payment of interest or principal shall be made on the succeeding Business Day with the same force and effect as if made on the interest payment date or the date of maturity or the date fixed for redemption.

SECTION 14.07. Counterparts. This Indenture may be simultaneously executed in several counterparts, each of which, when so executed and delivered, shall be an original and all of which shall constitute but one and the same instrument.

SECTION 14.08. Applicable Provisions of Law. This Indenture shall be governed by and construed in accordance with the laws of the State.

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

(Remainder of this page intentionally left blank)

IN WITNESS WHEREOF, the Council has caused this Indenture to be executed on its behalf by its Chairman and the seal of the Council to be hereunto affixed and duly attested by its Executive Director and the Trustee, to evidence its acceptance of the trusts created hereunder, has caused this Indenture to be executed in its name by its duly authorized officer, all as of the day and year first above written.

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

By: _____
Name: Raul Martinez
Title: Chairman

ATTEST:

FLORIDA LEAGUE OF CITIES, INC.,
Program Administrator

By: _____
Name: Michael Sittig
Title: Executive Director

TRUST INDENTURE

WACHOVIA BANK, NATIONAL
ASSOCIATION, as Trustee

By: _____
Name: Stephanie Moore
Title: Assistant Vice President

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APPENDIX D

FORM OF LOAN AGREEMENT

This Loan Agreement (the "Loan Agreement" or the "Agreement") dated as of _____ 1, 2005 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 or refinance 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 previously entered into that certain Loan Agreement dated as of _____ 1, 2000; and

WHEREAS, the Council and the Borrower have determined that the lending of funds by the Council to the Borrower pursuant to the terms of this Agreement and that certain Trust

Indenture dated as of June 1, 2005, 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 Refunding Bonds, Series 2005C" (the "Bonds") as the same shall become due, and the issuance of the Bonds shall not directly, indirectly or contingently obligate the Borrower, the State or any political subdivision or municipal corporation thereof to levy or pledge any form of ad valorem taxation for their payment but shall be payable solely from the funds and revenues pledged under and pursuant to this Agreement and the Indenture.

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

ARTICLE I

DEFINITIONS

Unless the context or use indicates another meaning or intent, the following words and terms as used in this Loan Agreement shall have the following meanings, and any other hereinafter defined, shall have the meanings as therein defined.

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

"Accounts" means the accounts created pursuant to Section 4.02 of the Indenture.

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

"Additional Payments" means payments required by Section 5.03 hereof.

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

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

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

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

“Basic Payments” means the payments denominated as such in Section 5.01 hereof.

“Board” means the governing body of the Borrower.

“Bond Counsel” means Bryant Miller & 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 Refunding Bonds, Series 2005C issued pursuant to Article II of the Indenture.

“Bond Year” means a 12-month period beginning on April 2 and ending on and including the following April 1, except for the first period which begins on July ____, 2005.

“Borrower” means the governmental unit which is described in the first paragraph and on the cover page of this Loan Agreement and which is borrowing and using the Loan proceeds to finance, refinance and/or be reimbursed for, all or a portion of the costs of one or more Projects.

“Borrowers” means, collectively, the Borrower executing this Loan Agreement and the other governmental units which have received loans from the Council made from proceeds of the Bonds.

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

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

“Closing” means the closing of a Loan pursuant to the Indenture and this Agreement.

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

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

“Council” means the Florida Municipal Loan Council.

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

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

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

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

“Event of Default” shall have the meaning ascribed to such term in Section 8.01 of this Agreement.

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

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

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

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

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

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

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

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

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

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

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

“Indenture” means the Trust Indenture dated as of June 1, 2005 between the Council and the Trustee, including any indentures supplemental thereto, pursuant to which (i) the Bonds are authorized to be issued and (ii) the Council’s interest in the Trust Estate is pledged as security for the payment of principal of, premium, if any, and interest on the Bonds.

“Interest Payment Date” means April 1 and October 1 of each year, commencing October 1, 2005.

“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 refinance 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 September 20, 2005, and thereafter each March 20th and September 20th, or if such day is not a Business Day, the next preceding Business Day.

“Loan Repayments” means the payments of principal and interest and other payments payable by the Borrower pursuant to the provisions of this Loan Agreement, including, without limitation, Additional Payments.

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

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

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

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

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

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

(a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Bonds deemed paid under Article IX of the Indenture; and

(c) Bonds in lieu of which other Bonds have been authenticated under Section 2.06, 2.07 or 2.09 of the Indenture.

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

“Principal Fund” means the fund by that name created by Section 4.02 of the Indenture.

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

“Program” means the Council’s program of making Loans under the Act and pursuant to the Indenture.

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

“Project” or “Projects” means a governmental undertaking approved by the governing body of a Borrower for a public purpose, including the refinancing of any indebtedness.

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

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

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

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

“Revenue Fund” means the fund by that name created by Section 4.02 of the Indenture.

“Revenues” means all Loan Repayments paid to the Trustee for the respective accounts of the Borrowers for deposit in the Principal Fund and Revenue Fund to pay principal of, premium, if any, and interest on the Bonds upon redemption, at maturity or upon acceleration of maturity, or to pay interest on the Bonds when due, and all receipts of the Trustee credited to the Borrower under the provisions of this Loan Agreement.

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

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

“State” means the State of Florida.

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

“Surety Bond” means the surety bond issued by the Surety Bond Provider guaranteeing certain payments into the Reserve Fund with respect to the Bonds 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.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS OF BORROWER AND COUNCIL

SECTION 2.01. Representations, Warranties and Covenants. The Borrower and the Council represent, warrant and covenant on the date hereof for the benefit of the Trustee, the Borrower, the Bond Insurer and Bondholders, as applicable, as follows:

(a) Organization and Authority. The Borrower:

(1) is a duly organized and validly existing municipality of the State and is a duly organized and validly existing Borrower; and

(2) has all requisite power and authority to own and operate its properties and to carry on its activities as now conducted and as presently proposed to be conducted.

(b) Full Disclosure. There is no fact that the Borrower knows of which has not been specifically disclosed in writing to the Council and the Bond Insurer that materially and adversely affects or, except for pending or proposed legislation or regulations that are a matter of general public information affecting State of Florida municipalities generally, that will materially affect adversely the properties, activities, prospects or condition (financial or otherwise) of the Borrower or the ability of the Borrower to perform its obligations under this Agreement.

The financial statements, including balance sheets, and any other written statement furnished by the Borrower to the Council, Banc of America Securities LLC, as underwriter of the Bonds and the Bond Insurer do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein or herein not misleading. There is no fact known to the Borrower which the Borrower has not disclosed to the Council, Banc of America Securities LLC, as underwriter of the Bonds and the Bond Insurer in writing which materially affects adversely or is likely to materially affect adversely the financial condition of the Borrower, or its ability to make the payments under this Agreement when and as the same become due and payable.

(c) Pending Litigation. To the knowledge of the Borrower there are no proceedings pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower, except as specifically described in writing to the Council, Banc of America Securities LLC, as underwriter of the Bonds and the Bond Insurer, in any court or before any governmental authority or arbitration board or tribunal that, if adversely determined, would materially and adversely affect the properties, prospects or condition (financial or otherwise) of the Borrower, or the existence or powers or ability of the Borrower to enter into and perform its obligations under this Agreement.

(d) Borrowing Legal and Authorized. The execution and delivery of this Agreement and the consummation of the transactions provided for in this Agreement and compliance by the Borrower with the provisions of this Agreement:

(1) are within the powers of the Borrower and have been duly and effectively authorized by all necessary action on the part of the Borrower; and

(2) do not and will not (i) conflict with or result in any material breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Borrower pursuant to any indenture, loan agreement or other agreement or instrument (other than this Agreement) or restriction to which the Borrower is a party or by which the Borrower, its properties or operations are bound as of the date of this Agreement or (ii) with the giving of notice or the passage of time or both, constitute a breach or default or so result in the creation or imposition of any lien, charge or encumbrance, which breach, default, lien, charge or encumbrance (described in (i) or (ii)) could materially and adversely affect the validity or the enforceability of this Agreement or the Borrower's ability to perform fully its obligations under this Agreement; nor does such action result in any violation of the provisions of the Act, or any laws, ordinances, governmental rules or regulations or court orders to which the Borrower, its properties or operations may be bound.

(e) No Defaults. No event has occurred and no condition exists that constitutes an Event of Default, or which, upon the execution and delivery of this Agreement and/or the passage of time or giving of notice or both, would constitute an Event of Default. The Borrower is not in violation in any material respect, and has not received notice of any claimed violation (except such violations as (i) heretofore have been specifically disclosed in writing to, and have been in writing specifically consented to by the Council and the Bond Insurer and (ii) do not, and shall not, have any material adverse effect on the transactions herein contemplated and the compliance by the Borrower with the terms hereof), of any terms of any agreement or other instrument to which it is a party or by which it, its properties or operations may be bound, which may materially adversely affect the ability of the Borrower to perform hereunder.

(f) [Reserved].

(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) 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.

(2) 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.

(3) 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.

(4) 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) Compliance with Interlocal Act and Interlocal Agreement. All agreements and transactions provided for herein or contemplated hereby are in full compliance with the terms of the Interlocal Agreement and the Interlocal Act.

SECTION 2.02. Covenants of Borrower. The Borrower makes the following covenants and representations as of the date first above written and such covenants shall continue in full force and effect during the Loan Term:

(a) Security for Loan Repayment. Subject to the provisions of Section 2.02(k) hereof, the Borrower covenants and agrees to appropriate in its annual budget, by amendment, if required, and to pay when due under this Loan Agreement as promptly as money becomes available directly to the Trustee for deposit into the appropriate Fund or Account created in the Indenture, amounts of Non-Ad Valorem Revenues of the Borrower sufficient to satisfy the Loan Repayment as required under this Loan Agreement. Such covenant is subject in all respects to the payment of obligations secured by a pledge of such Non-Ad Valorem Revenues heretofore or hereafter entered into. Such covenant and agreement on the part of the Borrower to budget and appropriate such amounts of Non-Ad Valorem Revenues shall be cumulative, and shall continue until such Non-Ad Valorem Revenues or other legally available funds in amounts sufficient to make all required Loan Repayments, including delinquent Loan Repayments, shall have been budgeted, appropriated and actually paid to the Trustee for deposit into the appropriate Fund or Account. The Borrower further acknowledges and agrees that the Indenture shall be deemed to be entered into for the benefit of the Holders of any of the Bonds and that the obligations of the Borrower to include the amount of any deficiency in Loan Repayments in each of its annual budgets and to pay such deficiencies from Non-Ad Valorem Revenues may be enforced in a court of competent jurisdiction in accordance with the remedies set forth herein and in the Indenture. Notwithstanding the foregoing or any provision of this Loan Agreement to the contrary, the Borrower does not covenant to maintain any services or programs now maintained by the Borrower which generate Non-Ad Valorem Revenues or to maintain the charges it presently collects for any such services or programs.

During such time as the Loan is outstanding hereunder, the Borrower agrees that, as soon as practicable upon the issuance of debt by the Borrower which is secured by its Non-Ad Valorem Revenues, it shall deliver to the Council and the Bond Insurer a certificate setting forth the calculations of the financial ratios provided below and certifying that it is in compliance with the following: (i) Non-Ad Valorem Revenues (average of actual receipts over the prior two years) must cover projected maximum annual debt service on debt secured by and/or payable solely from such Non-Ad Valorem Revenues by at least 1.5x; and (ii) projected maximum annual debt service requirements for all debt secured by and/or payable solely from such Non-Ad Valorem Revenues will not exceed 20% of Governmental Fund Revenues (defined as general fund, special fund, debt service fund and capital projects funds), exclusive of (i) ad valorem revenues restricted to payment of debt service on any debt and (ii) any debt proceeds, and based on the Borrower's audited financial statements (average of actual receipts of the prior two years). For the purposes of these covenants maximum annual debt service means the lesser of the actual maximum annual debt service on all debt or 15% of the original par amount of the debt, in each case, secured by Borrower Non-Ad Valorem Revenues.

(b) Delivery of Information to the Bond Insurer. Borrower shall deliver to the Bond Insurer and the Council as soon as available and in any event within 270 days after the end of each Fiscal Year an audited statement of its financial position as of the end of such Fiscal Year and the related statements of revenues and expenses, fund balances and changes in fund balances for such Fiscal Year, all reported by an independent certified public accountant, whose report shall state that such financial statements present fairly Borrower's financial position as of the end of such Fiscal Year and the results of operations and changes in financial position for such Fiscal Year.

(c) Information. Borrower's chief financial officer shall, at the reasonable request of the Bond Insurer, discuss Borrower's financial matters with the Bond Insurer or their designee and provide the Bond Insurer with copies of any documents reasonably requested by the Bond Insurer or its designee unless such documents or material are protected or privileged from disclosure under applicable Florida law.

(d) [Reserved].

(e) Further Assurance. The Borrower shall execute and deliver to the Trustee all such documents and instruments and do all such other acts and things as may be reasonably necessary to enable the Trustee to exercise and enforce its rights under this Loan Agreement and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be reasonably necessary or required by the Trustee to validate, preserve and protect the position of the Trustee under this Loan Agreement.

(f) Keeping of Records and Books of Account. The Borrower shall keep or cause to be kept proper records and books of account, in which correct and complete entries will be made in accordance with generally accepted accounting principles, consistently applied (except for changes concurred in by the Borrower's independent auditors) reflecting all of its financial transactions.

(g) Payment of Taxes, Etc. The Borrower shall pay all legally contracted obligations when due and shall pay all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims, which, if unpaid, might become a lien or charge upon any of its properties, provided that it shall not be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by appropriate proceedings, which shall operate to stay the enforcement thereof.

(h) Compliance with Laws, Etc. Subject to an annual appropriation of legally available funds, the Borrower shall comply with the requirements of all applicable laws, the terms of all grants, rules, regulations and lawful orders of any governmental authority, non-compliance with which would, singularly or in the aggregate, materially adversely affect its business, properties, earnings, prospects or credit, unless the same shall be contested by it in good faith and by appropriate proceedings which shall operate to stay the enforcement thereof.

(i) Tax-exempt Status of Bonds. The Council and the Borrower understand that it is the intention hereof that the interest on the Bonds not be included within the gross income of the holders thereof for federal income tax purposes. In furtherance thereof, the Borrower and the Council each agree that they will take all action within their control which is necessary in order for the interest on the Bonds or this Loan to remain excluded from gross income for federal income taxation purposes and shall refrain from taking any action which results in such interest becoming included in gross income.

The Borrower and the Council further covenant that, to the extent they have control over the proceeds of the Bonds, they will not take any action or fail to take any action with respect to the investment of the proceeds of any Bonds, with respect to the payments derived from the Bonds or hereunder or with respect to the issuance of other Council obligations, which action or failure to act may cause the Bonds to be "Arbitrage Bonds" within the meaning of such term as used in Section 148 of the Code and the regulations promulgated thereunder. In furtherance of the covenant contained in the preceding sentence, the Borrower and the Council agree to comply with the Tax Certificate as to Arbitrage and the provisions of Section 141 through 150 of the Internal Revenue Code of 1986, as amended, including the letter of instruction attached as an Exhibit to the Tax Certificate, delivered by Bryant Miller & Olive P.A. to the Borrower and the Council simultaneously with the issuance of the Bonds, as such letter may be amended from time to time, as a source of guidelines for achieving compliance with the Code.

(j) Information Reports. The Borrower covenants to provide the Council with all material and information it possesses or has the ability to possess necessary to enable the Council to file all reports required under Section 149(e) of the Code to assure that interest paid by the Council on the Bonds shall, for purposes of the federal income tax, be excluded from gross income.

(k) Limited Obligations. Anything in this Loan Agreement to the contrary notwithstanding, it is understood and agreed that all obligations of the Borrower hereunder shall be payable only from Non-Ad Valorem Revenues budgeted and appropriated as provided for

hereunder and nothing herein shall be deemed to pledge ad valorem taxation revenues or to permit or constitute a mortgage or lien upon any assets or property owned by the Borrower and no Bondholder or any other person, including the Council, the Trustee or the Bond Insurer, may compel the levy of ad valorem taxes on real or personal property within the boundaries of the Borrower. The obligations hereunder do not constitute an indebtedness of the Borrower within the meaning of any constitutional, statutory or charter provision or limitation, and neither the Trustee, the Council, the Bond Insurer, or the Bondholders or any other person shall have the right to compel the exercise of the ad valorem taxing power of the Borrower or taxation of any real or personal property therein for the payment by the Borrower of its obligations hereunder. Except to the extent expressly set forth in this Loan Agreement, this Loan Agreement and the obligations of the Borrower hereunder shall not be construed as a limitation on the ability of the Borrower to pledge or covenant to pledge said Non-Ad Valorem Revenues or any revenues or taxes of the Borrower for other legally permissible purposes. Notwithstanding any provisions of this Agreement, the Indenture or the Bonds to the contrary, the Borrower shall never be obligated to maintain or continue any of the activities of the Borrower which generate user service charges, regulatory fees or any Non-Ad Valorem Revenues or the rates for such services or regulatory fees. Neither this Loan Agreement nor the obligations of the Borrower hereunder shall be construed as a pledge of or a lien on all or any legally available Non-Ad Valorem Revenues of the Borrower, but shall be payable solely as provided in Section 2.02(a) hereof and is subject in all respects to the provisions of Section 166.241, Florida Statutes, and is subject, further, to the payment of services and programs which are for essential public purposes affecting the health, welfare and safety of the inhabitants of the Borrower. It is the intent of the parties hereto and they do hereby covenant and agree, that the liability of the Borrower hereunder is a several liability of the Borrower expressly limited to the Loan Repayments and the Borrower shall have no joint liability with any other Borrower or the Council for any of their respective liabilities, except to the extent expressly provided hereunder.

The Council and the Borrower understand that the amounts available to be budgeted and appropriated to make Loan Payments hereunder is subject to the obligation of the Borrower to provide essential services; however, such obligation is cumulative and would carry over from Fiscal Year to Fiscal Year.

(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.

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 reflects 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 refinancing the cost of the Projects in accordance with the provisions of this Loan Agreement.

SECTION 3.02. Evidence of Loan. The Borrower's obligation hereunder to repay amounts advanced pursuant to Section 3.01, together with interest thereon, and other payments required under this Loan Agreement, shall be evidenced by this Loan Agreement.

ARTICLE IV

LOAN TERM AND LOAN CLOSING REQUIREMENTS

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

SECTION 4.02. Termination of Loan Term. The Borrower's obligations under this Loan Agreement shall terminate after payment in full of all amounts due under this Loan Agreement and all amounts not theretofore paid shall be due and payable at the times and in the amounts set forth in Exhibit D attached hereto; provided, however, that all covenants and all obligations provided hereunder specified to so survive (including the obligation of the Borrower to pay its share of the rebate obligations of the Council owed on the Bonds and agreed to by the Borrowers pursuant to Section 5.03(b)(7) hereof) shall survive the termination of this Loan Agreement and the payment in full of principal and interest hereunder. Upon termination of the Loan Term as provided above, the Council and the Trustee shall deliver, or cause to be delivered, to the Borrower an acknowledgment thereof.

SECTION 4.03. Loan Closing Submissions. Concurrently with the execution and delivery of this Loan Agreement, the Borrower is providing to the Trustee the following documents each dated the date of such execution and delivery unless otherwise provided below:

(a) Certified resolutions of the Borrower substantially in the form of Exhibit B attached hereto;

(b) An opinion of the Borrower's Counsel in the form of Exhibit C attached hereto to the effect that the Loan Agreement is a valid and binding obligation of the Borrower and opining to such other matters as may be reasonably required by Bond Counsel, underwriter's counsel and the Bond Insurer and acceptable to Borrower's Counsel;

(c) A certificate of the officials of the Borrower who sign this Loan Agreement to the effect that the representations and warranties of the Borrower are true and correct;

(d) This executed Loan Agreement;

(e) An opinion (addressed to the Council, the Trustee, the Bond Insurer and the Borrower) of Bond Counsel to the effect that such financing, refinancing or reimbursement with Loan proceeds is permitted under the Act, the Indenture and the resolution authorizing this Loan Agreement and will not cause the interest on the Bonds to be included in gross income for purposes of federal income taxation or adversely affect the validity, due authorization for or legality of the Bonds; and

(f) Such other certificates, documents, opinions and information as the Council, the Bond Insurer, the Trustee or Bond Counsel may require, such requirement to be evidenced (in

the case of parties other than the Trustee) by written notice of such party to the Trustee of such requirement.

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

ARTICLE V

LOAN REPAYMENTS

SECTION 5.01. Payment of Basic Payments. Borrower shall pay to the order of the Council all Loan Repayments in lawful money of the United States of America to the Trustee. No such Loan Repayment shall be in an amount such that interest on the Loan is in excess of the maximum rate allowed by the laws of the State of Florida or of the United States of America. The Loan shall be repaid in Basic Payments, consisting of:

- (a) principal in the amounts and on the dates set forth in Exhibit D; plus
- (b) interest calculated at the rates, in the amounts and on the dates set forth in Exhibit D;

On or before the fifteenth (15th) day of the month immediately preceding each Interest Payment Date, the Trustee shall give Borrower notice in writing of the total amount of the next Basic Payment due. The Basic Payments shall be due on each March 20th and September 20th, or if such day is not a Business Day, the next preceding Business Day (a “Loan Repayment Date”), commencing September 20, 2005, and extending through March 20, 20__, unless the due date of the Basic Payments is accelerated pursuant to the terms of Section 8.03 hereof.

SECTION 5.02. Payment of Surety Bond Costs. The Borrower recognizes that the Surety Bond Provider has provided to the Council the Surety Bond for deposit to the Reserve Fund in lieu of a cash payment or deposit by the Borrower. 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

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 held under

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

(b) The credits provided for in (a) shall not be given to the extent the Borrower is in default in payment of its Loan Repayments. If past-due Loan Repayments are later collected from such defaulting Borrower, the amount of the missed credit shall, to the extent of the amount collected, be credited in proportion to the amount of credit missed, to the now non-defaulting Borrower from the past-due Loan Repayments.

(c) The credits may be accumulated. If the credit allowable for an Interest Period is more than required on the next ensuing Interest Payment Date to satisfy the current Loan Repayment, it may be used on the following Interest Payment Date.

SECTION 5.05. Obligations of Borrower Unconditional. Subject in all respects to the provisions of this Loan Agreement, including but not limited to Section 2.02(a) and (k) hereof, the obligations of Borrower to make the Loan Repayments required hereunder and to perform and observe the other agreements on its part contained herein, shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, while any Bonds remain outstanding or any Loan Repayments remain unpaid, regardless of any contingency, act of God, event or cause whatsoever. This Loan Agreement shall be deemed and construed to be a "net contract," and Borrower shall pay absolutely net the Loan Repayments and all other payments required hereunder, regardless of any rights of set-off, recoupment, abatement or counterclaim that Borrower might otherwise have against the Council, the Trustee, the Bond Insurer or any other party or parties.

SECTION 5.06. Refunding Bonds. In the event the Bonds are refunded, all references in this Loan Agreement to Bonds shall be deemed to refer to the refunding bonds or, in the case of a crossover refunding, to the Bonds and the refunding bonds (but Borrower shall never be responsible for any debt service on or fees relating to crossover refunding bonds which are covered by earnings on the escrow fund established from the proceeds of such bonds). The Council agrees not to issue bonds or other debt obligations to refund the portion of the Bonds allocable to this Agreement without the prior written consent of the Authorized Representative of the Borrower.

SECTION 5.07. Prepayment. The Loan may be prepaid in whole or in part by the Borrower on the dates and in the amounts on which the Bonds are subject to optional redemption and notice provisions pursuant to Section 3.01 of the Indenture.

ARTICLE VI

DEFEASANCE

This Loan Agreement shall continue to be obligatory and binding upon the Borrower in the performance of the obligations imposed by this Loan Agreement and the repayment of all sums due by the Borrower under this Loan Agreement shall continue to be secured by this Loan Agreement as provided herein until all of the indebtedness and all of the payments required to be made by the Borrower shall be fully paid to the Council or the Trustee. Provided, however, if, at any time, the Borrower shall have paid, or shall have made provision for payment of, the principal amount of the Loan, interest thereon and redemption premiums, if any, with respect to the Bonds and shall have paid all amounts due pursuant to Section 5.03 hereof, then, and in that event, the covenant regarding the Non-Ad Valorem Revenues and the lien on the revenues pledged, if any, to the Council for the benefit of the holders of the Bonds shall be no longer in effect and all future obligations of the Borrower under this Loan Agreement shall cease. For purposes of the preceding sentence, deposit of sufficient cash and/or Governmental Obligations in irrevocable trust with a banking institution or trust company, for the sole benefit of the Council, the principal, interest and prepayment premiums, if any, 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 prepayment premiums, if any, on the Outstanding Loan, shall be considered "provision for payment." The prepayment premium, if any, shall be calculated based on the prepayment date selected by the Borrower in accordance with Section 5.07 hereof.

If the Borrower determines to prepay all or a portion of the Loan pursuant to Section 5.07 hereof, the Council shall redeem a like amount of Bonds which corresponds in terms of amount and scheduled maturity date to such Loan prepayment pursuant to Section 3.01 of the Indenture.

If the Borrower shall make advance payments to the Council in an amount sufficient to retire the Loan of the Borrower, including redemption premium and accrued interest to the next succeeding redemption date of the Bonds, 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 60 days' irrevocable notice by certified or registered mail to the Council.

ARTICLE VII

ASSIGNMENT AND PAYMENT BY THIRD PARTIES

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

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

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

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

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

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

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

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

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

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

(e) A petition is filed against the Borrower under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within 60 days of such filing;

(f) The Borrower files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law;

(g) The Borrower admits insolvency or bankruptcy or its inability to pay its debts as they become due or is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a custodian (including without limitation a receiver, liquidator or trustee) of the Borrower or any of its

property is appointed by court order or takes possession thereof and such order remains in effect or such possession continues for more than 60 days;

(h) Default under any agreement to which the 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 agency or authority, or if the Borrower shall deny any further liability or obligation under this Loan Agreement; or

(j) Final judgment for the payment of money in the amount of \$250,000 or more is rendered against the Borrower and at any time after 90 days from the entry thereof, unless otherwise provided in the final judgment, (i) such judgment shall not have been discharged, or (ii) the Borrower shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and have caused the execution of or levy under such judgment, order, decree or process of the enforcement thereof to have been stayed pending determination of such appeal, provided that such execution and levy would materially adversely affect the Borrower's ability to meet its obligations hereunder; or (iii) the Borrower is not obligated with respect to such judgment pursuant to the provisions of Chapter 768, Florida Statutes.

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

SECTION 8.03. Remedies on Default. Whenever any Event of Default referred to in Section 8.01 hereof shall have happened and be continuing, the Council or the Trustee shall, with the written consent of the Bond Insurer or upon the direction of the Bond Insurer, in addition to any other remedies herein or by law provided, have the right, at its or their option without any further demand or notice, to take such steps and exercise such remedies as provided in Section 9.02 of the Indenture, and, without limitation, one or more of the following:

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

(b) Take whatever other action at law or in equity which may appear necessary or desirable to collect amounts then due and thereafter to become due hereunder or to enforce any other of its or their rights hereunder.

SECTION 8.04. [Reserved].

SECTION 8.05. No Remedy Exclusive; Waiver, Notice. No remedy herein conferred upon or reserved to the Council or the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right, remedy or power shall be construed to be a waiver thereof, but any such right, remedy or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Council or the Trustee to exercise any remedy reserved to it in this Article VIII, it shall not be necessary to give any notice other than such notice as may be required in this Article VIII.

SECTION 8.06. Application of Moneys. Any moneys collected by the Council or the Trustee pursuant to Section 8.03 hereof shall be applied (a) first, to pay any attorney's fees or other expenses owed by the Borrower pursuant to Section 5.03(b)(3) and (4) hereof, (b) second, to pay interest due on the Loan, (c) third, to pay principal due on the Loan, (d) fourth, to pay any other amounts due hereunder, and (e) fifth, to pay interest and principal on the Loan and other amounts payable hereunder but which are not due, as they become due (in the same order, as to amounts which come due simultaneously, as in (a) through (d) in this Section 8.06).

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Notices. All notices, certificates or other communication hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the parties at the following addresses:

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

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

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

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

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

Borrower: _____

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.

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.

SECTION 9.08. Consents and Approvals. Whenever the written consent or approval of the Council shall be required under the provisions of this Loan Agreement, such consent or approval may be given by an Authorized Representative of the Council or such other additional persons provided by law or by rules, regulations or resolutions of the Council.

SECTION 9.09. Immunity of Officers, Employees and Members of Council and Borrower. No recourse shall be had for the payment of the principal of or premium or interest hereunder or for any claim based thereon or upon any representation, obligation, covenant or agreement in this Loan Agreement against any past, present or future official officer, member, counsel, employee, director or agent, as such, of the Council or the Borrower, either directly or through the Council or the Borrower, or respectively, any successor public or private corporation thereto under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, members, counsels, employees, directors or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Loan Agreement.

SECTION 9.10. Captions. The captions or headings in this Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions of sections of this Loan Agreement.

SECTION 9.11. No Pecuniary Liability of Council. No provision, covenant or agreement contained in this Loan Agreement, or any obligation herein imposed upon the Council, or the breach thereof, shall constitute an indebtedness or liability of the State or any

political subdivision or municipal corporation of the State or any public corporation or governmental agency existing under the laws thereof other than the Council. In making the agreements, provisions and covenants set forth in this Loan Agreement, the Council has not obligated itself except with respect to the application of the revenues, income and all other property as derived herefrom, as hereinabove provided.

SECTION 9.12. Payments Due on Holidays. With the exception of Basic Payments, if the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Loan Agreement, shall be other than on a Business Day, such payments may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Loan Agreement.

SECTION 9.13. Calculations. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 9.14. Time of Payment. Any Loan Repayment or other payment hereunder which is received by the Trustee or Council after 2:00 p.m. (New York time) on any day shall be deemed received on the following Business Day.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Florida Municipal Loan Council has caused this Loan Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attested by its duly authorized officers and [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.

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

By: _____
Name: Raul Martinez
Title: Chairman

ATTEST:

By: _____
Name: Michael Sittig
Title: Executive Director

LOAN AGREEMENT

[BORROWER]

(SEAL)

By: _____
Name:
Title:

ATTESTED BY:

By: _____
Name:
Title:

Approved as to form and correctness
this ___ day of _____, 2005.

By: _____
Name:
Title:

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Bonds in definitive form, Bryant Miller & 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

\$15,610,000
FLORIDA MUNICIPAL LOAN COUNCIL
REVENUE REFUNDING BONDS, SERIES 2005C

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Florida Municipal Loan Council (the "Council") of its \$15,610,000 Florida Municipal Loan Council Revenue Refunding Bonds, Series 2005C (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 June 1, 2005, 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 Fort Myers, Florida; City of Lauderdale Lakes, Florida; City of Port Richey, Florida; and City of North Miami Beach, Florida (collectively, the "Borrowers") for the purpose of refinancing a portion of the loans made to the Borrowers, the proceeds of which were used to finance or reimburse the cost of qualified projects of such Borrowers, and to pay certain costs of issuing the Bonds pursuant to Loan Agreements between the Council and such Borrowers to be executed simultaneously with the issuance of the Bonds.

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

CUSIP numbers appearing on the Bonds. In addition, we have not been engaged to and, therefore, express no opinion as to compliance by the Council or the underwriters with any federal or state statute, regulation or ruling with respect to the sale and distribution of the Bonds.

In rendering this opinion, we have examined and relied upon the opinion of even date herewith of Kraig A. Conn, Esquire, Counsel to the Issuer, as to the due creation and valid existence of the Council, the due authorization, execution and delivery of the Bonds and the compliance by the Council with all conditions contained in the resolutions of the Council precedent to the issuance of the Bonds. Finally, we have assumed the proper authorization, execution and delivery of the Loan Agreements by each Borrower and the validity of such Loan Agreements and in rendering this opinion are not passing upon such matters.

The Bonds do not constitute a general obligation of the Council or the Borrowers within the meaning of any constitutional, statutory or other limitation of indebtedness and the holders thereof shall never have the right to compel the exercise of any ad valorem taxing power of the Council or the Borrowers or taxation in any form of any real or personal property for the payment of the principal of or interest on the Bonds.

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

1. The Council is duly created and validly existing as a separate legal entity of the State of Florida with the power to execute the Indenture and perform the agreements on its part contained therein and to issue the Bonds.
2. The Indenture has been duly executed by the Council and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Council enforceable upon the Council in accordance with its terms.
3. The Bonds have been duly authorized, executed and delivered by the Council and are valid and special obligations of the Council enforceable in accordance with their terms, payable solely from the sources provided therefor in the Indenture.
4. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the Bonds to be included in federal gross income retroactive to the date of issuance of the Bonds, regardless of the date on which such non-compliance occurs or is ascertained. The Council has covenanted in the Indenture and the Borrowers have covenanted in their Loan Agreements to comply with such requirements in order to maintain the exclusion from federal gross income of the interest on the Bonds.

Subject to compliance by the Council and the Borrowers with the aforementioned covenants, (a) interest on the Bonds is excluded from gross income of the owners thereof for purposes of federal income

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

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

It is to be understood that the rights of the owners of the Bonds and the enforceability thereof may be subject to the exercise of judicial discretion in accordance with general principles of equity, to the valid exercise of the sovereign police powers of the State of Florida and of the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

Our opinions expressed herein are predicated upon present law, facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after the date hereof.

Very truly yours,

BRYANT MILLER & 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, unless the Insurer elects in its sole discretion, to pay in whole or in part any principal due by reason of 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:

MBIA Insurance Corporation

Resident Licensed Agent

President

City, State

Attest:

Assistant Secretary

STD-RCS-FL-7
01/05

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APPENDIX G

Financial Information Regarding City of Fort Myers

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CITY OF FORT MYERS, FLORIDA
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
For the Fiscal Years Ended September 30

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:			
Taxes	\$32,600,643	\$29,074,586	29,362,797
Licenses and permits	3,558,867	2,629,228	2,113,202
Intergovernmental revenue	6,191,979	6,074,721	5,731,191
Charges for services	2,252,978	1,999,600	1,719,449
Fines and forfeitures	926,289	902,098	1,210,421
Miscellaneous	<u>5,100,584</u>	<u>4,629,419</u>	<u>3,994,540</u>
Total revenues	<u>\$50,631,340</u>	<u>\$45,309,652</u>	<u>\$44,131,600</u>
Expenditures			
Current:			
General government	7,629,555	6,752,098	7,040,431
Public Safety			20,690,652
Police	16,234,067	13,974,309	--
Fire	9,783,767	8,470,933	--
Protective inspections	1,849,430	1,190,015	--
Other	76,304	69,807	--
Physical environment	3,807,523	3,425,623	2,856,239
Transportation	905,950	972,946	791,378
Economic environment	18,761	298,723	172,596
Culture and recreation	1,881,291	1,916,367	1,656,292
Capital outlay	0	0	168,610
Debt service			
Principal retirement	87,371	35,193	503,253
Interest and fiscal charges	<u>15,804</u>	<u>9,274</u>	<u>29,913</u>
Total expenditures	<u>\$42,289,823</u>	<u>\$37,115,288</u>	<u>\$33,909,364</u>
Excess (deficiency) of revenues over expenditures	<u>8,341,517</u>	<u>8,194,364</u>	<u>10,222,236</u>
Other Financing Sources (Uses)			
Refunding bonds issued	0	0	0
Loan issuance	0	0	0
Proceeds from capital lease	162,000	0	0
Premiums on bonds issued	0	0	0
Loan Issuance	0	0	0
Transfers in	8,436,173	7,394,201	6,142,013
Transfers out	<u>(17,730,617)</u>	<u>(14,195,113)</u>	<u>(11,243,959)</u>
Total other financing sources and uses	<u>(9,132,444)</u>	<u>(6,800,912)</u>	<u>(5,101,946)</u>
Net change in fund balance	(790,927)	1,393,452	--
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing sources uses	--	--	5,120,290
Fund balance - beginning	<u>12,852,073</u>	<u>11,458,621</u>	<u>6,722,602</u>
Residual equity transfer in	--	--	180
Residual equity transfer out	--	--	0
Fund balance - ending	<u>\$12,061,146</u>	<u>\$12,852,073</u>	<u>\$11,843,072</u>

The obligation of the City of Fort Myers to pay the Loan Payments is limited as described in the Official Statement. Certain of the above revenues may not be legally available to make, nor are any of the above revenues pledged to, the Loan Repayments. No representation is made as to the amount of revenues that are legally available to make the Loan Repayments.

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council
City of Fort Myers
Fort Myers, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Myers, Florida, (the City) as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the required supplementary information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Certified Public Accountants

P.O. Box 23999 • 222 N.E. 1st Street • Gainesville, Florida 32602 • (352) 378-2461 • FAX (352) 378-2505
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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Honorable Mayor and City Council
City of Fort Myers
Fort Myers, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget, Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization* and Chapter 10.550, Rules of the Auditor General, and is not a required part of the basic financial statements of the City of Fort Myers, Florida. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 28, 2005, on our consideration of the City'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 our audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

January 28, 2005
Sarasota, Florida

Purvis Gray and Company

Statement of Net Assets

September 30, 2004

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 32,078,147	\$ 26,800,032	\$ 58,878,179
Investments	8,561,054	3,338,388	11,899,442
Receivables, net	2,458,909	2,658,213	5,117,122
Special assessments receivable	389,101	0	389,101
Interest receivable	26,073	9,455	35,528
Due from other governments	7,235,499	1,402,179	8,637,678
Internal balances	6,487,531	(6,487,531)	0
Inventories	128,577	627,859	756,436
Prepaid items	234,538	67,860	302,398
Deposits	5,000	0	5,000
Deferred special assessments receivable	329,019	0	329,019
Notes receivable	436,427	0	436,427
Capital assets, net:			
Non-depreciable	20,655,329	26,979,092	47,634,421
Depreciable	33,373,690	113,119,809	146,493,499
Unamortized bond issuance costs	671,643	2,642,729	3,314,372
Total Assets	<u>113,070,537</u>	<u>171,158,085</u>	<u>284,228,622</u>
LIABILITIES			
Accounts and contracts payable	2,895,137	4,989,873	7,885,010
Accrued and other liabilities	3,956,513	2,522,641	6,479,154
Due to other governments	145,561	266,664	412,225
Unearned revenues	2,709,726	773,203	3,482,929
Customer deposits	438,017	3,642,134	4,080,151
Due within one year			
Compensated absences	459,187	97,619	556,806
Loans, notes and leases payable	500,050	95,787	595,837
Bonds payable	5,407,045	3,677,965	9,085,010
Claims liabilities	1,990,700	0	1,990,700
Accrued retirement payable	1,570,770	0	1,570,770
Due in more than one year			
Compensated absences	2,968,905	625,448	3,594,353
Loans, notes and leases payable	640,685	2,542,571	3,183,256
Bonds payable	99,849,793	101,951,191	201,800,984
Claims liabilities	1,567,648	0	1,567,648
Total Liabilities	<u>125,099,737</u>	<u>121,185,096</u>	<u>246,284,833</u>
NET ASSETS			
Invested in capital assets, net of related debt	(31,182,834)	34,620,053	3,437,219
Restricted for:			
Debt service	5,202,726	7,121,780	12,324,506
Capital projects	20,281,526	799,897	21,081,423
Operations and maintenance	0	3,597,043	3,597,043
Renewal and replacement	0	2,948,675	2,948,675
Impact fee projects	0	1,904,637	1,904,637
Community development projects	2,230,167	0	2,230,167
Other purposes	2,328,766	1,959,223	4,287,989
Unrestricted	(10,889,551)	(2,978,319)	(13,867,870)
Total Net Assets	<u>\$ (12,029,200)</u>	<u>\$ 49,972,989</u>	<u>\$ 37,943,789</u>

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

Statement of Activities

For the year ended September 30, 2004

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants And Contributions	Capital Grants And Contributions
Primary Government:				
Governmental activities:				
General government	\$ 5,021,131	\$ 382,190	\$ 2,363,589	\$ 1,200
Police	19,612,239	1,088,770	1,514,889	36,377
Fire	10,423,509	1,147,250	655,490	0
Protective inspections	1,775,111	2,140,524	0	0
Other public safety	76,199	189,894	0	0
Physical environment	7,743,144	1,318,694	0	0
Transportation	4,017,322	974,323	639,554	8,974,140
Economic environment	11,713,598	8,611	79,436	30,837
Culture & recreation	2,665,106	537,649	27,887	317,764
Interest on long-term debt	4,528,927	0	0	0
Total Governmental Activities	67,576,286	7,787,905	5,280,845	9,360,318
Business-type Activities:				
Utilities	25,794,035	32,931,521	0	3,757,895
Solid Waste	6,705,705	10,288,935	0	0
Permitting and Inspection	2,110,272	3,353,767	0	0
Historical Homes	5,600,816	3,870,333	81,319	1,573,282
Golf Courses	2,914,373	2,999,924	0	0
Yacht Basin	1,872,794	1,988,904	0	0
Harborside Event Center	1,629,205	846,749	2,885	0
Total Business-type Activities	46,627,200	56,280,133	84,204	5,331,177
Total Primary Government	\$ 114,203,486	\$ 64,068,038	\$ 5,365,049	\$ 14,691,495

General revenues:
 Taxes:
 Property taxes
 Public service taxes
 Franchise fees
 Fuel taxes
 Intergovernment
 Interest
 Miscellaneous
 Special item - loss on disposal of capital assets
 Net transfers
 Total general revenues, special items and transfers
 Change in net assets
 Net assets - beginning
 Net assets - ending

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

**Net (Expense) Revenue and
Changes in Net Assets
Primary Government**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (2,274,152)	\$ 0	\$ (2,274,152)
(16,972,203)	0	(16,972,203)
(8,620,769)	0	(8,620,769)
365,413	0	365,413
113,695	0	113,695
(6,424,450)	0	(6,424,450)
6,570,695	0	6,570,695
(11,594,714)	0	(11,594,714)
(1,781,806)	0	(1,781,806)
<u>(4,528,927)</u>	<u>0</u>	<u>(4,528,927)</u>
<u>(45,147,218)</u>	<u>0</u>	<u>(45,147,218)</u>
0	10,895,381	10,895,381
0	3,583,230	3,583,230
0	1,243,495	1,243,495
0	(75,882)	(75,882)
0	85,551	85,551
0	116,110	116,110
0	<u>(779,571)</u>	<u>(779,571)</u>
<u>0</u>	<u>15,068,314</u>	<u>15,068,314</u>
22,246,598	0	22,246,598
8,359,050	0	8,359,050
3,595,504	0	3,595,504
4,166,216	0	4,166,216
16,402,012	2,089	16,404,101
493,400	161,260	654,660
1,723,735	3,553	1,727,288
(16,331,552)	(371,529)	(16,703,081)
3,221,494	<u>(3,221,494)</u>	<u>0</u>
<u>43,876,457</u>	<u>(3,426,121)</u>	<u>40,450,336</u>
(1,270,761)	11,642,193	10,371,432
(10,758,439)	38,330,796	27,572,357
<u>\$ (12,029,200)</u>	<u>\$ 49,972,989</u>	<u>\$ 37,943,789</u>

Balance Sheet Governmental Funds

September 30, 2004

	<u>General Fund</u>	<u>Community Redevelopment Agency</u>	<u>Revenue Bonds and Notes</u>
Assets			
Cash and cash equivalents	\$ 2,133,635	\$ 2,417,573	\$ 5,208,743
Investments	2,997,049	111,556	57,399
Receivables, net	2,260,279	156,456	0
Special assessments receivable	388,972	0	0
Interest receivable	4,027	820	414
Due from other funds	6,821,203	0	0
Due from other governmental agencies	1,523,022	73,161	0
Prepaid items	28,532	113,229	0
Deposits	0	5,000	0
Deferred special assessments receivable	329,019	0	0
Notes receivable	0	350,347	0
Advances to other funds	821,023	0	0
Total assets	<u>\$ 17,306,761</u>	<u>\$ 3,228,142</u>	<u>\$ 5,266,556</u>
Liabilities and Fund Balances			
Accounts and contracts payable	765,412	73,324	42,684
Accrued and other liabilities	1,217,206	168,544	0
Due to other funds	58,077	257,800	0
Due to other governmental agencies	45,791	29,478	37,830
Funds held in escrow	763,017	182,835	0
Customer deposits	308,937	200	0
Deferred revenue	1,969,499	791,525	0
Advances from other funds	117,676	896,895	0
Total liabilities	<u>5,245,615</u>	<u>2,400,601</u>	<u>80,514</u>
Fund Balances			
Reserved (Note 12)	849,555	1,299,432	5,186,042
Unreserved			
Designated - special revenue funds	0	0	0
Designated - capital project funds	0	0	0
Undesignated - special revenue funds	0	0	0
Undesignated	11,211,591	(471,891)	0
Total fund balances	<u>12,061,146</u>	<u>827,541</u>	<u>5,186,042</u>
Total liabilities and fund balances	<u>\$ 17,306,761</u>	<u>\$ 3,228,142</u>	<u>\$ 5,266,556</u>

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

<u>Transportation Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 14,471,027	\$ 5,826,203	\$ 30,057,181
1,764,214	999,112	5,929,330
0	42,174	2,458,909
0	129	389,101
14,416	4,654	24,331
0	60,714	6,881,917
2,459,732	3,178,500	7,234,415
0	0	141,761
0	0	5,000
0	0	329,019
0	86,080	436,427
0	117,676	938,699
<u>\$ 18,709,389</u>	<u>\$ 10,315,242</u>	<u>\$ 54,826,090</u>
635,994	1,178,294	2,695,708
0	41,418	1,427,168
0	2,637	318,514
0	29,933	143,032
0	29	945,881
125,130	3,750	438,017
0	2,636,761	5,397,785
0	0	1,014,571
<u>761,124</u>	<u>3,892,822</u>	<u>12,380,676</u>
20,281,526	3,762,253	31,378,808
0	1,494,415	1,494,415
0	226,597	226,597
0	939,155	939,155
(2,333,261)	0	8,406,439
<u>17,948,265</u>	<u>6,422,420</u>	<u>42,445,414</u>
<u>\$ 18,709,389</u>	<u>\$ 10,315,242</u>	<u>\$ 54,826,090</u>

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

September 30, 2004

Fund Balance - total governmental funds \$ 42,445,414

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

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

Capital assets (net of accumulated depreciation) 51,094,865

Some revenues have been unearned on the balance sheet because
they were not measurable and available at year end.

2,688,058

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

Revenue bonds	\$ (105,256,838)
Notes and capital lease obligations	(563,686)
Accrued retirement	(1,570,770)
Compensated absences	(3,274,870)
Accrued interest	(1,549,860)
Bond issue costs	671,643

(111,544,381)

Internal service funds are used by management to charge the costs
of certain activities to individual funds. The assets and liabilities of
the internal service funds are reported with governmental activities.

3,286,844

Net assets of governmental activities.

\$ (12,029,200)

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

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Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds

for the fiscal year ended September 30, 2004

	General Fund	Community Redevelopment Agency	Revenue Bonds and Notes
REVENUES			
Taxes	\$ 32,600,643	\$ 646,526	\$ 0
Licenses and permits	3,558,867	0	0
Intergovernmental revenue	6,191,979	10,251,833	0
Charges for services	2,252,978	0	0
Fines and forfeitures	926,289	0	0
Miscellaneous	5,100,584	148,967	4,212
Total revenues	<u>50,631,340</u>	<u>11,047,326</u>	<u>4,212</u>
EXPENDITURES			
Current:			
General government	7,629,555	0	70,928
Public safety			
Police	16,234,067	0	0
Fire	9,783,767	0	0
Protective inspections	1,849,430	0	0
Other	76,304	0	0
Physical environment	3,807,523	0	0
Transportation	905,950	0	0
Economic environment	18,761	11,310,691	0
Culture and recreation	1,881,291	0	0
Capital outlay	0	0	0
Debt service			
Principal retirement	87,371	275,000	18,870,434
Interest and fiscal charges	15,804	81,065	4,937,740
Total expenditures	<u>42,289,823</u>	<u>11,666,756</u>	<u>23,879,102</u>
Excess (deficiency) of revenues over expenditures	<u>8,341,517</u>	<u>(619,430)</u>	<u>(23,874,890)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital lease	162,000	0	0
Premiums on bonds issued	0	0	0
Loan Issuance	0	0	50,000
Transfers in	8,436,173	928,680	24,454,881
Transfers out	(17,730,617)	(321,526)	(21,144)
Total other financing sources and uses	<u>(9,132,444)</u>	<u>607,154</u>	<u>24,483,737</u>
Net change in fund balances	(790,927)	(12,276)	608,847
Fund balances - beginning	12,852,073	839,817	4,577,195
Fund balances - ending	<u>\$ 12,061,146</u>	<u>\$ 827,541</u>	<u>\$ 5,186,042</u>

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

Transportation Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 1,769,871	\$ 3,350,327	\$ 38,367,367
0	0	3,558,867
3,006,701	1,553,175	21,003,688
0	417,099	2,670,077
0	89,897	1,016,186
6,256,507	2,069,762	13,580,032
<u>11,033,079</u>	<u>7,480,260</u>	<u>80,196,217</u>
0	335,147	8,035,630
0	2,971,655	19,205,722
0	98,826	9,882,593
0	4,331	1,853,761
0	0	76,304
0	3,627,611	7,435,134
0	2,280,758	3,186,708
0	17,244	11,346,696
0	1,667	1,882,958
5,647,628	1,672,513	7,320,141
0	0	19,232,805
0	0	5,034,609
<u>5,647,628</u>	<u>11,009,752</u>	<u>94,493,061</u>
<u>5,385,451</u>	<u>(3,529,492)</u>	<u>(14,296,844)</u>
0	0	162,000
60,500	0	60,500
18,335,000	54,250	18,439,250
232,441	4,872,743	38,924,918
<u>(15,982,743)</u>	<u>(2,114,942)</u>	<u>(36,170,972)</u>
<u>2,645,198</u>	<u>2,812,051</u>	<u>21,415,696</u>
8,030,649	(717,441)	7,118,852
9,917,616	7,139,861	35,326,562
<u>\$ 17,948,265</u>	<u>\$ 6,422,420</u>	<u>\$ 42,445,414</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

September 30, 2004

Net change in fund balance - total governmental funds \$ 7,118,852

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

Governmental funds report capital outlays as expenditures. However, in
the statement of activities, the cost of those assets is allocated over their
estimated useful lives as depreciation expense.

Expenditures for capital assets	\$ 6,739,830	
Disposals	(16,478,243)	
Less current year depreciation	<u>(2,984,538)</u>	(12,722,951)

Bond proceeds provide current financial resources to governmental funds,
but issuing debt increases long-term liabilities in the statement of net assets.
Repayments of bond principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net assets.

Proceeds from capital Lease	(162,000)	
Premium on bonds issued	(60,500)	
Loan Issuance	(18,439,250)	
Amortization of bond-related accounts	(17,710)	
Issue costs	458,236	
Principal payments	<u>19,232,805</u>	1,011,581

Some expenses reported in the statement of activities do not require the use
of current financial resources and therefore are not reported as expenditures
in the governmental funds.

Change in retirement payable	179,232	
Change in accrued interest expense	211,080	
Change in long-term compensated absences	<u>(913,956)</u>	(523,644)

Unearned Revenues 2,310,320

Internal service funds are used by management to charge the costs of certain
activities, such as insurance, to individual funds. The net (expense)
of the internal service funds is reported with governmental activities.

1,535,081

Change in net assets of governmental activities \$ (1,270,761)

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

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Statement of Net Assets Proprietary Funds

September 30, 2004

	Business-type Activities - Enterprise Funds		
	Water- Wastewater	Solid Waste	Other Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,915,568	\$ 867,530	\$ 3,501,142
Investments	365,238	158,926	831,599
Restricted cash and cash equivalents	13,004,989	479,715	3,031,088
Restricted investments	1,951,316	1,504	29,805
Accounts receivable, net	1,978,721	594,268	85,224
Interest receivable	1,657	1,153	5,477
Restricted interest receivable	1,168	0	0
Due from other governmental agencies	1,387,548	1,349	13,282
Due from other funds	100,000	0	0
Inventories	243,218	0	384,641
Prepaid items	0	0	67,860
Total current assets	<u>24,949,423</u>	<u>2,104,445</u>	<u>7,950,118</u>
Noncurrent assets:			
Advances to other funds	279,895	0	0
Unamortized bond issue costs	2,622,496	5,760	14,473
Capital assets:			
Land and improvements	384,620	0	6,523,562
Antiques	0	0	900,428
Construction in progress	15,725,160	0	3,445,322
Buildings, net	29,099,008	0	8,787,873
Improvements other than building, net	67,267,177	0	696,953
Equipment, net	6,026,416	732,970	509,412
Total noncurrent assets	<u>121,404,772</u>	<u>738,730</u>	<u>20,878,023</u>
Total assets	<u>146,354,195</u>	<u>2,843,175</u>	<u>28,828,141</u>
LIABILITIES			
Current liabilities			
Accounts and contracts payable	3,382,504	707,374	899,995
Accrued and other liabilities	129,215	27,172	108,885
Compensated absences	49,463	4,669	43,487
Due to other funds	6,663,403	0	0
Due to other governmental agencies	224,297	2,077	40,290
Claims and judgments	0	0	0
Notes payable	0	0	95,787
Unearned revenue	0	0	773,203
Current liabilities payable from restricted assets			
Accrued and other liabilities	2,223,560	9,286	24,523
Bonds payable	3,610,000	18,770	49,195
Customer deposits	3,370,217	13,800	258,117
Total current liabilities	<u>19,652,659</u>	<u>783,148</u>	<u>2,293,482</u>
Noncurrent liabilities			
Advances from other funds	0	0	204,023
Revenue bonds payable, less current maturities, unamortized discount, and deferred loss on defeasance	100,077,126	517,495	1,356,570
Claims and judgments	0	0	0
Compensated absences	281,938	69,725	273,785
Notes payable, net of current portion	2,480,251	0	62,320
Total noncurrent liabilities	<u>102,839,315</u>	<u>587,220</u>	<u>1,896,698</u>
Total liabilities	<u>122,491,974</u>	<u>1,370,368</u>	<u>4,190,180</u>
NET ASSETS			
Invested in capital assets, net of related debt	14,961,807	575,400	19,082,846
Restricted:			
Debt service	7,088,515	16,987	16,278
Capital projects	0	74,656	725,241
Operations and maintenance	3,308,921	13,800	274,322
Renewal and replacement	2,572,900	375,775	0
Impact fee projects	1,904,637	0	0
Grants and matching grant funds	0	0	1,959,223
Unrestricted	(5,974,559)	416,189	2,580,051
Total net assets	<u>\$ 23,862,221</u>	<u>\$ 1,472,807</u>	<u>\$ 24,637,961</u>

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

<u>Total Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 10,284,240	\$ 2,020,966
1,355,763	2,631,724
16,515,792	0
1,982,625	0
2,658,213	0
8,287	1,742
1,168	0
1,402,179	1,085
100,000	0
627,859	128,577
67,860	92,777
<u>35,003,986</u>	<u>4,876,871</u>
279,895	0
2,642,729	0
6,908,182	0
900,428	0
19,170,482	441,327
37,886,881	9,282
67,964,130	0
7,268,798	2,483,544
<u>143,021,525</u>	<u>2,934,153</u>
178,025,511	7,811,024
4,989,873	199,429
265,272	33,602
97,619	33,926
6,663,403	0
266,664	2,530
0	1,990,700
95,787	372,123
773,203	0
2,257,369	0
3,677,965	0
3,642,134	0
<u>22,729,289</u>	<u>2,632,310</u>
204,023	0
101,951,191	0
0	1,567,648
625,448	119,296
2,542,571	204,926
<u>105,323,233</u>	<u>1,891,870</u>
128,052,522	4,524,180
34,620,053	2,934,153
7,121,780	0
799,897	0
3,597,043	0
2,948,675	0
1,904,637	0
1,959,223	0
(2,978,319)	352,691
<u>\$ 49,972,989</u>	<u>\$ 3,286,844</u>

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

for the fiscal year ended September 30, 2004

	Business-type Activities - Enterprise Funds		
	Water- Wastewater	Solid Waste	Other Enterprise Funds
Operating revenues			
Charges for services	\$ 31,711,307	\$ 10,262,484	\$ 11,857,797
Contributions	0	0	9,038
Rent	0	0	1,148,687
Miscellaneous	1,220,214	26,451	44,153
Total operating revenues	<u>32,931,521</u>	<u>10,288,935</u>	<u>13,059,675</u>
Operating expenses			
Personal services	6,159,774	1,699,007	6,020,968
Contractual services	922,381	2,885,081	1,226,718
Materials and supplies	2,085,434	331,612	2,222,970
General and administrative	1,374,423	583,436	1,182,149
Utilities	2,127,113	22,111	855,547
Depreciation	5,725,854	221,880	862,117
Insurance	253,858	173,941	357,283
Self insurance claims	0	0	0
Repairs and maintenance	614,782	31,084	324,993
Travel	7,429	3,403	15,918
Contributions	0	0	54,000
Rentals	864,998	717,327	903,379
Total operating expenses	<u>20,136,046</u>	<u>6,668,882</u>	<u>14,026,042</u>
Operating income (loss)	<u>12,795,475</u>	<u>3,620,053</u>	<u>(966,367)</u>
Nonoperating revenues (expenses)			
Grants	325,794	0	156,690
Interest income	81,405	20,763	59,092
Interest expense and bond issue cost amortization	(5,439,767)	(36,823)	(100,836)
Gain (loss) on disposal of fixed assets	0	0	3,550
Total nonoperating revenues (expenses)	<u>(5,032,568)</u>	<u>(16,060)</u>	<u>118,496</u>
Income (loss) before operating transfers	<u>7,762,907</u>	<u>3,603,993</u>	<u>(847,871)</u>
Contributions to other funds	0	0	(218,804)
Capital contributions	3,432,101	0	1,502,885
Transfers in	0	0	4,706,074
Transfers out	(4,545,659)	(3,043,765)	(338,139)
Total contributions and transfers in (out)	<u>(1,113,558)</u>	<u>(3,043,765)</u>	<u>5,652,016</u>
Special item			
Loss on disposal of capital assets	0	(371,529)	0
Change in net assets	6,649,349	188,699	4,804,145
Total net assets -- beginning	<u>17,212,872</u>	<u>1,284,108</u>	<u>19,833,816</u>
Total net assets -- ending	<u>\$ 23,862,221</u>	<u>\$ 1,472,807</u>	<u>\$ 24,637,961</u>

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

<u>Total Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 53,831,588	\$ 8,123,996
9,038	0
1,148,687	0
<u>1,290,818</u>	<u>515,323</u>
<u>56,280,131</u>	<u>8,639,319</u>
13,879,749	1,941,113
5,034,180	70,657
4,640,016	1,688,506
3,140,008	311,770
3,004,771	166,333
6,809,851	1,031,298
785,082	684,357
0	1,859,092
970,859	207,758
26,750	8,377
54,000	0
<u>2,485,704</u>	<u>359,411</u>
<u>40,830,970</u>	<u>8,328,672</u>
<u>15,449,161</u>	<u>310,647</u>
482,484	0
161,260	32,783
(5,577,426)	(18,968)
3,550	21,325
<u>(4,930,132)</u>	<u>35,140</u>
<u>10,519,029</u>	<u>345,787</u>
(218,804)	0
4,934,986	721,751
4,706,074	467,543
<u>(7,927,563)</u>	<u>0</u>
<u>1,494,693</u>	<u>1,189,294</u>
<u>(371,529)</u>	<u>0</u>
11,642,193	1,535,081
38,330,796	1,751,763
<u>\$ 49,972,989</u>	<u>\$ 3,286,844</u>

Statement of Cash Flows Proprietary Funds

for the fiscal year ended September 30, 2004

	Business-type Activities - Enterprise Funds		
	Water- Wastewater	Solid Waste	Other Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 29,760,449	\$ 10,281,670	\$ 12,995,762
Cash payments to suppliers for goods and services	(5,727,929)	(4,459,091)	(6,622,927)
Cash payments to employees for services	(6,190,263)	(1,844,466)	(6,094,419)
Other operating revenue	1,220,217	26,453	74,466
Net cash provided by operating activities	<u>19,062,474</u>	<u>4,004,566</u>	<u>352,882</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Decrease in due from other funds	95,000	0	0
Repayment of advance from other funds	0	0	(125,006)
Proceeds of advance to other funds	0	0	0
Transfers in	0	0	4,706,074
Transfers out	(4,545,659)	(3,043,765)	(338,139)
Grants and private contributions	0	0	2,426,161
Net cash provided by (used in) noncapital financing activities	<u>(4,450,659)</u>	<u>(3,043,765)</u>	<u>6,669,090</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Increase (decrease) in due to other funds	6,663,401	(46,234)	0
Payment of capital lease	0	0	(92,174)
Proceeds from loans payable	2,042,361	0	0
Principal paid on notes and bonds	(4,230,000)	(17,834)	(46,732)
Interest paid on notes, bonds and advances	(4,936,107)	(31,002)	(83,162)
Proceeds from capital lease	0	0	0
Proceeds from credit line	86,583	0	0
Swaption premium	1,760,000	0	0
Grants and private contributions	300,000	0	0
Proceeds from sale of capital assets	0	1,406	3,550
Acquisition and construction of capital assets	<u>(18,175,131)</u>	<u>(196,038)</u>	<u>(2,924,456)</u>
Net cash used in capital and related financing activities	<u>(16,488,893)</u>	<u>(289,702)</u>	<u>(3,142,974)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	(2,821,723)	(48,156)	(464,022)
Proceeds from sale and maturities of investment securities	7,473,113	0	112,487
Interest received on investments	<u>94,657</u>	<u>21,771</u>	<u>93,268</u>
Net cash provided by (used in) investing activities	<u>4,746,047</u>	<u>(26,385)</u>	<u>(258,267)</u>
Net increase in cash and cash equivalents	2,868,969	644,714	3,620,731
Cash and cash equivalents at beginning of year	<u>16,051,588</u>	<u>702,531</u>	<u>2,911,499</u>
Cash and cash equivalents at end of year	<u>\$ 18,920,557</u>	<u>\$ 1,347,245</u>	<u>\$ 6,532,230</u>

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

<u>Total Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 53,037,881	\$ 8,118,433
(16,809,947)	(5,161,998)
(14,129,148)	(1,913,300)
<u>1,321,136</u>	<u>520,237</u>
<u>23,419,922</u>	<u>1,563,372</u>
95,000	0
(125,006)	0
0	46,234
4,706,074	467,545
(7,927,563)	0
<u>2,426,161</u>	<u>0</u>
<u>(825,334)</u>	<u>513,779</u>
6,617,167	0
(92,174)	0
2,042,361	0
(4,294,566)	0
(5,050,271)	(18,968)
0	36,022
86,583	0
1,760,000	0
300,000	0
4,956	21,325
<u>(21,295,625)</u>	<u>(1,193,839)</u>
<u>(19,921,569)</u>	<u>(1,155,460)</u>
(3,333,901)	(161,846)
7,585,600	37,467
<u>209,696</u>	<u>35,809</u>
<u>4,461,395</u>	<u>(88,570)</u>
7,134,414	833,121
<u>19,665,618</u>	<u>1,187,845</u>
<u>\$ 26,800,032</u>	<u>\$ 2,020,966</u>

(continued)

Statement of Cash Flows Proprietary Funds

for the fiscal year ended September 30, 2004
(continued)

	Business-type Activities - Enterprise Funds		
	Water- Wastewater	Solid Waste	Other Enterprise Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN)			
OPERATING ACTIVITIES:			
Operating income (loss)	\$ 12,795,475	\$ 3,620,053	\$ (966,367)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	5,725,854	221,880	862,117
Provision for bad debts	11,290	0	0
Changes in assets:			
(Increase) decrease in:			
Accounts receivable	(1,962,146)	19,185	10,553
Inventories and prepaid expenses	(25,820)	7,559	3,797
Changes in liabilities:			
Increase (decrease) in:			
Accounts and contracts payable	2,388,557	137,908	418,646
Accrued and other liabilities	0	(19,931)	(42,014)
Accrued compensated absences	129,264	17,912	66,150
Net cash provided by (used in) operating activities	<u>\$ 19,062,474</u>	<u>\$ 4,004,566</u>	<u>\$ 352,882</u>

SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:

<u>Other:</u>			
Interest receivable and unrealized losses were recorded during the current year	\$ (13,252)	\$ (1,008)	\$ (34,177)
<u>Capital Assets:</u>			
Contribution of equipment from (to) other funds	\$ 0	\$ 0	\$ 0
Donation of utility improvements	\$ 3,432,101	\$ 0	\$ 0
Contribution of land to the General Capital Asset Account	\$ 0	\$ 0	\$ (218,804)
Loss on disposal of capital assets	\$ 0	\$ (371,529)	\$ 0
Prior year WIP expensed	\$ 346,385	\$ 0	\$ 154,932

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

<u>Total Enterprise Funds</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 15,449,161	\$ 310,647
6,809,851	1,031,298
11,290	0
(1,932,408)	0
(14,464)	61,959
2,945,111	103,887
(61,945)	(25,037)
<u>213,326</u>	<u>80,618</u>
<u>\$ 23,419,922</u>	<u>\$ 1,563,372</u>

\$ (48,437)	\$ (3,024)
-------------	------------

\$ 0	\$ 721,751
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\$ 3,432,101	\$ 0
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\$ (218,804)	\$ 0
--------------	------

\$ (371,529)	\$ 0
--------------	------

\$ 501,317	\$ 0
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Statement of Fiduciary Net Assets Trust and Agency Funds

September 30, 2004

	<u>Employee Retirement Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 7,488,846	\$ 1,018,394
Receivables		
Plan members	28,986	0
Employer	1,974,593	0
Interest and dividends	277,294	772
Special assessments	0	314,320
Total receivables	<u>2,280,873</u>	<u>315,092</u>
Investments, at fair value		
U.S. government securities	9,230,031	0
U.S. government agency securities	7,497,060	0
Common stock	67,424,114	0
Corporate bonds	5,350,814	0
Pooled, common, commingled funds:		
Fixed income	10,065,756	0
Equity	5,392,911	0
International equities	3,020,537	0
Certificate of deposit	0	214,219
Total investments	<u>107,981,223</u>	<u>214,219</u>
Total assets	<u>117,750,942</u>	<u>\$ 1,547,705</u>
LIABILITIES		
Accounts and contracts payable	18,543	\$ 1,362
Accrued and other liabilities	1,466	169,453
Due to other governmental agencies	0	735,628
Due to other funds	0	64
Customer deposits	0	205,663
Due to noteholders	0	435,535
Total liabilities	<u>20,009</u>	<u>\$ 1,547,705</u>
NET ASSETS		
Held in trust for pension benefits	<u>\$ 117,730,933</u>	

(A schedule of funding progress for each pension plan is presented on page 95.)

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

City of Fort Myers, Florida

Statement of Changes in Fiduciary Net Assets Pension Trust Funds

for the fiscal year ended September 30, 2004

	Employee Retirement Funds
ADDITIONS	
Contributions	
Employer	\$ 4,073,693
State of Florida	1,256,574
Plan members	<u>2,002,625</u>
Total contributions	<u>7,332,892</u>
Investment income	
Net appreciation	
in fair value of investments	7,060,586
Interest and dividends	<u>1,978,612</u>
Total investment gains	9,039,198
Less: Investment expenses	<u>724,181</u>
Net investment gains	<u>8,315,017</u>
Miscellaneous revenue	
Reimbursed expenses	<u>17,339</u>
Total increases	<u>15,665,248</u>
DEDUCTIONS	
Benefits paid	5,771,102
Administrative expenses	<u>201,971</u>
Total deductions	<u>5,973,073</u>
Change in net assets	9,692,175
NET ASSETS	
Held in trust for pension benefits	
Beginning of year	<u>108,038,758</u>
End of year	<u>\$ 117,730,933</u>

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

Notes to the Financial Statements, continued

September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fort Myers, (City) was founded in 1886 pursuant to the laws of Florida 3959, and Chapter 165, *Florida Statutes*. The City has a strong mayor-council form of government. The Voters of the City at-large elect the mayor and each of the five council members are elected by the voters of their respective wards.

The City provides the following municipal services: public safety, parks and recreation, solid waste, streets and roads, planning and zoning, water and wastewater, stormwater management and general administrative services. The City also provides a cemetery, yacht basin, historical homes, historical museum, golf courses, event center and a hands-on children's museum.

The accounting policies and the presentation of the financial report of the City have been designed to conform to accounting principles generally accepted in the United States of America as applicable to governmental units, in accordance with the Government Accounting Standards Board (GASB). GASB embodies the official pronouncements previously issued by the National Council on Governmental Accounting (NCGA). Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments have the *option* of following subsequent private-sector guidance for their proprietary funds and governmental activities. The City has elected not to follow subsequent private-sector guidance. The following is a summary of the City's significant accounting policies.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, the accompanying financial statements present the City and its component units (entities for which the City is considered to be financially accountable). Blended component units, although legally separate entities, are in substance part of the government's operations. Therefore, data from these units are presented with the data of the City (the primary government). The City currently has only blended component units. Each of the blended units has a September 30 year-end.

Component Units: A component unit is a separate entity that, when combined with the primary government, constitute a financial reporting entity. There are two types of component units, blended and discretely presented. Blended component units consist of organizations for which the primary government is financially accountable. This type includes entities where the primary government appoints a voting majority of the organization's governing board, and (a) the primary government is able to impose its will on that organization or (b) the organization provides a specific financial benefit to, or imposes a specific financial burden on, the primary government. Discretely presented component units consist of organizations for which the primary government is not financially accountable. However, the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended Component Units: The Community Redevelopment Agency of Fort Myers (CRA) was established November 5, 1984 by the City of Fort Myers under ordinance 2259 pursuant to Chapter 163, Part III of the Florida Statutes. The five City Council Members are the governing board of the CRA sitting as the Board of Governors and elect a chairperson and vice-chairperson. The CRA includes the Housing Division, which administers the City's Community Development Block Grant Program, the Section 8 Housing Program for the City and Lee County, and the State Housing Initiative Partnership Program (SHIP). The CRA also includes the

Notes to the Financial Statements, continued

September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Reporting Entity (continued)

Business Development Center, the Downtown Redevelopment Area, the Cleveland Avenue Redevelopment Areas, the Central Fort Myers Redevelopment Area, the Martin Luther King Redevelopment Areas and the Velasco Village Redevelopment Area. The CRA is presented as a major governmental fund.

The City also includes the Winkler Safe Neighborhood Improvement District (WSNID) as a blended component unit. The WSNID was established February 18, 1998 by The City of Fort Myers under ordinance 2838 pursuant to Chapter 163, Part III of the Florida Statutes. The WSNID's governing body is also the City Council sitting as the Board of Directors. The WSNID is also governed by a five-member Advisory Council consisting of property owners, their representatives and residents. Advisory Council members are recommended by the Mayor and confirmed by City Council. The Advisory Council makes recommendations to the WSNID Board of Directors. The WSNID is presented as part of the nonmajor special revenue funds.

Other Related Organization: The City of Fort Myers Housing Authority is a separate legal entity. Authority commissioners are appointed by the Mayor and approved by the City Council and may be removed for cause. There is no financial benefit or burden to the City and the City has no authority over day-to-day operations. As such, this organization is not included in the accompanying financial statements.

2. Government-wide and fund financial statements

The basic financial statements of the City consist of the government-wide financial statements and fund financial statements. The government-wide financial statements (*the Statement of Net Assets and the Statement of Activities*) report information on all of the non-fiduciary activities of the primary government and component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Fiduciary funds and component units that are fiduciary in nature (i.e. Pension Trust Funds) are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental activities column, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to reconcile the fund based financial statements to the governmental activities column of the government-wide presentation.

Notes to the Financial Statements, continued

September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

The City's fiduciary funds are presented in the fund financial statements by type (pension and agency). Since, by definition, these assets are being held for the benefit of a third party (i.e. pension participants) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

Internal Service Funds of a government, which traditionally provide services primarily to other funds of the government, are presented in the summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the governmental-wide level. To the extent possible, the costs of these services are reflected in the appropriate governmental activities.

3. Measurement focus, basis of accounting and financial statement presentation

Government-wide financial statements, proprietary fund financial statements and fiduciary fund financial statements: The government-wide financial statements, the proprietary fund financial statements and the fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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

Property taxes, public service fees, franchise taxes and interest income associated with the current fiscal period are all considered to be susceptible to accrual. These have been recognized as revenues of the period when they also meet the availability criteria. In addition, revenue from Federal and State reimbursement type grants for which eligibility requirements have been met and which meet the availability criteria have been accrued and recognized as revenues of the period. Only the portion of special assessments receivable due within the current period is considered to be susceptible to accruals as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

Major Funds and Basis of Presentation: The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balance accounts that comprises of its

Notes to the Financial Statements, continued

September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting and financial statement presentation (continued)

assets, liabilities, reserves, fund equity, revenues and expenses/expenditures. These funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Accounting principles generally accepted in the United States of America set forth minimum criteria (percentage of the assets, liabilities, revenues or expenses/expenditures of either fund category or the governmental and enterprise funds combined) for the determination of major funds. The nonmajor funds are presented in one column in the fund financial statements.

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenue is derived primarily from property taxes, state and federal distributions, grants and other intergovernmental revenue. The general operating expenditures, fixed charges and capital outlay costs that are not paid through other funds are paid from the General Fund.

The *Community Redevelopment Agency Fund* accounts for the revenues received for the Section 8 Housing Program, the Community Development Block Grant, the State Housing Initiative Partnership, the Business Development Center and the various tax increment financing areas. The tax increment financing areas are restricted to use for carrying out redevelopment in the respective designated areas. The Section 8 Housing program is restricted for use in the county-wide housing program.

The *Revenue Bonds and Notes Fund* accounts for the accumulation of resources to pay outstanding long-term debt. It is made up of several sub-funds, one for each bond or other borrowing that is outstanding and for which resources are accumulated to pay the debt service.

The *Transportation Capital Projects Fund* accounts for resources accumulated to provide transportation related capital projects. It includes road impact fees, cash from debt borrowing, the accounting for capital projects and the 5th cent local option gas tax money.

The City reports the following major proprietary funds:

The *Water and Wastewater Utility Fund* accounts for the activities related to providing water, wastewater and reclaimed water services to the public.

The *Solid Waste Fund* accounts for the revenues and costs associated with providing solid waste services to the residents of the City.

Notes to the Financial Statements, continued

September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting and financial statement presentation (continued)

In addition, the City reports the following other fund types:

Internal Service Funds account for services provided to other departments of the City on a cost reimbursement basis. These services include: management information systems services, risk management services (workers' compensation, general liability insurance and property insurance) and vehicle fleet management services.

Pension Trust Funds account for the City's General Employee's Pension Plan, Police Officers' Retirement System and the Municipal Firefighters' Pension Trust Fund (collectively, the Pension Trust Funds) and are each separate legal entities established to account for the financial activity of the separate pension plans. A board of trustees governs each plan with each board consisting of seven trustees. The General Employees' Pension Plan board of trustees is comprised of the president of the employees' association; a trustee appointed by the employees' association; the City manager of the budget division; a non-union city employee who is a member of the system, elected by the members of the system who are non-union City employees; a trustee appointed by the City Council; a trustee who is a physician appointed by the City Council, (City Council may waive the requirement to be a physician if a physician cannot be found) and a seventh trustee appointed by the other six trustees. The Police Officers' Retirement System board of trustees is made up of the Mayor of the City; the Chief of Police of the City; three members of the system who are elected by a majority of police officers who are members of the system and two trustees who shall be legal residents of the City, appointed by the City Council upon nomination by the other five trustees. The members of the board of trustees for the Municipal Firefighters' Pension Trust Fund consist of Mayor of the City, the Fire Chief of the City, three members of the system who are elected by a majority of fire fighters who are members of the system and two trustees who shall be legal residents of the City, appointed by the City Council upon nomination by the other five trustees. Although an outside firm administers each plan, the plans are sponsored by and fiscally dependent on the City. The City is obligated to fund liabilities of each pension system based upon actuarial valuations.

The *Pension Trust Funds* account for the activities of the General Employees' Pension Plan, the Police Officers' Retirement System and the Municipal Firefighters' Pension Trust Fund, which accumulate resources for the pension benefit payments to virtually all full-time, regular employees, all non-civilian police department employees and all firefighters and fire department officers respectively.

The *Agency Funds* are used to account for resources collected by the City for third parties. These agency funds include the Carrillion Woods Special Assessment Geographical Area Fund, the EMS Impact Fee Fund, School Impact Fee Fund, Unclaimed Funds, Special Events Committee Fund, and Westwood Redevelopment. The EMS and School Impact Fee Fund are impact fees levied by the County. The City collects these impact fees at the time permits are issued and then turns the fees over to the County. The Carrillion Woods Special Assessment Geographical Area Fund is a special assessment fund used to collect payments from property owners of the special assessment district and then use those payments to pay the debt service

Notes to the Financial Statements, continued

September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting and financial statement presentation (continued)

incurred in providing the capital improvements to the district. The City has no obligation for the debt other than to collect the payments and assist in foreclosure action if necessary. The Unclaimed Funds fund accounts for funds that the City has been holding, and if not claimed, will eventually go to the State of Florida. The Employee Special Events Fund is money being held for this group that does special events for the City's employees. This group raises their own funds and the City provides the tracking and accounting of these funds for the Committee. Westwood Redevelopment Fund is set up to track and pay for all the associated costs with land assembly and to provide a redevelopment area for workforce housing.

Generally, interfund activity has been eliminated from the government-wide financial statements. Notable exceptions are other charges of the City's water and wastewater function. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds and the internal service funds are charges to customers for sales and services. The Water and Wastewater Utility enterprise fund also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

The City does not currently employ an indirect cost allocation system. An administrative service fee is charged by the General Fund to the other operating funds, that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund) to address services provided that are accounted for in the General Fund, such as finance, human resources, legal and other such services.

4. Assets, liabilities and net assets or equity

a. Cash and Cash Equivalents

The City maintains a cash and investment pool that is available for use by all funds. The City considers all highly liquid investments with original maturities of three months or less when purchased, as well as investments in the City's cash and investment pool to be cash equivalents for purposes of the statement of cash flows. The City's cash and investments pool allows individual funds, at any time, to deposit additional cash or

Notes to the Financial Statements, continued

September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and net assets or equity (continued)

make withdrawals without prior notice or penalty, and thus, the City is internally managing a mutual fund, which is considered by GASB to be a cash equivalent.

The City's cash and investment pool consists of U.S. Governmental securities held under repurchase agreements, U.S. Government securities, the local governmental pooled investment account administered by the Florida State Board of Administration and cash. An adjustable compensating balance is required under the terms of the City's banking contract. The compensating balance is adjusted periodically based on charges for services utilized by the City in the previous periods and the City's earned credit rate (an interest factor on collected funds). At September 30, 2004, the compensating balance was \$5,750,000. Cash balances and requirements of all funds are considered in determining the amount to be invested. Interest earned on pooled cash and investments is allocated to funds based on their average weekly cash balances.

b. Investments

For all funds, except the pension trust funds and certain other funds which are required to be invested separately, investments consist of U.S. Government and Federal Agency securities, U.S. Government Securities held under repurchase agreements, the Local Government Surplus Trust Fund Investment Pool administered by the Florida State Board of Administration (the SBA Pool) and time deposits. Investments of the pension funds consist of U.S. Government securities, corporate bonds, common stocks and money market funds. All investments, except as noted below, are reported at fair value using quoted market prices. Fair value of investments in the SBA Pool is equal to the City's cost. Money market investments with a remaining maturity at the time of purchase of one year or less are reported at amortized cost. The difference between cost and fair value of investments held is recorded as net unrealized gains or losses and is included in net investment earnings. Purchases and sales of investments are recorded on the trade dates. Net realized gains and losses on sale of investments are reflected in current operating results as investment earnings along with interest and dividends.

c. Interfund Receivables and Payables

During the course of its operations, the City has numerous transactions between funds to provide services, construct assets and service debt. To the extent that certain transactions between funds were not paid for or received as of September 30, 2004, balances of interfund receivables and payables expected to be liquidated within one year have been recorded as due from and due to other funds. Balances of interfund receivables and payables not expected to be liquidated within one year are recorded as advances to and advances from other funds. Balances of advances to other funds are reserved in the fund balances of the respective funds since these balances are not available for appropriation.

Notes to the Financial Statements, continued

September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and net assets or equity (continued)

d. Other Receivables and Payables

All trade, property tax and mortgages receivable on the Statement of Net Assets are shown net of allowance for uncollectibles. All receivables are reviewed periodically and, when determined to be uncollectible are turned over to a collection agency. Once turned over to the collection agency the amount is included in the uncollectible balance.

e. Inventories

Inventories for all funds, except for the Edison-Ford Estates, Historical Museum, Imaginarium Hands-on Museum, the Burrough's Home (the Historical Homes) and Yacht Basin Enterprise Funds, consists primarily of expendable supplies held for consumption and are stated at cost (first-in, first-out method). For Proprietary Fund Types, except for the Historical Homes and Yacht Basin Enterprise funds, the City uses the consumption method of accounting, which provides that expenditures are recognized when inventory is used. Inventory in the Historical Homes and Yacht Basin Enterprise Funds is held primarily for resale and stated at cost. The Historical Homes value inventory at replacement cost. The Yacht Basin values oil inventory by the retail method and fuel inventory by the costs inventory method. Both the retail and cost inventory methods use the last-in, first-out method. All inventories, regardless of fund, are counted on a periodic basis.

f. Prepaid Items

Prepaid items are items that have been paid in the current accounting period but are properly expenses/expenditures extending over more than one accounting period and are allocated between those accounting periods which receive the benefit of the expense/expenditure.

g. Restricted Assets

Proceeds of the City's enterprise fund revenue bonds, as well as other resources set aside in accordance with bond covenants and local ordinance are classified as restricted on the fund level Statement of Net Assets of the enterprise funds. These include the following: operating accounts for the Water-Wastewater enterprise fund which are used for the accumulations of resources equal to operating costs for specified periods; renewal and replacement accounts used for accumulation of resources to provide for replacement of existing system assets; debt service accounts used for the accumulation of resources needed to meet debt service requirements as they become due; capital project accounts used for acquisition and construction of assets funded by revenue bond proceeds; the impact fee construction account used for accumulation and expenditure of amounts restricted by local ordinance for future plant expansion; and customers' deposit account restricted from use by local ordinance. In addition, certain assets are restricted in the other ten enterprise funds due to the proper use of the assets. The most notable of these are customer deposit accounts and resources accumulated to repay outstanding debt. Restricted assets are not presented on the balance sheets of the governmental funds under the modified accrual basis of accounting, however, certain assets of these funds are restricted as to use. Such assets, consisting primarily of cash and receivables, include: debt proceeds, permit fees, state and federal forfeiture awards, state and federal grants and amounts held for debt service. All applicable assets in the

Notes to the Financial Statements, continued

September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and net assets or equity (continued)

enterprise funds and in the governmental funds have been restricted in amounts sufficient to meet restrictive purposes.

h. Capital Leases

The City has entered into several significant leasing arrangements constituting capital leases for which the City is the lessee. These leases include computer technology equipment, leasehold improvements to the Eastwood Golf Course Clubhouse and an emergency generator for the City's information technology network.

i. Capital Assets

These assets are stated at historical, or estimated historical, cost or, if donated, fair market value at the date of donation and are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Infrastructure assets of the proprietary funds, such as water and sewer lines, are reported in the government-wide and fund level financial statements. In addition, infrastructure assets of the governmental activities acquired since October 1, 2002 are reported in the government-wide financial statements. Under GASB Statement No. 34, infrastructure assets of the governmental activities acquired prior to October 1, 2002 are also required to be reported. Implementation of this provision has been deferred until a future year, and will be completed by the fiscal year ending September 30, 2006. Infrastructure assets of the governmental activities include roads, curbs and gutters, streets and sidewalks, lighting systems and similar assets that are immovable and of value only to the City.

Expenditures which materially extend the useful life of existing properties are capitalized. The cost of property sold or retired, together with the accumulated depreciation, is removed from the appropriate accounts, and any resulting gain or loss is included in net income.

The City has adopted a minimum capitalization threshold for capital expenditures of \$5,000. Assets purchased with a cost of less than \$5,000 are included as an expenditure/expense in the appropriate fund.

Depreciation on property, plant and equipment is computed using the straight-line method over the estimated useful lives of the related assets, which are:

Equipment	5-15 years
Buildings	20-40 years
Other improvements	15-40 years
Infrastructure of enterprise funds	20-50 years
Other infrastructure	15-30 years

Notes to the Financial Statements, continued

September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities and net assets or equity (continued)

j. Deferred Revenues

Deferred revenues are recorded for governmental fund receivables that are not both measurable and available. In addition, inflows that do not meet the criteria for revenue recognition, such as occupational licenses collected in advance, are reported as deferred revenues for both the government-wide and the fund financial statements.

k. Long-Term Obligations

Long-term obligations, such as bonds and notes, are recorded at the fund level in the proprietary funds and at the government-wide level for the governmental and business-type activities. Amounts payable within one year are classified as current liabilities on the proprietary funds balance sheets and as noncurrent liabilities due within one year on the government-wide statement of net assets.

l. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated by outside parties for use for a specific purpose. Designations of fund balance represent tentative managerial plans that are subject to change.

m. Net Assets

Net assets of the government-wide and proprietary funds are categorized as invested in capital assets, net of related debt, restricted or unrestricted. The first category represents net assets related to property, plant, equipment and infrastructure. The restricted category represents the balance of assets restricted by requirements of revenue bonds and other externally imposed constraints or by legislation in excess of the related liabilities payable from restricted assets.

5. Other policies

Property Tax Calendar

The City levies property taxes each November 1, which become a lien on real and personal property located in the City. Property taxes are based on the assessed values determined by the Lee County Property Appraiser as of the prior January 1. The current year's levy is based on taxable assessed property values totaling \$2,795,987,518.

The State of Florida permits the City to levy taxes up to 10 mills of assessed property valuations for the General Fund. For the 2003-2004 fiscal year, the City levied taxes of 7.781 mills for the General Fund and a 2.0 mills for the Winkler Safe Neighborhood Improvement District.

Notes to the Financial Statements, continued

September 30, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Other Policies (continued)

All taxes are due from property owners on March 31. Taxes become delinquent on April 1 and are subject to the issuance of tax sale certificates if unpaid by June 1. At September 30, 2004 delinquent property taxes are not material to the basic financial statements of the City and therefore have not been accrued as taxes receivable.

Compensated Absences

Employees earn vacation and sick leave in varying amount based on length of service. Employees may also earn up to 120 hours of compensated time. Upon termination, employees are paid 100% of the accumulated vacation and compensated time at current base hourly rates. Vacation accumulation is capped at a maximum number of hours depending on employee category and bargaining unit. Upon termination of employment, if the employee is eligible to receive retirement benefits, either regular or early benefits, whether or not the benefits begin at termination or are deferred, the employee receives 33% of accumulated sick leave paid at the employee's current base hourly rate. The current portion of compensated absences payable is the amount estimated to be used or paid in the following fiscal year. Liability for accrued compensated absences of the governmental activities is not reported in the balance sheet of the governmental funds and, accordingly, represents a reconciling item between the fund and government-wide presentations.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates. Significant estimates used in these financial statements include the amount of insurance claims payable (Note 13).

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded as a reservation of budget, is employed as an extension of the statutorily required budgetary process.

All encumbrances lapse at year-end. Contracts that require completion after the fiscal year-end must be re-appropriated in the subsequent year.

Notes to Financial Statements, continued

September 30, 2004

NOTE 2—CASH DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The City maintains a cash and investment pool for all funds except those whose cash and investments must be segregated due to bond covenants or other legal restrictions.

Cash on Hand: At September 30, 2004 petty cash for all funds was \$17,805.

Deposits: At September 30, 2004 the carrying amount of the City's deposits was \$9,201,585 and the banks' balances were \$14,309,849. The difference was due to checks that had been written but not yet paid by the banks and deposits in transit.

These deposits are insured by the Federal Deposit Insurance Corporation or by collateral pursuant to the Florida Security for Public Deposits Act (Florida Statutes Chapter 280). Under this Act, financial institutions qualified as public depositories pledge, with the State Board of Administration, securities that have a market value equal to 50% - 125% of the average daily balance for each month of all public deposits in excess of applicable deposit insurance. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof.

Investments: Florida Statutes, the City's Investment Policy and various bond covenants authorize investments that include, but are not limited to, money market accounts, savings accounts, repurchase agreements, the Local Government Surplus Funds Trust Fund administered by the Florida State Board of Administration (SBA), obligations of the U.S. Government, government agencies unconditionally guaranteed by the U.S. Government and certain bond mutual funds. Investments in corporate equity securities totaling \$46,672 represent donations to the City that had not been liquidated at year-end. All investments are reported at fair value as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

In addition to the investment guidelines mentioned above, the Pension Trust Funds are authorized to invest in obligations of the U.S. Government, government agencies unconditionally guaranteed by the U.S. Government, corporate bonds and equity securities. The categories of credit risk are the same as noted above.

The SBA met the Governmental Accounting Standards Board's definition of a "2a7-like" pool. The SBA investment book balance is equal to the share value of the pool, valued at amortized cost, which constitutes fair value at September 30, 2004. A 2a7-like pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. Thus, this pool operates essentially as a money market fund. Throughout the year and as of September 30, 2004, the Surplus Funds Investment Pool contained certain floating and adjustable rate securities which were indexed based on the prime rate and/or one and three month LIBOR rates.

These investments are subject to the risk that the market value of an investment, collateral protecting a deposit or securities underlying a repurchase agreement, will decline.

Notes to Financial Statements, continued

September 30, 2004

NOTE 2—CASH DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (continued)

The City's investments are categorized below to give an indication of the level of risk assumed at year-end. Category 1 includes investments that are insured or registered or securities that are held by the City or its agent in the City's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name. Category 3 includes investments that are uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the City's name.

	Category			Fair Value	Entitywide	Fiduciary
	1	2	3			
U.S. Government securities	\$ 9,230,031	\$ 0	\$ 0	\$ 9,230,031	\$ 0	\$ 9,230,031
U.S. Government agency and asset backed securities	30,139,988	0	0	30,139,988	22,642,928	7,497,060
Corporate Securities	5,350,814	0	0	5,350,814	0	5,350,814
Corporate Equities	67,470,788	0	0	67,470,788	46,672	67,424,115
	<u>\$ 112,191,621</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 112,191,621</u>	<u>\$ 22,689,600</u>	<u>\$ 89,502,021</u>
Money Market Funds				24,151,184	16,171,848	7,979,336
Mutual Funds - Fixed				10,065,756	0	10,065,756
Mutual Funds - Stock (Domestic)				5,392,911	0	5,392,911
Mutual Funds - Stock (Foreign)				3,020,537	0	3,020,537
Pooled - managed by other governments						
State Board of Administration				23,678,239	23,678,239	0
Florida Municipal Investment Trust				237,301	237,301	0
Total				<u>\$ 178,737,548</u>	<u>\$ 62,776,988</u>	<u>\$ 115,960,560</u>

Reconciliation of Cash and Investments to the Statement of Net Assets and the Combining Statement of Fiduciary Net Assets

Cash and Investments per Note 2:	Total	Entitywide	Fiduciary
Cash on Hand	\$ 17,805	\$ 17,805	\$ 0
Carrying amount of deposits	9,201,585	7,982,828	1,218,757
Trade Receivables	580,107	0	580,107
Trade Payables	(1,056,742)	0	(1,056,742)
Total Investments	178,737,548	62,776,988	115,960,560
Total cash and investments	<u>\$ 187,480,303</u>	<u>\$ 70,777,621</u>	<u>\$ 116,702,682</u>

Cash and Investments per combined balance sheet:

Entitywide Statement of Net Assets			
Cash and cash equivalents	\$ 58,878,179	\$ 58,878,179	\$ 0
Investments	11,899,442	11,899,442	0
Statement of Fiduciary Net Assets			
Cash and cash equivalents	8,507,240	0	8,507,240
Investments	108,195,442	0	108,195,442
Total Cash and Investments	<u>\$ 187,480,303</u>	<u>\$ 70,777,621</u>	<u>\$ 116,702,682</u>

Notes to the Financial Statements, continued

September 30, 2004

NOTE 3 - RECEIVABLES, ACCRUED LIABILITIES AND DEFERRED REVENUE

1. Receivables

Receivables as of year-end for the City's governmental activities, individual major governmental funds, nonmajor funds in the aggregate, internal service funds and applicable allowances for uncollectible accounts are as follows:

	General Fund	Community Redevelop- ment Agency	Revenue Bonds and Notes	Transpor- tation Capital Projects	Nonmajor Govern- mental Funds	Internal Service Fund	Total
Receivables:							
Accounts (gross)	\$ 2,555,568	\$ 156,456	\$ 0	\$ 0	\$ 49,806	\$ 0	\$ 2,761,830
Allowance for uncollectibles	(295,289)	0	0	0	(7,632)	0	(302,921)
Accounts (net)	<u>2,260,279</u>	<u>156,456</u>	<u>0</u>	<u>0</u>	<u>42,174</u>	<u>0</u>	<u>2,458,909</u>
Special Assessments							
Current	388,972	0	0	0	129	0	389,101
Deferred	329,019	0	0	0	0	0	329,019
Total	<u>717,991</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>129</u>	<u>0</u>	<u>718,120</u>
Interest Receivable	4,027	820	414	14,416	4,654	1,742	26,073
Notes Receivable	0	350,347	0	0	86,080	0	436,427
Total receivables	<u>\$ 2,982,297</u>	<u>\$ 507,623</u>	<u>\$ 414</u>	<u>\$ 14,416</u>	<u>\$ 133,037</u>	<u>\$ 1,742</u>	<u>\$ 3,639,529</u>

Significant uncollectibles: The allowance for uncollectibles accounts receivable in the General Fund includes \$279,662 for lot mowing and demolition receivables and liens. Any lot mowing or demolition account that is not collected within 60 days is recognized as uncollectible and the associated revenue is reclassified to deferred revenue.

Notes to the Financial Statements, continued

September 30, 2004

NOTE 3 - RECEIVABLES, ACCRUED LIABILITIES AND DEFERRED REVENUE (continued)

1. Receivables (continued)

Receivables for the City's business-type activities, including individual major funds and allowances for uncollectibles accounts are as follows:

	<u>Water - Wastewater Utility</u>	<u>Solid Waste Fund</u>	<u>Other Business- Type Funds</u>	<u>Total</u>
Receivables:				
Accounts (gross)	\$ 2,449,360	\$ 672,865	\$ 106,159	\$ 3,228,384
Allowance for uncollectibles	<u>(470,639)</u>	<u>(78,597)</u>	<u>(20,935)</u>	<u>(570,171)</u>
Accounts (net)	<u>1,978,721</u>	<u>594,268</u>	<u>85,224</u>	<u>2,658,213</u>
Interest				
Unrestricted	1,657	719	5,233	7,609
Restricted	<u>1,168</u>	<u>434</u>	<u>244</u>	<u>1,846</u>
Total Interest	<u>2,825</u>	<u>1,153</u>	<u>5,477</u>	<u>9,455</u>
Total receivables	<u>\$ 1,981,546</u>	<u>\$ 595,421</u>	<u>\$ 90,701</u>	<u>\$ 2,667,668</u>

Notes to the Financial Statements, continued

September 30, 2004

NOTE 3 - RECEIVABLES, ACCRUED LIABILITIES AND DEFERRED REVENUE (continued)

2. Accrued Liabilities

Other accrued liabilities at September 30, 2004 were as follows:

	<u>Salaries and Benefits</u>	<u>Interest Payable</u>	<u>Other Accrued Liabilities</u>	<u>Total</u>
Governmental Activities:				
General Fund	\$ 1,217,206	\$ 0	\$ 763,017	\$ 1,980,223
Community Redevelopment	168,544	0	182,835	351,379
Revenue Bonds and Notes	0	1,549,862	0	1,549,862
Nonmajor Governmental Funds	41,418	0	29	41,447
Reconciliation of balances in fund financial statements to government-wide financial statements (Internal Service Funds)	<u>33,064</u>	<u>538</u>	<u>0</u>	<u>33,602</u>
Total governmental activities	<u>\$ 1,460,232</u>	<u>\$ 1,550,400</u>	<u>\$ 945,881</u>	<u>\$ 3,956,513</u>
Business-type activities:				
Water-Wastewater utility				
Unrestricted	\$ 94,215	\$ 0	\$ 35,000	\$ 129,215
Restricted	<u>0</u>	<u>2,223,560</u>	<u>0</u>	<u>2,223,560</u>
Total Water-Wastewater	<u>94,215</u>	<u>2,223,560</u>	<u>35,000</u>	<u>2,352,775</u>
Solid Waste				
Unrestricted	27,172	0	0	27,172
Restricted	<u>0</u>	<u>9,286</u>	<u>0</u>	<u>9,286</u>
Total Solid Waste	<u>27,172</u>	<u>9,286</u>	<u>0</u>	<u>36,458</u>
Nonmajor Business-type funds				
Unrestricted	108,646	239	0	108,885
Restricted	<u>0</u>	<u>24,523</u>	<u>0</u>	<u>24,523</u>
Total nonmajor business-type	<u>108,646</u>	<u>24,762</u>	<u>0</u>	<u>133,408</u>
Total business-type activities	<u>\$ 230,033</u>	<u>\$ 2,257,608</u>	<u>\$ 35,000</u>	<u>\$ 2,522,641</u>

Notes to the Financial Statements, continued

September 30, 2004

NOTE 3 - RECEIVABLES, ACCRUED LIABILITIES AND DEFERRED REVENUE (continued)

3. Deferred Revenue

Deferred revenue from resources that have been received but not yet earned are reported on both the government-wide Statement of Activities and on the governmental fund financial statements. The governmental fund financial statements may also report deferred revenue from receivables for revenues that are not considered available to liquidate liabilities for the current period. The components of deferred revenue as of September 30, 2004 are as follows:

	<u>Governmental-type funds</u>				<u>Business-type funds</u>
	<u>General</u>	<u>Community Redevelopment Agency</u>	<u>Nonmajor Governmental</u>	<u>Total</u>	<u>Nonmajor business-type</u>
Receivables earned but not available:					
Special Assessments	\$ 329,019	\$ 0	\$ 0	\$ 329,019	\$ 0
FEMA Grant	0	0	2,359,041	2,359,041	0
Total unavailable	<u>329,019</u>	<u>0</u>	<u>2,359,041</u>	<u>2,688,060</u>	<u>0</u>
Unearned revenues:					
Prepaid Occupational Licenses	841,250	0	0	841,250	0
Rent	279,960	0	0	279,960	0
Lot Mowing	80,843	0	0	80,843	0
Building Demolition	117,362	0	0	117,362	0
School Board	316,035	0	0	316,035	0
Off Duty Pay	0	0	83	83	0
Special Assessments	5,030	0	0	5,030	0
Grant receipts not yet earned	0	548,406	241,033	789,439	773,203
Notes receivable long-term	0	243,119	36,604	279,723	0
Total unearned	<u>1,640,480</u>	<u>791,525</u>	<u>277,720</u>	<u>2,709,725</u>	<u>773,203</u>
Total deferred revenue	<u>\$ 1,969,499</u>	<u>\$ 791,525</u>	<u>\$ 2,636,761</u>	<u>\$ 5,397,785</u>	<u>\$ 773,203</u>

Notes to the Financial Statements, continued

September 30, 2004

NOTE 4 - RESTRICTED ASSETS

Certain assets of the enterprise funds at September 30, 2004 are restricted for certain purposes. These assets included cash and cash equivalents, investments and interest receivable.

Purpose	Water - Wastewater Utility Fund	Solid Waste Fund	Nonmajor business-type funds
Customer Deposits	\$ 3,391,421	\$ 13,800	\$ 258,117
Revenue bonds debt service accounts	5,691,064	16,987	44,529
Impact fee capital contributions accounts	1,904,637	0	0
Revenue bond renewal and replacement accounts	2,572,900	375,775	57,731
Revenue bond and note construction accounts	1,397,451	0	0
Grants and matching grant funds	0	0	1,959,070
Capital project accounts	0	74,656	725,241
Operations and maintenance accounts	0	0	16,205
Total Restricted Assets	<u>\$ 14,957,473</u>	<u>\$ 481,219</u>	<u>\$ 3,060,893</u>

Restricted assets are not reported on the balance sheets of the governmental funds in accordance with the modified basis of accrual accounting and the current financial resources measurement focus. However, the following assets of the governmental funds, including cash, receivables, due from other governments and prepaid items, are restricted in accordance with legal or contractual provisions.

Purpose	General Fund	Community Redevelopment Agency	Revenue Bonds and Notes
Construction Projects	\$ 0	\$ 0	\$ 0
Debt service	0	0	5,266,556
State and federal grants	0	491,905	0
Community redevelopment	0	1,142	0
Other purposes	700,415	0	0
Total Restricted Assets	<u>\$ 700,415</u>	<u>\$ 493,047</u>	<u>\$ 5,266,556</u>

Purpose	Transportation Capital Projects Fund	Other Governmental Funds	Totals
Construction Projects	\$ 18,708,873	\$ 1,148,669	\$ 19,857,542
Debt service	0	0	5,266,556
State and federal grants	0	325,998	817,903
Community redevelopment	0	0	1,142
Other purposes	0	0	700,415
Total Restricted Assets	<u>\$ 18,708,873</u>	<u>\$ 1,474,667</u>	<u>\$ 26,643,558</u>

Notes to the Financial Statements, continued

September 30, 2004

NOTE 5—CAPITAL ASSETS

	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 18,926,694	\$ 456,274	\$ (6,404,461)	\$ 12,978,507
Land Improvements	0	13,000	0	13,000
Construction in Progress	4,034,699	5,667,136	(2,038,013)	7,663,822
Total capital assets not being depreciated:	<u>22,961,393</u>	<u>6,136,410</u>	<u>(8,442,474)</u>	<u>20,655,329</u>
<i>Capital assets being depreciated:</i>				
Buildings	39,802,659	627,016	(14,972,047)	25,457,628
Improvements	14,439,442	1,076,425	(220,651)	15,295,216
Equipment	21,691,683	1,951,861	(1,574,400)	22,069,144
Infrastructure	1,914,780	901,723	0	2,816,503
Total capital assets beings depreciated:	<u>77,848,564</u>	<u>4,557,025</u>	<u>(16,767,098)</u>	<u>65,638,491</u>
<i>Less accumulated depreciation for:</i>				
Buildings	12,564,146	945,005	(4,990,683)	8,518,468
Improvements	6,054,232	704,680	(220,651)	6,538,261
Equipment	16,246,899	2,260,559	(1,481,983)	17,025,475
Infrastructure	77,005	105,592	0	182,597
Total accumulated depreciation:	<u>34,942,282</u>	<u>4,015,836</u>	<u>(6,693,317)</u>	<u>32,264,801</u>
Total capital assets being depreciated, net	<u>42,906,282</u>	<u>541,189</u>	<u>(10,073,781)</u>	<u>33,373,690</u>
Total governmental activities capital assets, net	<u>\$ 65,867,675</u>	<u>\$ 6,677,599</u>	<u>\$ (18,516,255)</u>	<u>\$ 54,029,019</u>
Business Type Activities				
<i>Capital Assets not being depreciated:</i>				
Land				
Water-Wastewater	\$ 260,550	\$ 124,070	\$ 0	\$ 384,620
Edison-Ford Estates	4,355,094	104,792	(218,804)	4,241,082
Burrough's Home	788,866	0	0	788,866
Fort Myers Country Club	168,966	0	0	168,966
Eastwood Golf Course	729,261	0	0	729,261
Yacht Basin	196,060	0	0	196,060
Harborside Event Center	399,327	0	0	399,327
Total land	<u>6,898,124</u>	<u>228,862</u>	<u>(218,804)</u>	<u>6,908,182</u>

Notes to the Financial Statements, continued

September 30, 2004

NOTE 5—CAPITAL ASSETS (continued)

	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
<i>Capital Assets not being depreciated (continued):</i>				
Antiques and Exhibits				
Edison-Ford Estates	900,428	0	0	900,428
Total antiques and exhibits	<u>900,428</u>	<u>0</u>	<u>0</u>	<u>900,428</u>
Construction in Progress				
Water-Wastewater	8,049,630	12,937,857	(5,262,327)	15,725,160
Stormwater Operations	0	169,608	0	169,608
Building Permits and Inspections	66,840	337,133	0	403,973
Edison-Ford Estates	731,532	1,423,606	(154,932)	2,000,206
Imaginarium	11,210	0	0	11,210
Burrough's Home	14,705	841,582	0	856,287
Eastwood Golf Course	160,920	0	(160,920)	0
Yacht Basin	2,950	1,088	0	4,038
Harborside Event Center	1,709,144	0	(1,709,144)	0
Total construction in progress	<u>10,746,931</u>	<u>15,710,874</u>	<u>(7,287,323)</u>	<u>19,170,482</u>
Total capital assets not being depreciated:	<u>18,545,483</u>	<u>15,939,736</u>	<u>(7,506,127)</u>	<u>26,979,092</u>
<i>Capital Assets being depreciated:</i>				
Buildings				
Water-Wastewater	51,490,628	2,854,160	0	54,344,788
Solid Waste	569,760	0	(569,760)	0
Edison-Ford Estates	1,121,750	183,490	0	1,305,240
Burrough's Home	170,254	0	0	170,254
Southwest Florida Museum of History	229,764	0	0	229,764
Fort Myers Country Club	3,479,859	0	0	3,479,859
Eastwood Golf Course	372,536	0	0	372,536
Yacht Basin	490,620	0	0	490,620
Harborside Event Center	8,776,842	1,709,144	(16,930)	10,469,056
Total buildings	<u>66,702,013</u>	<u>4,746,794</u>	<u>(586,690)</u>	<u>70,862,117</u>
Improvements other than buildings				
Water-Wastewater	122,138,942	8,799,417	(7,482)	130,930,877
Edison-Ford Estates	342,531	0	0	342,531
Burrough's Home	299,916	0	0	299,916
Southwest Florida Museum of History	5,158	0	0	5,158
Fort Myers Country Club	2,171,275	0	0	2,171,275
Eastwood Golf Course	2,051,508	160,920	0	2,212,428
Yacht Basin	2,282,534	0	0	2,282,534
Harborside Event Center	164,007	0	0	164,007
Total improvements other than buildings	<u>129,455,871</u>	<u>8,960,337</u>	<u>(7,482)</u>	<u>138,408,726</u>

Notes to the Financial Statements, continued

September 30, 2004

NOTE 5 – CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Ending Balance</u>
<i>Capital Assets being depreciated (continued):</i>				
Equipment				
Water-Wastewater	11,257,404	2,212,378	(98,622)	13,371,160
Solid Waste	3,087,633	196,038	(128,586)	3,155,085
Stormwater Operations	120,194	19,455	0	139,649
Building Permits and Inspections	40,381	128,577	0	168,958
Edison-Ford Estates	940,649	0	0	940,649
Imaginarium	80,148	0	0	80,148
Burrough's Home	57,016	0	0	57,016
Southwest Florida Museum of History	92,787	0	0	92,787
Fort Myers Golf Course	1,102,080	0	0	1,102,080
Eastwood Golf Course	539,666	11,786	(27,400)	524,052
Yacht Basin	121,530	0	0	121,530
Harborside Event Center	1,387,699	0	0	1,387,699
Total equipment	<u>18,827,187</u>	<u>2,568,234</u>	<u>(254,608)</u>	<u>21,140,813</u>
Antiques and Exhibits				
Imaginarium	282,820	0	0	282,820
Total antiques and exhibits	<u>282,820</u>	<u>0</u>	<u>0</u>	<u>282,820</u>
Total capital assets being depreciated:	<u>215,267,891</u>	<u>16,275,365</u>	<u>(848,780)</u>	<u>230,694,476</u>
<i>Less accumulated depreciation for:</i>				
Buildings				
Water-Wastewater	23,509,159	1,736,621	0	25,245,780
Solid Waste	176,107	20,719	(196,826)	0
Edison-Ford Estates	775,632	55,019	0	830,651
Burrough's Home	70,334	7,917	0	78,251
Southwest Florida Museum of History	95,242	10,564	0	105,806
Fort Myers Country Club	2,052,758	164,921	0	2,217,679
Eastwood Golf Course	297,193	10,823	0	308,016
Yacht Basin	369,441	17,523	0	386,964
Harborside Event Center	3,509,469	292,620	0	3,802,089
Total buildings	<u>30,855,335</u>	<u>2,316,727</u>	<u>(196,826)</u>	<u>32,975,236</u>

Notes to the Financial Statements, continued

September 30, 2004

NOTE 5—CAPITAL ASSETS (continued)

	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
<i>Less accumulated depreciation for (continued):</i>				
Improvements other than buildings:				
Water-Wastewater	60,662,197	3,001,503	0	63,663,700
Edison-Ford Estates	322,216	17,350	0	339,566
Burrough's Home	190,016	16,672	0	206,688
Southwest Florida Museum of History	1,105	737	0	1,842
Fort Myers Country Club	2,100,994	21,467	0	2,122,461
Eastwood Golf Course	1,998,526	6,623	0	2,005,149
Yacht Basin	2,062,582	26,207	0	2,088,789
Harborside Event Center	0	16,401	0	16,401
Total improvements other than buildings	<u>67,337,636</u>	<u>3,106,960</u>	<u>0</u>	<u>70,444,596</u>
Equipment				
Water-Wastewater	6,404,797	987,730	(47,783)	7,344,744
Solid Waste	2,349,540	201,161	(128,586)	2,422,115
Stormwater Operations	9,525	13,111	0	22,636
Building Permits and Inspections	3,760	17,675	0	21,435
Edison-Ford Estates	912,618	18,088	0	930,706
Imaginarium	58,490	8,966	0	67,456
Burrough's Home	36,170	6,841	0	43,011
Southwest Florida Museum of History	43,018	14,658	0	57,676
Fort Myers Country Club	977,820	54,285	0	1,032,105
Eastwood Golf Course	447,201	39,064	(27,400)	458,865
Yacht Basin	86,270	8,505	0	94,775
Harborside Event Center	1,361,400	15,423	0	1,376,823
Total equipment	<u>12,690,609</u>	<u>1,385,507</u>	<u>(203,769)</u>	<u>13,872,347</u>
Antiques and Exhibits				
Imaginarium	281,831	657	0	282,488
Total antiques and exhibits	<u>281,831</u>	<u>657</u>	<u>0</u>	<u>282,488</u>
Total accumulated depreciation:	<u>111,165,411</u>	<u>6,809,851</u>	<u>(400,595)</u>	<u>117,574,667</u>
Total depreciable capital assets, net				<u>113,119,809</u>
Total business type activities capital assets, net	<u>\$ 122,647,963</u>	<u>\$ 25,405,250</u>	<u>\$ (7,954,312)</u>	<u>\$ 140,098,901</u>

Notes to the Financial Statements, continued

September 30, 2004

NOTE 5 – CAPITAL ASSETS (continued)

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

Governmental activities:

General Government	\$	1,332,647
Public Safety		
Police		505,614
Fire		337,277
Protective Services		21,156
Physical environment		45,572
Street Maintenance		136,824
Transportation		319,738
Economic environment		326,224
Culture and recreation		990,785
Total depreciation expense - governmental activities	\$	<u>4,015,837</u>

Business type activities

Water-Wastewater	\$	5,725,854
Solid Waste		221,880
Stormwater Operations		13,111
Building Permits and Inspections		17,675
Edison-Ford Estates		90,457
Burrough's Home		31,430
Southwest Florida Museum of History		25,959
Fort Myers Golf Course		240,673
Eastwood Golf Course		56,510
Yacht Basin		52,235
Harborside Event Center		324,444
Imaginarium		9,623
Total depreciation expense - business-type activities	\$	<u>6,809,851</u>

Notes to the Financial Statements, continued

September 30, 2004

NOTE 6 - LONG TERM DEBT

Bonds and notes outstanding at September 30, 2004 consist of the following for governmental activities:

	Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rate	Maximum Annual Debt Service
Governmental Activities:					
Revenue Bonds:					
Series 1992C	City Facilities	\$ 4,122,156	\$ 1,149,771 ⁽¹⁾	5.000% - 6.125%	\$ 503,248
Series 1995	Refunding	3,085,000	1,135,000	3.750% - 5.200%	315,760
Series 1996A	Refunding	10,750,000	3,875,000	3.900% - 5.200%	1,390,480
Series 1997A	Refunding	36,812,411	35,415,515	3.700% - 5.000%	5,110,099
Gulf Breeze Loan Pool, 1999	Refunding	10,420,000	10,230,000	5.56%	1,753,763
League of Cities Loan Pool, 2000	Refunding	7,605,000	6,635,000	4.700% - 5.625%	639,825
Series 2001A	City Facilities	9,675,000	9,675,000	3.800% - 5.000%	870,698
Series 2002A	Refunding	20,625,000	18,615,000	4.000% - 5.000%	2,911,400
Series 2004A Gas Tax	Transportation	18,335,000	18,335,000	2.00% - 5.000%	1,697,201
Total Revenue Bonds		<u>121,429,567</u>	<u>105,065,286</u>		
Notes Payable:					
Section 108 Housing Loan, 1997	Housing Projects	300,000	275,000	(2)	25,000 ⁽³⁾
Revenue Improvement Note, 2004A	Capital Credit Line	54,250	54,250	(4)	54,250 ⁽³⁾
Revenue Improvement Note 2004C	Pension Credit Line	50,000	50,000	(5)	50,000 ⁽³⁾
Total Notes		<u>404,250</u>	<u>379,250</u>		
Total for Governmental Activities		<u>\$ 121,833,817</u>	<u>\$ 105,444,536</u>		

⁽¹⁾ The amount issued for the Series 1992C Bonds is net of \$13,554,030, which was subsequently refunded.

⁽²⁾ Interest is set on an index of 3 month LIBOR plus 20 basis points as published in the Wall Street Journal.

⁽³⁾ Principal portion only has been disclosed, as interest is a variable rate, thus maximum interest is not known.

⁽⁴⁾ Interest is set on an index of 63.7024% of the 1 month LIBOR plus .90446% as published in the Wall Street Journal.

⁽⁵⁾ Interest is set on an index of the 1 month LIBOR plus 85 basis points as published in the Wall Street Journal.

Notes to the Financial Statements, continued

September 30, 2004

NOTE 6 - LONG TERM DEBT (continued)

Bonds and notes outstanding at September 30, 2004 consist of the following for business-type activities:

	<u>Purpose of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Maximum Annual Debt Service</u>
Business-Type Activities:					
Utility System Revenue Bonds:					
Series 1993A - Includes a capital appreciation series	Refunding	\$ 48,920,000	\$ 30,990,000	3.750% - 5.850%	\$ 4,000,790
Series 1999A	Refunding	60,890,000	58,795,000	4.300% - 5.500%	7,215,144
Series 2003A	Refunding	<u>29,130,000</u>	<u>29,055,000</u>	2.000% - 4.750%	2,395,809
Total Utility System Revenue Bonds		<u>138,940,000</u>	<u>118,840,000</u>		
State Revolving Fund Loan	Utility System	2,393,668	2,393,668 ⁽¹⁾	2.71% - 3.16%	436,127
Utility Revenue Note, 2004B	Capital Credit Line	<u>86,583</u>	<u>86,583</u>	(2)	86,583 ⁽³⁾
Total Utility System		<u>141,420,251</u>	<u>121,320,251</u>		
Solid Waste Revenue Bonds					
Series 1992C	Horticultural Facility	165,662	41,495 ⁽⁴⁾	5.000% - 6.125%	18,142
Series 1997A	Refunding	<u>535,431</u>	<u>514,986</u>	3.700% - 5.000%	74,307
Total Solid Waste Revenue Bonds		<u>701,093</u>	<u>556,481</u>		
Other Revenue Bonds					
Series 1992C	City Facilities	656,701	108,734 ⁽⁵⁾	5.000% - 6.125%	47,594
Series 1997A	Refunding	<u>2,321,259</u>	<u>1,349,499</u>	3.700% - 5.000%	194,719
Total Other Revenue Bonds		<u>2,977,960</u>	<u>1,458,233</u>		
Total Business-Type Activities		<u>\$ 145,099,304</u>	<u>\$ 123,334,965</u>		

⁽¹⁾ Total amount authorized is \$22,014,232. As of September 30, 2004 only \$2,393,668, including capitalized interest, was drawn-down.

⁽²⁾ Interest is set on an index of 63.7024% of the 1 month LIBOR plus .840744% as published in the Wall Street Journal.

⁽³⁾ Only principal amount is shown as interest is at a variable rate.

⁽⁴⁾ The amount issued for the Series 1992C bonds is net of \$535,431, which was subsequently refunded.

⁽⁵⁾ The amount issued for the Series 1992C bonds is net of \$1,281,803, which was subsequently refunded.

Notes to the Financial Statements, continued

September 30, 2004

NOTE 6 - LONG TERM DEBT (continued)

Changes in governmental long-term debt for the year ended September 30, 2004 are summarized as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Revenue bonds payable	\$ 91,150,720	\$ 18,335,000	\$ 4,420,434	\$ 105,065,286	\$ 5,407,045
Plus: Original Issue Premium and deferred defeasance costs.	150,301	60,500	19,249	191,552	0
Net bonds payable	91,301,021	18,395,500	4,439,683	105,256,838	5,407,045
Notes payable	15,000,000	104,250	14,725,000	379,250	25,000
Capital lease obligations	650,833	562,000	451,348	761,485	475,050
Compensated absences	2,433,519	1,116,863	122,290	3,428,092	459,187
Fire and Police Pension Payable	1,750,002	1,570,770	1,750,002	1,570,770	1,570,770
Self insurance claims payable	3,485,271	1,863,706	1,790,629	3,558,348	1,990,700
Governmental-Type Totals	<u>\$ 114,620,646</u>	<u>\$ 23,613,089</u>	<u>\$ 23,278,952</u>	<u>\$ 114,954,783</u>	<u>\$ 9,927,752</u>

Notes to the Financial Statements, continued

September 30, 2004

NOTE 6 - LONG TERM DEBT (continued)

Changes in business-type long-term debt for the year ended September 30, 2004 are summarized as follows:

	Beginning Balances	Additions	Reductions	Ending Balances	Amounts Due Within One Year
Water/Wastewater Utility Fund					
Water/Wastewater bonds	\$ 112,596,916	\$ 881,916	\$ 4,230,000	\$ 109,248,832 ⁽¹⁾	\$ 3,610,000
Less: Unamortized original issue discount/ (premium) and deferred defeasance costs.	7,607,803	0	462,097	7,145,706	0
Plus: Swaption Premium 1999A Series Bonds	0	1,760,000	176,000	1,584,000	0
Net bonds payable	104,989,113	2,641,916	3,943,903	103,687,126	3,610,000
State Revolving Loan	351,306	2,042,362	0	2,393,668	0
Capital Credit Line	0	86,583	0	86,583	0
Compensated absences	202,137	145,499	16,235	331,401	49,463
Fund totals	<u>105,542,556</u>	<u>4,916,360</u>	<u>3,960,138</u>	<u>106,498,778</u>	<u>3,659,463</u>
Solid Waste Fund					
Revenue Bonds	574,315	0	17,834	556,481	18,770
Less: Unamortized original issue discount/ (premium) and deferred defeasance costs.	26,558	0	6,342	20,216	0
Net bonds payable	547,757	0	11,492	536,265	18,770
Compensated absences	56,482	19,385	1,473	74,394	4,669
Fund totals	<u>604,239</u>	<u>19,385</u>	<u>12,965</u>	<u>610,659</u>	<u>23,439</u>
Other Enterprise Funds					
Other revenue Bonds	1,504,964	0	46,732	1,458,232	49,195
Less: Unamortized original issue discount/ (premium) and deferred defeasance costs.	68,850	0	16,382	52,468	0
Net bonds payable	1,436,114	0	30,350	1,405,764	49,195
Capital lease obligations	250,281	0	92,174	158,107	95,787
Compensated absences	251,119	106,848	40,697	317,270	43,487
Business-type totals	<u>\$ 108,084,309</u>	<u>\$ 5,042,593</u>	<u>\$ 4,136,324</u>	<u>\$ 108,990,578</u>	<u>\$ 3,871,371</u>

⁽¹⁾ Difference between the \$109,248,832 and \$118,840,000 shown on the "Amount Outstanding" schedule is due to the 1993A capital appreciation bonds. The difference of \$9,591,168 is compounded interest on those bonds.

Notes to the Financial Statements, continued

September 30, 2004

NOTE 6 - LONG TERM DEBT (continued)

Fiscal Year	Governmental Activities					
	Revenue Bonds			Notes and Loans		
	Principal	Interest	Total Required	Principal	Interest	Total Required
2005	\$ 5,407,045	\$ 4,836,007	\$ 10,243,052	\$ 25,000	\$ 7,910	\$ 32,910
2006	5,957,750	4,600,165	10,557,915	129,250	7,234	136,484
2007	5,956,718	4,341,347	10,298,065	25,000	3,060	28,060
2008	6,074,239	4,086,622	10,160,861	25,000	2,720	27,720
2009	5,742,739	3,840,767	9,583,506	25,000	2,380	27,380
2010-2014	32,816,109	14,944,026	47,760,135	125,000	6,800	131,800
2015-2019	28,931,580	7,078,245	36,009,825	25,000	340	25,340
2020-2024	14,179,106	1,293,000	15,472,106	0	0	0
Total	105,065,286	\$ 45,020,179	\$ 150,085,465	379,250	\$ 30,444	\$ 409,694
Current Portion	(5,407,045)			(25,000)		
Premium/discount deferred refunding loss	191,552			0		
Long-term portion	\$ 99,849,793		\$ 150,085,465	\$ 354,250		

Fiscal Year	Governmental Activities			
	Capital Leases			Governmental Activities
	Principal	Interest	Total Required	Total Requirements
2005	\$ 475,050	\$ 13,927	\$ 488,977	\$ 10,764,939
2006	237,951	4,069	242,020	10,936,419
2007	48,484	205	48,688	10,374,813
2008	0	0	0	10,188,581
2009	0	0	0	9,610,886
2010-2014	0	0	0	47,891,935
2015-2019	0	0	0	36,035,165
2020-2024	0	0	0	15,472,106
Total	761,485	\$ 18,201	\$ 779,685	\$ 151,274,844
Current Portion	(475,050)			
Premium/discount deferred refunding loss	0			
Long-term portion	\$ 286,435		\$ 779,685	

Notes to the Financial Statements, continued

September 30, 2004

NOTE 6 - LONG TERM DEBT (continued)

Fiscal Year	Business-Type Activities					
	Water / Wastewater Revenue Bonds and Loans			Solid Waste Revenue Bonds		
	Principal	Interest	Total Required	Principal	Interest	Total Required
2005	\$ 3,610,000	\$ 5,321,229	\$ 8,931,229	\$ 18,770	\$ 27,578	\$ 46,348
2006	6,522,341	5,248,767	11,771,108	19,956	26,539	46,495
2007	4,831,936	4,992,979	9,824,915	11,955	25,423	37,378
2008	4,851,282	4,819,751	9,671,033	11,258	24,856	36,114
2009	4,688,755	4,623,280	9,312,035	11,673	24,334	36,007
2010-2014	27,864,254	20,248,369	48,112,623	150,227	108,267	258,494
2015-2019	28,666,656	12,535,755	41,202,411	180,480	61,491	241,971
2020-2024	13,741,641	5,907,409	19,649,050	152,162	13,646	165,808
2025-2029	12,257,218	2,901,725	15,158,943	0	0	0
2030-2034	4,695,000	304,650	4,999,650	0	0	0
Total	111,729,083	\$ 66,903,914	\$ 178,632,997	556,481	\$ 312,134	\$ 868,615
Current portion	(3,610,000)			(18,770)		
Premium/discount deferred refunding loss	(5,561,706)			(20,216)		
Long-term portion	\$ 102,557,377			\$ 517,495		

Fiscal Year	Business-Type Activities						
	Other Revenue Bonds			Capital Leases			Business-Type Activities
	Principal	Interest	Total Required	Principal	Interest	Total Required	Total Requirements
2005	\$ 49,195	\$ 72,323	121,518	\$ 95,787	\$ 4,676	\$ 100,463	\$ 9,199,558
2006	52,284	69,598	121,882	62,320	1,161	63,481	12,002,966
2007	31,327	66,648	97,975	0	0	0	9,960,268
2008	29,503	65,133	94,636	0	0	0	9,801,783
2009	30,588	63,766	94,354	0	0	0	9,442,396
2010-2014	393,664	283,708	677,372	0	0	0	49,048,489
2015-2019	472,940	161,136	634,076	0	0	0	42,078,458
2020-2024	398,731	35,761	434,492	0	0	0	20,249,350
2025-2029	0	0	0	0	0	0	15,158,943
2030-2034	0	0	0	0	0	0	4,999,650
Total	1,458,232	\$ 818,073	\$ 2,276,305	158,107	\$ 5,837	\$ 163,944	\$ 181,941,861
Current Portion	(49,195)			(95,787)			
Premium/discount deferred refunding loss	(52,468)			0			
Long-term portion	\$ 1,356,569			\$ 62,320			

Note: The difference between the Water/Wastewater total principal balance of \$109,248,832 as shown on page 70 and \$118,840,000 (page 68) on the bonds and notes outstanding of \$9,951,168 is due to the Series 1993A Bonds having capital appreciation compound interest bonds outstanding. The capital appreciation is shown as interest above and is amortized over the life of these bonds.

Notes to the Financial Statements, continued

September 30, 2004

NOTE 6-LONG TERM DEBT (continued)

Derivatives and Hedging Activities:

Pay-fixed, receive variable interest rate Swaption.

Objective of the swaption: The City entered into a pay-fixed, receive variable interest rate swaption in order to take advantage of the currently low interest rates on debt that cannot currently be refunded. The swaption provided for a cash premium paid up-front to the City in return for the opportunity to exercise an option to cause the City to enter into a pay-fixed receive variable rate swap at specified dates in the future. The net effect to the City entering into this transaction was to receive a \$1.76 million upfront premium payment in return for effectively giving up its right to refinance the 1999A Utility Refunding Revenue Bonds during the term of the swaption.

Terms, fair values and risks: The swaption may be exercised on October 1, 2009, April 1, 2010, October 1, 2010, April 1, 2011 or October 1, 2011 and expires on October 1, 2011. If the swaption is exercised, the City would then issue variable rate bonds tied to the Bond Market Association (BMA) index. The City would pay the counterparty a fixed interest rate and receive a variable interest rate payment in return. The city received an option premium at the time the swaption was entered into.

Associated Bond Issue	Notational Amount	Effective Date	Fixed Rate	Fair Value 30 Sept. 2004	Swaption Term Date
1999A Utility Refunding Revenue Bonds	\$53,715,000	1 Oct 2009	5.179%	(\$2,641,265)	1 Oct. 2011

Fair value: Because long-term interest swap rates are lower than the fixed rate, the swaption had a negative fair value, or cost to the City to terminate the contract.

Risks:

Liquidity and remarketing risk: There is no public market for swaps and there is no exchange-type market that can be used to sell, cancel or reverse an outstanding swap. It may be difficult or impossible to liquidate an existing swap position if rates or market prices have moved against the swap, or to assess the value of the position or exposure to risk after entering into the swap.

Basis risk: The risk that the payment the City receives and the payment it makes will differ, sometimes significantly, creating a current financial obligation at an inopportune time.

Tax risk: A change in the federal or state tax structure creates basis risk.

Interest rate risk: Fluctuations in interest rates will significantly affect the payments the City is obligated to make or is entitled to receive. Fluctuations in interest rates will also affect the market value of a swap.

Termination risk: The swap may be subject to either optional or mandatory termination without the City's consent in accordance with the terms of the swap agreement. If the swap is "in-the-money" to the counterparty upon early termination, there is an obligation to make a termination payment representing the market value of the swap.

Credit risk: The City entered into the transaction with the Bank of America (BOA). There is a risk the BOA could run into financial difficulty and be unable to meet its obligations during the swap term, thereby eliminating the potential cash-flow benefit to the City.

Notes to the Financial Statements, continued

September 30, 2004

NOTE 7 - PRIOR-YEAR DEFEASED DEBT AND LONG-TERM REFUNDINGS

Prior-year defeased debt

In prior years, the City defeased certain revenue bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the City's financial statements. In addition, the City sold a parcel of property which had a note attached to it. Funds were placed in a trust account to pay all debt service of this note. On September 30, 2004 \$23,800,000 of bonds and notes outstanding were considered defeased.

Governmental-Type Activities

Revenue Bonds

Refunding Improvement, Series 1978-1	\$ 9,490,000
Improvement, Series 1982-1	<u>7,880,000</u>
Total Governmental-Type Activities	<u>\$ 17,370,000</u>

Business-Type Activities

Revenue Bonds

Refunding Utility, Series 1978	<u>\$ 6,430,000</u>
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Notes to the Financial Statements, continued

September 30, 2004

NOTE 8 - CAPITAL LEASE OBLIGATIONS

Governmental Lease Obligations

On June 27, 2002, the City entered into a capital leasing arrangement to acquire computer equipment for the City's Management Information Services system. This lease financed the 1st of a 3 year program to replace all of the City's computer stations. While some of the equipment purchased is not capitalized as it did not meet our capitalization threshold of \$5,000 per piece of equipment and therefore was expensed, equipment that did meet the capitalization threshold is included in capital assets net of accumulated depreciation. Original present value of the minimum payments was \$400,000.

On December 9, 2002, the City entered into a capital lease arrangement to acquire computer equipment for the City's Management Information Services system and to purchase an emergency generator to run the network should regular power fail. The purchase of the computers is the 2nd of a 3 year program to replace all of the City's computer stations. The generator is required to run the network, which includes the Police Department should regular power fail. While some of the equipment purchased is not capitalized as it did not meet our capitalization threshold of \$5,000 per piece of equipment and therefore was expensed, equipment that did meet the capitalization threshold is included in capital assets net of accumulated depreciation. Original present value of the minimum payments was \$545,000.

On December 15, 2003, the City entered into a capital leasing arrangement to finance firefighter's turn-out gear, which had been purchased in fiscal year 2003. The equipment purchased is not capitalized as it did not meet our capitalization threshold of \$5,000 per piece of equipment. Original present value of the minimum present payments was \$162,000.

On December 18, 2003, the City entered into a capital lease arrangement to acquire computer equipment for the City's Management Information Services system. This lease financed the 3rd of a 3 year program to replace all of the City's computer stations. While some of the equipment purchased is not capitalized, as it did not meet our capitalization threshold of \$5,000 per piece of equipment, and therefore expenses, equipment that did meet the capitalization threshold is included in capital assets net of accumulated depreciation. Original present value of the minimum payments was \$400,000.

The future minimum lease obligations of the governmental activities as of September 30, 2004 are as follows:

Year ending September 30,	<u>Amount</u>
2005	\$ 488,977
2006	242,020
2007	<u>48,689</u>
Total minimum lease payments	779,686
Less: Amounts representing interest	<u>18,201</u>
Present value of minimum lease payments	<u>\$ 761,485</u>

Notes to the Financial Statements, continued

September 30, 2004

NOTE 8 - CAPITAL LEASE OBLIGATIONS (continued)

Business-type Capital Lease Obligations

On July 6, 2001, the City entered into a capital lease arrangement to acquire golf course maintenance equipment. The original present value of minimum lease payments of \$293,703 is included in the capital assets net of accumulated depreciation in the City's two golf course funds is \$149,705. Eastwood Golf Course received equipment at a value of \$148,605 and the Fort Myers Golf Course received equipment at a value of \$145,098.

On December 9, 2002, the City entered into a capital lease arrangement to finance leasehold repairs to the Eastwood Golf Course clubhouse. The original present value of minimum lease payments of \$100,000 is included in the capital assets as work-in-process as the full repairs are not completed as September 30, 2004.

Year ending September 30,	<u>Amount</u>
2005	\$ 100,463
2006	<u>63,481</u>
Total minimum lease payments	163,944
Less: Amounts representing interest	<u>5,837</u>
Present value of minimum lease payments	<u>\$ 158,107</u>

Notes to the Financial Statements, continued

September 30, 2004

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES AND ADVANCES

The composition of interfund balances as of September 30, 2004 is as follows:

1. Due to/from other funds (balances expected to be repaid within on year):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Water-Wastewater Utility Fund	\$ 6,663,403
	Community Redevelopment Agency	<u>157,800</u>
		<u>\$ 6,821,203</u>
Nonmajor Governmental Funds	General Fund	\$ 58,077
	Nonmajor Governmental Funds	<u>2,637</u>
		<u>\$ 60,714</u>
Water-Wastewater Utility Fund	Community Redevelopment Agency	<u>\$ 100,000</u>

The amounts for the General Fund receivable represent a short-term loan to the Community Redevelopment Agency (CRA) and lien releases filed by the City on behalf of the Carillon Woods Special Assessment District. The amount of receivable for the Nonmajor Governmental funds represents amounts due to the General Fund and Cemetery Trust Fund. The amount of the receivable in the Water-Wastewater Utility represents the current amount of advances made to the CRA.

2. Advances to/from other funds (balances not expected to be repaid within on year):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Redevelopment Agency	\$ 617,000
	Nonmajor business-type funds	<u>204,023</u>
		<u>\$ 821,023</u>
Nonmajor governmental funds	General Fund	<u>\$ 117,676</u>
Water-Wastewater Utility Fund	Community Redevelopment Agency	<u>\$ 279,895</u>

The amounts due to all the funds represent the non-current portion of advances made to the payable fund.

Notes to the Financial Statements, continued

September 30, 2004

NOTE 10-INTERFUND TRANSFERS

<i>Transfer-Out Funds</i>	Transfer-In Funds			
	General	Community Redevelopment	Revenue Notes and Bonds	Transportation Capital Projects
General	\$ 0	\$ 798,180	\$ 8,188,938	\$ 20,271
CRA	0	130,500	0	191,026
Revenue Bonds and Notes	0	0	0	21,144
Transportation Capital Projects	0	0	15,782,138	0
Nonmajor Governmental	755,885	0	483,805	0
Water/Wastewater	4,505,659	0	0	0
Sanitation	3,000,000	0	0	0
Non-Major Business Type	174,629	0	0	0
Total Transfers	<u>\$ 8,436,173</u>	<u>\$ 928,680</u>	<u>\$ 24,454,881</u>	<u>\$ 232,441</u>

<i>Transfer-Out Funds</i>	Transfer-In Funds			
	Nonmajor Governmental	Nonmajor Business	Internal Service	Total Transfers
General	\$ 4,703,013	\$ 3,596,437	\$ 423,778	\$ 17,730,617
CRA	0	0	0	321,526
Revenue Bonds and Notes	0	0	0	21,144
Transportation Capital Projects	0	200,605	0	15,982,743
Non-Major Governmental	129,730	745,522	0	2,114,942
Water/Wastewater	40,000	0	0	4,545,659
Sanitation	0	0	43,765	3,043,765
Nonmajor Business Type	0	163,510	0	338,139
Total Transfers	<u>\$ 4,872,743</u>	<u>\$ 4,706,074</u>	<u>\$ 467,543</u>	<u>\$ 44,098,535</u>

Transfers from the General Fund to the CRA fund are primarily for tax increment receipts that are contractually obligated to be used in the individual districts and an operating subsidy for the Business Development Center. Other transfers from the General Fund were for purposes of funding debt service needs, capital improvements and grant matching. The transfers from the Revenue Bonds and Notes fund represent the liquidation of a debt service reserve for an issue that was refunded and purchase of bond insurance rather than the provision of a cash debt service reserve fund on the new debt. The transfers from the Transportation Capital Projects Fund represent debt service paid by one of the revenue sources and capital project funding. Transfers from the Nonmajor Governmental Funds represent funding for debt service and capital projects funding. The transfer from the Water/Wastewater Utility Fund and the Solid Waste Fund represents support to the General Fund. The transfers from the Nonmajor Business Type funds represent funding for debt service and capital projects funding.

Notes to the Financial Statements, continued

September 30, 2004

NOTE 11 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget

Annual budgets are adopted for all the major and non-major funds, excluding the three capital projects funds. All budgets are prepared on a modified cash basis, which shows cash inflows and cash outflows with certain non-ad valorem tax revenues being accrued. Capital projects are budgeted on a project length basis. Proprietary funds, while budgeted on a modified cash basis, are accounted for on the full accrual basis. As presentations of budget versus actual would be meaningless, no such presentation is made.

All encumbrances lapse at fiscal year end and are again encumbered in the following year if necessary.

Supplemental appropriations made during the fiscal year are included in the "Final Budget" columns on the "Budgetary Comparison Schedules" for all governmental major and non-major funds. Supplemental budgetary appropriations made during the year included the following:

- General Fund appropriations were increased by \$4,000,000 with funding coming from prior year surplus. The increase in appropriations was the result, primarily, of the funding of a special revenue fund for Hurricane Charley expenditures. These expenditures are, in the majority, anticipated to be eventually paid for by insurance proceeds, Federal Emergency Management Agency grants and State of Florida funding.
- General Fund appropriations were increased \$70,000 due to contributions from private sources to be used for specific items.
- General Fund appropriations were also increased by \$356,094 for additions to staff and associated operating expenses due to the volume of building permits that need review. These additional appropriations were funded by additional fees received from the permitting process.
- In addition, General Fund appropriations were increased by \$328,426 for various studies and reviews by outside consultants. The studies and reviews are paid for by various developers to help expedite the permitting process.
- The Revenue Bonds and Notes Fund increased appropriation through the year by \$14,838,758. This was the result of issuing new Gas Tax bonds, primarily to pay-off commercial paper the City had issued previously for transportation projects.

Expenditures may not exceed appropriations at the department level, except for the Community Redevelopment Agency, which uses the fund level as their budgetary control level. The Mayor and Financial Services Director have the authority to approve the transfer of funds within a department, within a fund, at will. In most cases, departments are required to transfer funds only to meet unanticipated needs or to reflect organizational changes. Budgetary control during the year is maintained on a department basis and not a line item basis.

Whereas the adopted budget is meant to control and provide for the efficient and economical running of the City, amendments may be required during the year to properly account for actual results. Budget amendments to appropriations or estimates of revenue in amounts of \$15,000 or less (excluding reserves) require the approval of the Mayor or his designee only. All such amendments are presented to the City Council at a regularly scheduled Council meeting after being implemented. All amendments to appropriations greater than \$15,000, or any adjustments to reserves, require City Council approval prior to implementation into the adopted budget.

Notes to the Financial Statements, continued

September 30, 2004

NOTE 11 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

The City follows the following procedures in establishing the legally adopted budget:

- During the fourth quarter of the fiscal year, the Mayor and Financial Services Director submit to the City Council 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.
- Public hearings are conducted to obtain taxpayer comments.
- On or before September 30th, the budget is legally enacted by City Council through passage of an ordinance, and a resolution setting the millage is passed as required by the State of Florida.

Excess of expenditures over appropriations

- During the 2004 fiscal year, the City set up a new special revenue fund to capture costs related to Hurricane Charley. This fund is called the “FEMA Grant Fund”. The intent is to capture all costs related to Hurricane Charley and capture all storm-related reimbursements. The original appropriations came from a transfer from the General Fund. In order to facilitate the cleanup and repair costs, the budget in this fund was not allocated by department. Therefore, while Police and Fire costs in this fund are over budget, the total fund is not within the budget.
- The Community Redevelopment Agency expended \$175,252 more than appropriated on the Section 8 Housing Program. This was due to the increased need for Housing vouchers. This excess was partially offset by additional Section 8 Housing Program revenues.
- The Community Redevelopment Agency also expended \$320,096 more than appropriated on the State Housing Initiative Partnership Program. The Agency received additional program revenues to partially offset the higher level of spending.

Deficit fund equity

At September 30, 2004, the following funds had a deficit fund balance:

<u>Fund</u>	<u>Amount</u>
Community Redevelopment Agency	
Business Development Center	\$ 13,032
Cleveland Avenue Tax Increment	
Districts	\$ 127,439

The Business Development Center had negative fund equity due to rental revenues being less than anticipated. If revenues continue to be below expectations, an infusion of equity from other sources is possible.

The Cleveland Avenue Tax Increment Districts has negative fund equity due to advances made from the General Fund when the districts were first started. This negative equity is expected to be eliminated through the increase in the ad valorem tax base over the next several years.

Notes to the Financial Statements, continued

September 30, 2004

NOTE 12 – RESERVED AND DESIGNATED FUND BALANCES

The following are reserved and designated fund balances as of September 30, 2004:

Major Funds	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Funds
Reserved for:				
Prepaid expenditures	\$ 28,532	\$ 0	\$ 0	\$ 0
Advances to other funds	821,023	0	0	0
Section 8 Housing Choice State Housing Initiative	0	758,545	0	0
Partnership Program	0	172,190	0	0
Downtown Redevelopment Area Bond	0	368,697	0	0
Revenue Bonds				
1992C Improvement	0	0	166,451	0
1996A Improvement Refunding	0	0	1,089,053	0
1997A Improvement Refunding	0	0	755,342	0
2001A Improvement	0	0	148,044	0
2002A Improvement Refunding	0	0	2,066,518	0
Government Unit Note				
1999 City of Gulf Breeze, Florida	0	0	328,195	0
2000A Florida Municipal Loan Council	0	0	184,216	0
New Transportation				
Tax Paper	0	0	414,665	0
Loan for Repairs	0	0	2,704	0
Pension Line of Credit	0	0	30,854	0
Transportation Cap Project	0	0	0	11,141,387
Road Impact Fees	0	0	0	9,140,139
Total Major Funds	\$ 849,555	\$ 1,299,432	\$ 5,186,042	\$ 20,281,526

Notes to the Financial Statements, continued

September 30, 2004

NOTE 12—RESERVED AND DESIGNATED FUND BALANCES (continued)

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Permanent Funds	Fiduciary Funds
Non-major Funds					
Reserved for:					
Law Enforcement Trust	\$ 259,676	\$ 0	\$ 0	\$ 0	\$ 0
Federal Forfeiture	98,494	0	0	0	0
FEMA	565	0	0	0	0
Grants	28,854	0	0	0	0
Cemetery Maintenance Advances	175,754	0	0	0	0
SAGA Administration	145,740	0	0	0	0
Police Training	30,710	0	0	0	0
Street Light Maintenance	179,724	0	0	0	0
Local Option Gas Tax	935,033	0	0	0	0
Winkler Safe Neighborhood	559,216	0	0	0	0
Special Assessment					
SAD #12 - Winkler Extension	0	16,684	0	0	0
General Improvements					
Fire Impact Fees	0	0	1,328,466	0	0
Park Impact Fees	0	0	1,337	0	0
Ned Foulds Police Award	0	0	0	2,000	0
General Employees'					
Pension Plan	0	0	0	0	42,590,251
Police Officers'					
Retirement System	0	0	0	0	42,236,933
Municipal Firefighters'					
Pension Trust Fund	0	0	0	0	32,903,749
Total Non-major Funds	<u>\$ 2,413,766</u>	<u>\$ 16,684</u>	<u>\$ 1,329,803</u>	<u>\$ 2,000</u>	<u>\$ 117,730,933</u>
Unreserved-Designated					
Non-major Funds					
Land Acquisition					
And Development	\$ 757,536	\$ 0	\$ 0	\$ 0	\$ 0
Off Duty Pay	71,274	0	0	0	0
Cemetery	580,317	0	0	0	0
Beautification	64,988	0	0	0	0
Fire Training Programs	20,300	0	0	0	0
Winkler Safe Neighborhood	0	0	226,597	0	0
Total Unreserved- Designated	<u>\$ 1,494,415</u>	<u>\$ 0</u>	<u>\$ 226,597</u>	<u>\$ 0</u>	<u>\$ 0</u>

Notes to the Financial Statements, continued

September 30, 2004

NOTE 13 – SELF-INSURANCE PROGRAM

The City has purchased commercial insurance to cover property damage. This coverage consists of \$15,000,000 blanket property coverage supplemented with \$3,013,625 EDP/Fine Arts and Miscellaneous Equipment cover and \$8,696,500 flood insurance with \$2,867,000 coverage for personal property.

The City has also purchased commercial excess coverage for workers' compensation which covers claims that exceed \$400,000 per occurrence up to \$1,000,000 for each occurrence. For workers' compensation claims under the \$400,000 per occurrence and over \$1,000,000 per occurrence, the City is self-insured.

The City is self-insured for general liability risk in the amount of \$100,000 per individual and \$200,000 per occurrence in accordance with Section 768.28, Florida Statutes. The City has purchased commercial excess coverage for general liability up to \$2,000,000 per occurrence, \$6,000,000 per aggregate for claims, which may exceed statutory limits.

Premiums are charged by the City's Risk Management Internal Service Fund to various City departments and are available to pay claims, claim reserves and administrative costs of the program. Settlements have not exceeded insurance coverage for each of the past twelve years.

Additional coverage includes EMT Liability, Law Enforcement Liability, Public Officials' Liability, Excess Auto Liability, Crime/Employee Dishonesty, Pollution Liability for the City Pier building, Statutory Death, Group Life, Group Health, Dental and Vision Plans.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

The liability for these claims and judgments are reported as self-insurance claims payable in the Risk Management Internal Service Fund. Activity in the balances of claims liabilities for the years ending September 30, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Unpaid claims, beginning of fiscal year	\$ 3,485,271	\$ 2,917,164
Incurred claims (including IBNRs)	1,863,706	2,439,888
Claim payments	<u>(1,790,629)</u>	<u>(1,871,781)</u>
Unpaid claims, end of fiscal year	<u>\$ 3,558,348</u>	<u>\$ 3,485,271</u>

The City changed and increased the property insurance coverage in fiscal year 2002/2003. The previous coverage was a blanket policy in the amount of \$10,000,000.

Notes to the Financial Statements, continued

September 30, 2004

NOTE 14 COMMITMENTS AND CONTINGENCIES

Litigation, Claims and Assessments

There are several pending claims and lawsuits arising from the normal course of business in which the City is involved. Estimated liabilities related to most unsettled claims have been accrued under the City's self-insurance program, and management believes the self-insurance reserves recorded in the Risk Management Fund are adequate to cover losses for which the City may be liable. Although the outcome of these lawsuits and pending claims are not presently determinable, the City's attorneys are not aware of any such claims against the City which would have a material effect on the basic financial statements or the adequacy of the appropriate reserves on deposit in the Risk Management Fund.

Construction Contracts

The Water – Wastewater Utility Fund had outstanding commitments under uncompleted construction contracts totaling \$16,768,907. These projects are primarily to expand and improve reclaimed water system and the wastewater collection system. Funding for these projects is primarily from revenue bond proceeds. Other non-major enterprise funds had construction contract commitments totaling \$1,673,806, primarily for repairs and renovations to the various historical homes. The Transportation Capital Projects Fund had outstanding commitments of \$7,270,286 consisting primarily of construction of a new major corridor, Shoemaker Blvd. Funding for this project is a joint effort between the City, Lee County and the Florida Department of Transportation. The current commitment is for the design and purchase of the rights-of-way. Other non-major governmental-type funds had commitments outstanding of \$131,975 for a variety of capital projects. Internal Service Funds, the MIS Capital Project, had commitments outstanding of \$879,291 for Eden Systems.

Defeased Debt

At various dates in prior years, the City has placed proceeds from refunding bond issues and City cash contributions in irrevocable refunding escrow accounts. The monies deposited in the escrow accounts are invested in obligations that, together with interest earned thereon, should provide amounts sufficient for payment of all principal and interest on the refunded bonds issues on each remaining payment date. The likelihood of the earnings and principal maturities of the investment obligations not being sufficient to pay the refunded bond issues appears remote. Accordingly, the escrow accounts and the refunded bonds are not included in the City's balance sheet at September 30, 2004. Outstanding balances of the refunded bond issues are presented in Note 7.

Grants

The City has received numerous federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements by the grantor agency if any expenditures are disallowed under the terms of the grant. City management believes disallowances, if any, will not be material.

Notes to the Financial Statements, continued

September 30, 2004

NOTE 14- COMMITMENTS AND CONTINGENCIES (continued)

Road, Water, Wastewater and Fire Impact Fees Credits

The City offers road, water and wastewater and fire impact fee credits to developers who construct or provide certain infrastructure improvements. The credits may be used to offset future impact fees and have a life of ten years. The credits may be used by the developer who earned them, or may be transferred to another party under certain circumstances. Credits may be earned in special assessment districts, which are financed by the City. However, the amount of credits available for use is based on the percentage of assessments paid to the total assessments. Road impact fee credits include credits for land dedicated to the City. As of September 30, 2004 there was approximately \$5,735,073 of total impact fee credits earned and outstanding including \$84,708 of road impact fees for dedicated land. The earned and outstanding impact fees include potential and available impact fees. Potential impact fee credits would be available if all assessments were current. Earned credits represent available credits less credits relating to delinquent assessments. Road impact fee credits of dedicated land are fully earned at the time of dedication.

The following is a breakdown of potential impact fee credits, credits available and credits earned as of September 30, 2004:

	Potential	Available	Earned
Water	\$ 1,275,811	\$ 1,275,811	\$ 1,275,811
Sewer	1,117,774	1,117,774	1,117,774
Road	2,540,276	2,540,276	2,540,276
Fire	801,212	801,212	801,212
Total	<u>\$ 5,735,073</u>	<u>\$ 5,735,073</u>	<u>\$ 5,735,073</u>

Management of the Edison-Ford Estates

On June 30, 2003, the City entered into a lease agreement with Thomas Edison and Henry Ford Winter Estates, Inc, a Florida not-for-profit corporation. The lease provides that the corporation will lease the Estates for a period of 30 years at a rent of \$100 per year. The estates may be used by the lessee only to conduct educational, cultural and historical programs for the benefit of the general public and be open to the public. As the lessee is a new corporation, a transitional period extending to no later than September 30, 2005 is provided for. During this period the City will provide assistance with the operation of the Estates including employees, insurance and other such items. The City will also forgive a \$600,000 loan previously made to the Estates and provide a \$400,000, interest free loan, for initial funding. The loan will expire two years after the lessee takes over the operation of the estates, which is no later than September 30, 2005. Until the lessee takes over operations, they will act as management of the estates and not the lessee.

Notes to the Financial Statements, continued

September 30, 2004

NOTE 15-RELATED ORGANIZATION TRANSACTIONS

The Housing Authority of the City of Fort Myers is considered a related organization. A related organization is one for which the primary government (The City of Fort Myers appoints a voting majority of the board but does not exercise financial control) is not financially accountable. During the fiscal year that ended September 30, 2004, the City received \$96,206 from the Housing Authority for providing additional police protection.

NOTE 16-EMPLOYEE RETIREMENT PLANS

Plan Descriptions and Contribution Information: The City maintains three separate single-employer plans: one for the police officers, one for the firefighters and one for the general employees that covers substantially all other full-time City employees. These plans are defined benefit plans and are maintained as pension trust funds and included as part of the City's reporting entity. City ordinance and state law require contributions be determined by actuarial studies at least every three years. Stand-alone financial reports are not issued.

Membership in each plan consisted of the following on October 1, 2003, the date of the latest actuarial valuation.

	<u>General Employees' Pension Plan</u>	<u>Police Officers' Retirement System</u>	<u>Municipal Firefighters' Pension Trust Fund</u>
Retiree and beneficiaries receiving benefits	236	55	52
Terminated plan members entitled to but not yet receiving benefits	165	4	2
Active plan members	603	159	95
Total	<u>1,004</u>	<u>218</u>	<u>149</u>

General Employees' Pension Plan

Plan Description: The General Employees' Pension Plan (GEPP) provides retirement, disability, and death benefits to plan members and their beneficiaries. The City Council has the authority to establish and amend the benefit provisions of the plan. On May 17, 2004, Council adopted Ordinance 3201, which added a Deferred Retirement Option Plan (DROP Plan) to the General Employee's Pension Plan, changed the vesting period for Council Members and provided a pre-retirement death benefit for beneficiaries of vested members equal to the member's accrued benefit at the time of death. As a result of the above changes, the City's required contribution for fiscal year 2004 increased \$361,356.

Contributions: Contribution requirements are established by the City Code Section 13-325. This section may be amended by the City Council. Members of the plan are required to contribute 3.1% of their annual covered salary. The City is required to contribute at actuarially determined amounts. Administrative costs of the GEPP are financed through plan contributions and investment earnings. As a result of the above changes, the City's required contribution for fiscal year 2004 decreased \$9,320.

Police Officers' Retirement System

Plan Description: The Police Officers' Retirement System (PORS) provides retirement, disability, death benefits and cost of living adjustments to plan members and their beneficiaries. The City Council has the authority to establish and amend the benefit provisions of the plan. On April 5, 2004, Council adopted Ordinance 3196, which amended Section 13-56, Benefit amounts and eligibility; Section 13-57, Pre-retirement death; and Section 13-58, Disability.

Notes to the Financial Statements, continued

September 30, 2004

NOTE 16—EMPLOYEE RETIREMENT PLANS (continued)

Contributions: Contribution requirements are established by City Code Section 13-55. This section may be amended by the City Council. Members of the plan are required to contribute 8% of their annual covered salary. The city is required to contribute at actuarially determined rates less amounts received from the State of Florida for insurance surcharges on policies sold within the City.

Municipal Firefighter's Pension Trust Fund

Plan Description: The Municipal Firefighters' Pension Trust Fund (MFPTF) provides retirement, disability, death benefits and cost of living adjustments to plan members and their beneficiaries. The City Council has the authority to establish and amend the benefit provisions of the plan.

Contributions: Contribution requirements are established by City Code Section 13-120. This section may be amended by the City Council. Members of the plan are required to contribute 8% of their annual covered salary. The City is required to contribute at actuarially determined rates less amounts received from the State of Florida for insurance surcharges on policies sold within the City.

Annual Pension Costs and Net Pension Obligations: The City has no net pension obligations as all actuarially determined amounts are contributed each year or shortly thereafter. The City's annual pension costs for the fiscal year ended September 30, 2004 were \$2,502,923 for GEPP, \$831,005 for PORS and \$739,765 for MFPTF.

Other Information

The annual required contribution for the current year, for each plan, was determined as part of the October 1, 2003 actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions include the following: (a) 8.5% rate of return on investment and 6% projected salary increase for GEPP, (b) 8.5% rate of return on investment and 6.0% projected salary increase for PORS and (c) 8.5% rate of return on investments and 7% projected salary increase for MFPTF.

The actuarial value of assets was determined using a four-year smoothing of market value for all three plans. The excess of actuarial value of assets over the actuarial accrued liabilities is being amortized using the level percentage of pay-closed method for each of the three plans. As of the October 1, 2003 actuarial valuation, the amortization periods for the excess of actuarial value of assets over the actuarial accrued liabilities are 28 years for the GEPP, 27 years for the PORS and 30 years for the MFPTF.

Three-Year Trend Information				
	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
GEPP	9/30/02	\$ 1,502,079	100%	\$ 0
	9/30/03	1,700,039	100	0
	9/30/04	2,502,923	100	0
PORS	9/30/02	462,140	100	0
	9/30/03	843,264	100	0
	9/30/04	831,005	100	0
MFPTF	9/30/02	565,152	100	0
	9/30/03	906,738	100	0
	9/30/04	739,765	100	0

Notes to the Financial Statements, continued

September 30, 2004

NOTE 16—EMPLOYEE RETIREMENT PLANS (continued)

Statement of Net Assets - Pension Trust Funds

	Pension Trust Funds		
	General Employees' Pension Plan	Police Officers' Retirement System	Municipal Firefighters' Pension Trust Fund
ASSETS			
Cash and cash equivalents	\$ 3,298,168	\$ 1,523,751	\$ 2,666,927
Receivables			
Plan members	0	0	28,986
Employer	361,355	873,473	739,765
Interest and dividends	128,123	149,171	0
Special assessments	0	0	0
Total receivables	489,478	1,022,644	768,751
Investments, at fair value			
U.S. government securities	6,158,831	3,071,200	0
U.S. government agency securities	1,304,907	6,192,153	0
Common stock	29,500,653	25,928,997	11,994,464
Corporate bonds	1,847,750	3,503,064	0
Pooled, common, commingled funds:			
Fixed income	0	0	10,065,756
Equity	0	0	5,392,911
International equities	0	1,005,371	2,015,166
Certificate of deposit	0	0	0
Total investments	38,812,141	39,700,785	29,468,297
Total assets	42,599,787	42,247,180	32,903,975
LIABILITIES			
Accounts and contracts payable	8,296	10,247	0
Accrued and other liabilities	1,240	0	226
Due to other governmental agencies	0	0	0
Due to other funds	0	0	0
Customer deposits	0	0	0
Due to noteholders	0	0	0
Total liabilities	9,536	10,247	226
NET ASSETS			
Held in trust for pension benefits	\$ 42,590,251	\$ 42,236,933	\$ 32,903,749

(A schedule of funding progress for each pension plan is presented on page 95.)

Notes to the Financial Statements, continued

September 30, 2004

NOTE 16—EMPLOYEE RETIREMENT PLANS (continued)

Statement of Changes in Fiduciary Net Assets

	General Employees' Pension Plan	Police Officers' Retirement System	Municipal Firefighters' Pension Trust Fund
ADDITIONS			
Contributions			
Employer	\$ 2,502,923	\$ 831,005	\$ 739,765
State of Florida	0	803,180	453,394
Plan members	729,311	822,779	450,535
Total contributions	<u>3,232,234</u>	<u>2,456,964</u>	<u>1,643,694</u>
Investment income			
Net appreciation			
in fair value of investments	3,486,384	1,281,309	2,292,893
Interest and dividends	820,574	1,000,535	157,503
Total investment gains	<u>4,306,958</u>	<u>2,281,844</u>	<u>2,450,396</u>
Less: Investment expenses	327,510	211,745	184,926
Net investment gains	<u>3,979,448</u>	<u>2,070,099</u>	<u>2,265,470</u>
Miscellaneous revenue			
Reimbursed expenses	0	1,079	16,260
Total increases	<u>7,211,682</u>	<u>4,528,142</u>	<u>3,925,424</u>
DEDUCTIONS			
Benefits paid	2,027,943	2,141,770	1,601,389
Administrative expenses	124,366	31,874	45,731
Total deductions	<u>2,152,309</u>	<u>2,173,644</u>	<u>1,647,120</u>
Change in net assets	5,059,373	2,354,498	2,278,304
NET ASSETS			
Held in trust for pension benefits			
Beginning of year	37,530,878	39,882,435	30,625,445
End of year	<u>\$ 42,590,251</u>	<u>\$ 42,236,933</u>	<u>\$ 32,903,749</u>

Notes to the Financial Statements, continued

September 30, 2004

NOTE 17—DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Service (IRS) Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or the hardship distribution criteria as defined in IRS Code Section 457. Because the assets of the plan are held in trust and are the sole property of the participants, no balances or financial information relative to the plan is reported in the basic financial statements.

NOTE 18—SPECIAL ASSESSMENT DEBT WITH NO GOVERNMENTAL COMMITMENT

On May 27, 1994, the City issued a bond in the amount of \$2,630,000 to finance the Special Assessment Geographical Area No. 35, Carillon Woods Drainage Project. This bond was to be repaid solely by special assessments levied against the property owners benefiting from the project. The bond documents contained a covenant that the City would appropriate, if necessary, legally available non-ad valorem revenues to replenish deficiencies in the Debt Service Fund or the reserve fund until the project were completed. Upon completion of the project the bond resolution provides for the release of this covenant.

In September 2000, the bondholder, a local financial institution, released the City from this covenant. At that point, the City's only obligations were, and are, to invoice property owners, collect the payments of the special assessment levies (including initiating and prosecuting foreclosure action, if necessary) and remit the amounts collected to the bondholder. The City has no other obligations in this matter. Accordingly, the City has removed the debt from its books, and accounts for the collection of the assessment levies and the payment to the bondholder in an agency fund. The amount of the debt removed from the City's accounts was \$879,506.

The balance of the bond outstanding at September 30, 2004 is \$484,139.

NOTE 19—SUBSEQUENT EVENTS

On December 31, 2004, the City entered into a loan agreement with the State of Florida, Department of Environmental Protection. This loan will provide funding for the City's Phase IIC Utility Improvements for Areas two and three. The funding amount is \$7,971,053 and will be payable over 20 years at an interest rate of 2.46%.

On January 6, 2005, the Community Redevelopment Agency issued its series 2005A Community Development Revenue note. The principal amount of the note was issued for \$7,450,000 and carries an interest rate of 4.65%. The note was issued to currently refund the outstanding principal amount of the City's Capital Improvement Revenue Bonds, Series 1995, to finance the construction of certain streetscape improvements within the Downtown Redevelopment Area and to pay certain costs of issuance. The note is repayable from the tax increments revenues of the Downtown Redevelopment Area.

NOTE 20—CONSTRUCTION PROJECT INTEREST COSTS

In accordance with Statement of Financial Accounting Standards (SFAS) No. 62, *Capitalization of Interest Costs in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*, the City capitalizes construction in progress interest costs in the Water-Wastewater major fund. For fiscal year ended September 30, 2004, total interest expense in this fund was \$5,649,554 of which \$341,766 was capitalized.

APPENDIX H

Financial Information Regarding City of Lauderdale Lakes

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CITY OF LAUDERDALE LAKES
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
For the Fiscal Years Ended September 30

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues:			
Ad valorem taxes	\$ 4,002,707	\$3,214,760	\$3,003,874
Special assessments	--	--	--
Franchise fees	2,801,699	2,943,195	1,888,352
Licenses and permits	676,629	374,602	397,983
Intergovernmental	3,985,658	3,606,637	3,478,112
Utility taxes	1,723,810	1,688,757	2,586,870
Charges for services	2,114,242	1,484,498	248,840
Fines and forfeitures	343,783	276,391	744,632
Interest	91,292	138,787	220,595
Government grants and other revenues	<u>205,175</u>	<u>368,407</u>	<u>367,620</u>
Total revenues	<u>15,944,995</u>	<u>14,076,034</u>	<u>12,936,878</u>
Expenditures:			
Current:			
General government	2,969,022	3,142,244	3,170,753
Public safety	6,687,134	5,412,016	5,427,882
Highways and streets	2,548,222	2,522,363	819,754
Social services	687,218	621,701	607,868
Culture and recreation	1,715,397	1,689,951	1,355,458
Physical environment	419,883	556,867	558,534
Capital outlay	110,119	153,964	208,281
Debt Service:			
Principal	122,863	78,222	60,081
Interest	<u>27,463</u>	<u>24,818</u>	<u>25,455</u>
Total expenditures	<u>15,287,321</u>	<u>14,202,146</u>	<u>12,234,066</u>
Excess (deficiency) of revenues over expenditures	<u>657,674</u>	<u>(126,112)</u>	<u>702,812</u>
Other financing sources (uses):			
Transfers in	379,255	369,754	337,704
Transfers out	<u>(214,152)</u>	<u>(589,359)</u>	<u>(687,770)</u>
Debt proceeds	--	--	<u>83,207</u>
Total other financial sources (uses)	<u>165,103</u>	<u>(219,605)</u>	<u>(266,859)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	822,777	(345,717)	435,953
Fund balances, beginning	<u>3,136,261</u>	<u>3,481,978</u>	3,043,017
Residual equity transfers in (out)	--	--	<u>3,008</u>
Fund balances, ending	<u>\$ 3,959,038</u>	<u>\$3,136,261</u>	<u>\$3,481,978</u>

The obligation of the City of Lauderdale Lakes to pay the Loan Payments is limited as described in the Official Statement. Certain of the above revenues may not be legally available to make, nor are any of the above revenues pledged to, the Loan Repayments. No representation is made as to the amount of revenues that are legally available to make the Loan Repayments.

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Commission
City of Lauderdale Lakes, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lauderdale Lakes, Florida (the City) as of and for the fiscal year ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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.

As described in Note 1 to the basic financial statements, the City adopted provisions of the Governmental Accounting Standards Board Statement (GASB) No. 34, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments; GASB No. 37, Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus; GASB No. 38, Certain Financial Statement Note Disclosures; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements; as of October 1, 2002. This resulted in a change in the format and content of the basic financial statements.

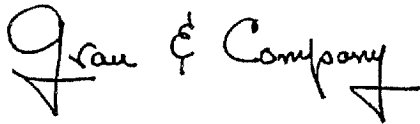
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lauderdale Lakes, Florida as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor, City Commission and City Manager
City of Lauderdale Lakes, Florida
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated October 20, 2004 on our consideration of the City's internal control over financial reporting and our tests of compliance with certain laws, regulations, grants and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 and the Required Supplementary Information on pages 43 through 47, respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Lauderdale Lakes' basic financial statements taken as a whole. The accompanying information identified in the table of contents as combining financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of federal awards programs is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, are fairly presented in all material respects in relation to the basic financial statements taken as a whole.



October 20, 2004

**CITY OF LAUDERDALE LAKES
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2003**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 3,629,631	\$ 557,537	\$ 4,187,168
Investments	500,000	31,450	531,450
Receivables (net of allowance for uncollectibles)	2,121,568		2,121,568
Inventories	7,122		7,122
Prepaid assets and other items	65,081		65,081
Restricted assets:			
Cash and cash equivalents	3,169,387		3,169,387
Cash with fiscal agents	94,683		94,683
Net pension asset	65,698		65,698
Capital assets			
Land	7,935,646		7,935,646
Buildings	5,777,467		5,777,467
Infrastructure	11,595,319	2,350,888	13,946,207
Machinery and equipment	3,464,009	461,905	3,925,914
Construction in progress	-	251,754	251,754
Total Capital assets	<u>28,772,441</u>	<u>3,064,547</u>	<u>31,836,988</u>
Less accumulated depreciation	<u>(11,947,264)</u>	<u>(1,653,321)</u>	<u>(13,600,585)</u>
Total Capital assets - net	<u>16,825,177</u>	<u>1,411,226</u>	<u>18,236,403</u>
Total assets	<u>26,478,347</u>	<u>2,000,213</u>	<u>28,478,560</u>
LIABILITIES			
Accounts payable	558,472	126,834	685,306
Accrued payroll and related liabilities	207,475	6,824	214,299
Other liabilities	74,270		74,270
Compensated absences payable	39,874	20,145	60,019
Refundable trust bonds	21,252		21,252
Claims and judgments payable	229,200		229,200
Deferred revenues, net	170,044		170,044
Noncurrent Liabilities			
The amount due in one year	790,882	36,406	827,288
The amount due more than one year	10,338,200	18,203	10,356,403
Total liabilities	<u>12,429,669</u>	<u>208,412</u>	<u>12,638,081</u>
NET ASSETS			
Investment in general fixed assets, net of related debt	9,552,897	1,356,617	10,909,514
Restricted for:			
Capital projects	3,205,647		3,205,647
Impact Fees	153,839		153,839
Pension contributions	65,698		65,698
Unrestricted	1,070,597	435,184	1,505,781
Total net assets	<u>\$ 14,048,678</u>	<u>\$ 1,791,801</u>	<u>\$ 15,840,479</u>

The accompanying notes are an integral part of the financial statements

**CITY OF LAUDERDALE LAKES
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2013**

	PROGRAM REVENUES				NET (EXPENSE) REVENUES AND CHANGES IN NET ASSETS		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Functions/programs							
Primary Government:							
Governmental activities:							
General government	\$ 3,817,000	2,878,627	838,681		\$ (99,692)		\$ (99,692)
Public safety	10,594,247	3,864,222		290	(6,729,735)		(6,729,735)
Highways and streets	2,548,222				(2,548,222)		(2,548,222)
Social services	1,258,485				(1,258,485)		(1,258,485)
Culture and recreation	1,905,034	285,882	128,000		(1,483,152)		(1,483,152)
Physical environment	419,883		276,786		(143,097)		(143,097)
Interest on long-term debt	442,033				(442,033)		(442,033)
Total governmental activities	<u>20,984,904</u>	<u>7,028,731</u>	<u>1,241,467</u>	<u>290</u>	<u>(12,714,416)</u>	<u>-</u>	<u>(12,714,416)</u>
Business-type activities:							
Stormwater	612,906	770,769				157,863	157,863
Total business-type activities	<u>612,906</u>	<u>770,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,863</u>	<u>157,863</u>
Total primary government	<u>\$ 21,597,810</u>	<u>\$ 7,799,500</u>	<u>\$ 1,241,467</u>	<u>\$ 290</u>	<u>\$ (12,714,416)</u>	<u>\$ 157,863</u>	<u>\$ (12,556,553)</u>
GENERAL REVENUES:							
Property taxes, levied for general purpose					4,303,248		4,303,248
Franchise taxes					2,801,699		2,801,699
Public service taxes					1,723,810		1,723,810
Intergovernmental					3,994,537		3,994,537
Investment income					115,842	6,419	122,261
Rental income					258,300		258,300
Miscellaneous					242,983		242,983
Gain on surplus property					30,000		30,000
Transfers					168,411	(168,411)	0
Total general revenues and transfers					<u>13,636,830</u>	<u>(159,992)</u>	<u>13,476,838</u>
Change in net assets					922,414	(2,129)	920,285
Net assets, October 1,					13,126,264	1,793,930	14,920,194
Net assets, September 30					<u>\$ 14,048,678</u>	<u>\$ 1,791,801</u>	<u>\$ 15,840,479</u>

The accompanying notes are an integral part of the financial statements

**CITY OF LAUDERDALE LAKES
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003**

	MAJOR FUNDS				Other Governmental Funds	Total Governmental Funds
	General	Fire Rescue	Community Redevelopment	Capital Projects		
ASSETS						
Cash and cash equivalents	\$ 2,037,367	\$ 390,061	\$ 607,560	\$ -	\$ 594,643	\$ 3,629,631
Investments	500,000					500,000
Receivables:						
Franchise, utility and other taxes	519,013					519,013
Customer/other, net	916,612	174,071				1,090,683
Due from other governmental agencies	306,457	6,868			198,547	511,872
Due from other funds	358,460					358,460
Inventories	795	6,327				7,122
Prepaid assets and other items	65,081					65,081
Restricted assets:						
Cash and cash equivalents				3,169,387		3,169,387
Cash with fiscal agents				94,683		94,683
Total assets	4,703,785	577,327	607,560	3,264,070	793,190	9,945,832
LIABILITIES AND FUND BALANCES						
Accounts payable	445,856	13,664	48,420	35,628	14,904	558,472
Accrued payroll and related liabilities	121,126	84,867		-	1,481	207,474
Accrued interest						0
Other liabilities			24,000	50,270		74,270
Compensated absences payable	25,513	14,361				39,874
Due to other funds			358,460			358,460
Refundable trust bonds	21,252					21,252
Claims and judgments payable	131,000	98,200				229,200
Deferred revenues, net				12,000	158,044	170,044
Total liabilities	744,747	211,082	430,880	97,898	174,429	1,659,046
Fund balances:						
Reserved for:						
Prepaid assets and other items	65,081					65,081
Encumbrances	33,087	-	46,570	16,694	4,500	100,851
Gas Tax	1,001,111					1,001,111
Capital Projects				3,205,647		3,205,647
Inventories	795	6,327				7,122
Impact Fees					153,839	153,839
Unreserved:						
Designated for:						
Road repairs	21,319					21,319
Claims and judgments	5,000					5,000
Undesignated	2,832,645	359,908	130,110	(56,169)	460,422	3,726,916
Total equity	3,959,038	366,235	176,680	3,166,172	618,761	8,286,886
Total liabilities and fund balance	\$ 4,703,785	\$ 577,327	\$ 607,560	\$ 3,264,070	\$ 793,190	

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

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

Governmental capital assets	28,772,441
Less accumulated depreciation	(11,947,264)

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

(11,129,083)

Net pension asset

65,698

Net assets of governmental activities

14,048,678

The accompanying notes are an integral part of the financial statements

CITY OF LAUDERDALE LAKES
STATEMENT OF REVENUES, EXPEDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

	General	Fire Rescue	Community Redevelopment	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:						
Ad valorem taxes	\$ 4,002,707		\$ 300,541			\$ 4,303,248
Special assessments		3,610,603				3,610,603
Franchise fees	2,801,699					2,801,699
Licenses and permits	676,629	219,977				896,606
Intergovernmental	3,985,658	8,879		126,000	276,786	4,397,323
Utility taxes	1,723,810					1,723,810
Charges for services	2,114,242	33,642		32,401		2,180,285
Fines and forfeitures	343,783				27,386	371,169
Interest	91,292	15,477	7,571	1,502	2,469	118,311
Government grants and other revenues	205,175	35,407	258,300		838,971	1,337,853
Total revenues	15,944,995	3,923,985	566,412	159,903	1,145,612	21,740,907
Expenditures:						
Current:						
General government	2,969,022		200,096	202,772	11,254	3,383,144
Public safety	6,687,134	3,696,765				10,383,899
Highways and streets	2,548,222					2,548,222
Social services	687,218				563,864	1,251,082
Culture and recreation	1,715,397					1,715,397
Physical environment	419,883					419,883
Capital outlay	110,119	27,715		1,210,332	223,532	1,571,698
Debt service:						
Principal	122,863	53,136		335,420		511,419
Interest	27,463	16,922	86,551	311,097	-	442,033
Total expenditures	15,287,321	3,794,538	286,647	2,059,621	798,650	22,226,777
(Deficiency) of revenues over expenditures	657,674	129,447	279,765	(1,899,718)	346,962	(485,870)
Other financing sources (uses):						
Transfers in	379,255	198,000			16,152	593,407
Transfers out	(214,152)	(212,844)				(426,996)
Total other financial sources (uses)	165,103	(14,844)	-	-	16,152	166,411
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	822,777	114,603	279,765	(1,899,718)	363,114	(319,459)
Fund balances, beginning	3,136,261	251,632	(103,085)	5,065,890	255,647	8,606,345
Fund balances, ending	\$ 3,959,038	\$ 366,235	\$ 176,680	\$ 3,166,172	\$ 618,761	\$ 8,286,886

The accompanying notes are an integral part of the financial statements

**CITY OF LAUDERDALE LAKES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

Changes in fund balances - total government funds

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

Net change in fund balances	\$	(319,459)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital outlays	1,571,698	
Less current year depreciation	(841,244)	730,454

The net effect of various miscellaneous transactions including capital assets

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal payments		<u>511,419</u>
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Change in net assets of governmental activities	\$	<u>922,414</u>
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The accompanying notes are an integral part of the financial statements

**CITY OF LAUDERDALE LAKES
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2003**

	<u>Stormwater</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 557,537
Due from other Governments	31,450
Total current assets	588,987
Noncurrent assets	
Capital assets	
Improvements other than buildings	2,350,888
Mahinery and equipment	461,905
Construction in progress	251,754
Total Capital assets	3,064,547
Less accumulated depreciation	(1,653,321)
Total Capital assets - net	1,411,226
Total assets	2,000,213
 LIABILITIES	
Current liabilities	
Accounts payable	126,340
Accrued payroll and related liabilities	6,824
Due to other governments	494
Compensated absences payable	20,145
Bonds Payable	36,406
Total noncurrent liabilities	190,209
Noncurrent liabilities	
Bonds Payable	18,203
Total noncurrent liabilities	18,203
Total liabilities	208,412
 NET ASSETS	
Investment in general fixed assets	1,356,617
Unrestricted	435,184
Total equity	1,791,801

The accompanying notes are an integral part of the financial statements

**CITY OF LAUDERDALE LAKES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	<u>Stormwater</u>
Operating revenues:	
Stormwater utility charges	770,769
Operating expenses:	
Personnel	317,052
Operating	177,065
Depreciation	118,789
Total operating expenses	612,906
Operating income	157,863
Non-operating revenues (expenses):	
Interest and other income	10,469
Interest expense	(4,050)
Total non-operating revenues	6,419
Income before transfers	164,282
Transfers out	(166,411)
Change in net assets	(2,129)
Net assets, October 1	1,793,930
Net assets, September 30	\$ 1,791,801

The accompanying notes are an integral part of the financial statements

**CITY OF LAUDERDALE LAKES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	Stormwater
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers, governments and other funds	\$ 799,628
Cash paid to suppliers	(60,130)
Cash paid to employees	(302,298)
Net Cash Provided by Operating Activities	437,200
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:	
Operating transfers to other funds	(166,411)
Net Cash Used in Non-Capital and Related Financing Activities	(166,411)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition and construction of capital assets	(290,231)
Principal retirements of long-term debt	(36,406)
Interest paid on long-term debt	(4,050)
Net Cash (Used in) Capital and Related Financing Activities	(330,687)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	10,469
Net Cash Provided by Investing Activities	10,469
NET (DECREASE) IN POOLED CASH AND CASH EQUIVALENTS	(49,429)
POOLED CASH AND CASH EQUIVALENTS, OCTOBER 1	606,966
POOLED CASH AND CASH EQUIVALENTS, SEPTEMBER 30	\$ 557,537
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating Income	\$ 157,863
Adjustments to Reconcile Operating Income to Net Cash provided by Operating Activities:	
Depreciation and amortization	118,789
Change in Assets and Liabilities:	
decrease in accounts receivable	28,859
decrease in due from other funds and governments	494
Increase in accounts payable	116,441
Increase in accrued payroll	1,516
Increase in compensated absences	13,238
Total adjustments	279,337
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 437,200

The accompanying notes are an integral part of the financial statements

CITY OF LAUDERDALE LAKES, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS PENSION TRUST FUND

SEPTEMBER 30, 2003

ASSETS

Cash and cash equivalents	45
Interest receivable	3,359
Contributions receivable	14,451
Investments, at fair value	<u>563,969</u>
Total assets	<u>581,824</u>

NET ASSETS

Held in Trust for Pension Benefits	<u><u>581,824</u></u>
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The accompanying notes are an integral part of the financial statements

CITY OF LAUDERDALE LAKES, FLORIDA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS PENSION TRUST FUND

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

ADDITIONS

Contributions:

Employer	150,322
Employee	9,283
State	<u>59,240</u>
Total contributions	<u>218,845</u>

Investment income:

Net (appreciation) in fair value of investments	48,320
Investment earnings	<u>13,636</u>
	61,956
Less investment expenses	<u>4,569</u>
Net investment earnings	<u>57,387</u>
Total additions	<u>276,232</u>

DEDUCTIONS

Termination refunds	4,852
Administrative	<u>26,856</u>
Total deductions	<u>31,708</u>

Change in net assets 244,524

Net assets held in trust for pension benefits:

Beginning of year	<u>337,300</u>
End of year	<u>\$ 581,824</u>

The accompanying notes are an integral part of the financial statements

**CITY OF CITY OF LAUDERDALE LAKES,
FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the City of Lauderdale Lakes, Florida (the City), significant accounting policies is presented to assist the reader in interpreting the basic financial statements. The policies are considered essential and should be read in conjunction with the basic financial statements.

The accompanying basic financial statements present the combined financial position and results of operations of the various fund types and account groups and the cash flows of the proprietary fund type for all funds of the City.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies.

A. Financial Reporting Entity

The City was incorporated in accordance with the Laws of Florida, Special Acts, Chapter 61-2386(1) on June 22, 1961 to carry on a centralized city government. The City Commission is responsible for legislative and fiscal control of the City. In March of 1998, Ordinance #98-5 amended Article VIII of Section 2-81 whereby the City is governed under a Commission/City Manager form of government. A City Manager is appointed by the Commission and is responsible for administrative and fiscal control of the resources of the City maintained in the funds and account groups.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied to government units. The financial reporting entity consists of the City as the primary government, which includes all funds, account groups, agencies and departments, and those component units for which the City is financially accountable. The City is financially accountable if it appoints a voting majority of an organization's governing body and it is able to impose its will on that organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. The City may also be financially accountable if an organization is fiscally dependent on the City regardless of whether the organization has a separately elected governing board, a governing board appointed by another government, or a jointly appointed board. In addition, component units can be other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based upon the application of these criteria, there was one blended component unit - the Community Redevelopment Agency (the CRA), created by ordinance 00-045, that serves all the citizens of the City. The City Commission is the governing body of the CRA. It approves and funds the operating budget of the CRA, and the City is therefore financially accountable for the CRA. The Community Redevelopment Agency is reported as a special revenue fund of the City.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

The City provides or contracts for the following services as authorized by its Charter and City Ordinances; public safety (police and fire), streets, sanitation, stormwater utility, social services, culture and recreation, public improvement, planning and zoning and general administrative services.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The city-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

The City reports the following major governmental funds:

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 *Fire Rescue Special Revenue fund* accounts for the resources accumulated for the completion of the five-year capital budget.

The *CDBG special revenue fund* accounts for the revenues and expenditures related to the Community Development Block Grant. Other special revenue funds do not meet the threshold of major funds.

The *capital projects fund* accounts for the resources accumulated for the completion of the five-year capital budget.

The government reports the following major proprietary funds:

The *stormwater fund* accounts for the infrastructure and operations of stormwater transportation, which is funded through user charges.

Additionally, the City reports the following fund type:

The *pension trust fund* accounts for the activities of the Firefighter Retirement System. These funds accumulate resources for pension benefit payments to qualified employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund, of the stormwater enterprise fund, and of the City's internal service fund are charges to customers for sales and services.

The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is City policy to use restricted resources first, and then unrestricted resources as needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and Investments

Cash and cash equivalents, which are cash and short-term investments with maturities of three months or less, include cash on hand, demand deposits, and investments with the State Board of Administration Investment Pool.

State statutes authorize the City to establish its own investment policy by ordinance. The City maintains a pooled cash account for all funds except the pension trust funds. This enables the City to invest large amounts of idle cash for short periods of time and to optimize earnings potential. Equity in pooled cash and cash equivalents represents the amount owned by each fund of the City. Cash and investments held in the City's pension trust funds are managed by trustees. Such amounts are reported in the Fiduciary Fund Statements.

The City's investments are reported at fair value. The City's investment in the State Board of Administration Investment Pool (2A-7 pool) is reported at its fair value of its position in the pool, which is the same as its value of the pool shares.

Cash and cash equivalents, which are cash and short-term investments with maturities of three months or less, include cash on hand, demand deposits, and investments with the State Board of Administration Investment Pool.

2. Receivables and Payables

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

The City's contracted service provider processes receivables associated with Emergency Medical Services (EMS).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Receivables and Payables (Continued)

With the exception of EMS, fire inspection fees, and occupational licenses, the City deems receivable balances collectible and as such does not establish an allowance for doubtful accounts. Allowance accounts have been established for EMS in the general fund and the fire rescue fund of approximately \$522,171 and \$776,803, respectively. In addition, allowance accounts have been established for the fire rescue fees and occupational licenses of approximately \$14,951 in the fire rescue fund and \$11,603 in the general fund, respectively. All allowances have been established based on historical collection rates.

3. Property Taxes

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed for the City by Broward County on or about October 1 of each year and are payable with discounts of up to 4% offered for early payment. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by seizure of the personal property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes.

Assessed values are established by the Broward County Property Appraiser. In November 1992, a Florida constitutional amendment was approved by the voters, which provides for limiting the increases in homestead property valuations for ad valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. The County bills and collects all property taxes and remits them to the City.

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the City is established by the City Commission and the Broward County Property Appraiser incorporates the City's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the City for the year ended September 30, 2003 was 5.7924 mills (\$5.79 per \$1,000 of taxable assessed valuation). Special assessments recorded in the fire rescue fund are separate and distinct from the ad valorem levy. These amounts are assessed to recover costs associated with Fire/Emergency Medical Services provided to residents and business in the City.

4. Inventories and Prepaid Costs

Inventories are valued at cost using the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased (consumption method). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs.

5. Restricted Assets

Certain assets of the capital projects fund have been classified as restricted because their use is completely restricted by loan agreements for the purchase of vehicles and equipment and the construction of certain capital projects.

Certain assets of the pension trust fund have been classified as restricted because their use is completely restricted for the administration of the Pension Plan and for the payment of participant benefits.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$750 and an estimated useful life in excess of one year. Purchased or constructed assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add value to the asset or materially extend its useful life are not capitalized.

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

Property, plant and equipment are depreciated in the proprietary funds of the City using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Office equipment	5
Vehicles	5
Buildings	50
Improvements	30
Infrastructure	40-50

7. Compensated Absences

It is City policy to permit employees to accumulate earned but unused vacation and sick pay benefits. An employee may, on an annual basis, or upon termination, cash in a portion of these unused benefits at a discount. Vacation and sick pay benefits are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds to reflect estimated current liability.

8. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9. Fund Equity

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

10. Deferred Revenues

Deferred Revenues include amounts collected before revenue recognition criteria are met and receivables, which, under the modified accrual basis of accounting, are measurable, but not yet available. The deferred items consist primarily of license and permit revenues.

11. Contributions

Contributions from private developers and customers representing the expansion of capital improvements of City operated stormwater system are recorded as nonoperating revenues and reflected on the statement of revenues, expenses and changes fund net assets.

12. Use of Estimates

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

2. RECONCILIATION OF CITY-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between governmental fund balance sheet and government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The details of the \$11,129,083 difference are as follows:

2000A Revenue Bonds	\$ 71,001
2000B Revenue Bonds	373,230
League of City Bonds	4,255,000
Notes Payable	1,742,028
Line of Credit	3,911,500
Capital Lease	183,591
Compensated absences	592,733
	<u>\$ 11,129,083</u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Changes in accounting principles

In the fiscal year ending September 30, 2003, the City adopted the following statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

1. Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments: Omnibus an amendment of GASB Statements No. 21 and No. 34.*
2. Statement No. 38, *Certain Financial Statement Note Disclosures.*
3. Statement No. 41, *Budgetary Comparison Schedules – Perspective Differences, an amendment of GASB Statement No. 34.*
4. Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.*

Statement No. 34 (as amended by Statement No. 37 and Statement No. 41) represents a very significant change in the financial reporting model used by state and local governments.

Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements (i.e. the statement of net assets and the statement of activities) do not provide information by fund or account group, but distinguish between the City's governmental activities and business type activities. Significantly, the statement of net assets will include noncurrent assets, which were previously reported in the General Fixed Asset Account Group as well as noncurrent liabilities that were previously reported in the General Long Term Debt Account Group. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets. Also, for the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers who purchase, use, or benefit from the services provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, and (3) investment income that is restricted for use on particular function or segment. Unrestricted investment income and other items not properly included among program revenues are reported as general revenues.

In addition to the government-wide financial statements, the City has prepared separate financial statements for governmental funds, proprietary funds and fiduciary funds. Governmental fund financial statements continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Proprietary and fiduciary fund financial statements continue to use the accrual basis of accounting and the economic resources measurement focus. Accordingly, the accounting and financial reporting of the fund financial statements is similar to those previously presented in the City's financial statements, although the format of the financial statements has been modified by Statement No. 34. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Changes in accounting principles (Continued)

Statement No. 34 also requires, as a component of required supplementary information, Management's Discussion and Analysis, which includes an analytical overview of the City's financial activities.

Statement No. 38 requires certain disclosures to be made in the Notes to the Financial Statements concurrent with the implementation of Statement No. 34. While the Statement did not affect amounts reported in the financial statements of the City, certain note disclosures have been added and/or amended including descriptions of activities of major funds, future debt service obligations in five year increments, and interfund balances and transactions.

Interpretation No. 6 requires certain long-term liabilities to be recorded in the governmental fund statements only if the amount is due for payment in the period being reported.

4. DEPOSITS AND INVESTMENTS

1. Deposits

The City pools substantially all cash, cash equivalents and investments, except for amounts that are maintained separately in accordance with legal restrictions. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in pooled cash".

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized with securities held by the entity or its agent in the entity's name.

2. Investments

In accordance with Florida Statute 218.415, the City is authorized to invest its surplus funds in the Local Government Surplus Trust Fund administered by the State Board of Administration, Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency and interest bearing time deposits or savings accounts in qualified depositories. 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. The City has elected to proceed under the alternative investment guideline as set forth under Section 218.415 of the Florida Statutes.

4. DEPOSITS AND INVESTMENTS (CONTINUED)

2. Investments (Continued)

The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the fund has adopted operating procedures consistent with the requirements for a 2A-7 fund. (A 2A-7 like pool is an external Investment Pool that is not registered with the SEC as an investment company; nevertheless, has a policy that it will and does operate in a manner consistent with the SEC's Rule 2A-7 of the Investment Company Act of 1940, which comprises the rules governing money market funds. (The pool operates essentially as a money market fund).

Investments are classified as to credit risk, which are summarized below:

- 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.

The investment in mutual funds has not been classified by categories of credit risk as the Government Accounting Standards Board (GASB) Standard No. 3 does not require investment in mutual funds to be categorized.

At year-end, the City's investment balances were as follows:

	<u>Category 1</u>	<u>Carrying Amount Market Value</u>
Government Bonds	\$ 63,136	\$ 63,136
Corporate Bonds	143,974	143,973
Corporate Stock	309,778	309,777
Certificate of deposit	<u>500,000</u>	<u>500,000</u>
	<u>\$1,016,888</u>	\$1,016,888
Investment not subject to categorization:		
Local Government Surplus Trust Fund		4,775,033
Money market Funds		<u>47,081</u>
Total Investments		<u>\$5,839,002</u>

4. DEPOSITS AND INVESTMENTS (CONTINUED)

2. Investments (Continued)

<u>Per statement of net assets and balance sheet</u>		<u>By Category</u>	
Cash and cash equivalents	\$4,187,168	Deposits	\$ 2,707,700
Investments	531,450	Investments	<u>5,839,002</u>
Restricted assets:			<u>\$8,546,702</u>
Cash and cash equivalents	3,169,387		
	<u>7,982,688</u>		
Fiduciary funds	564,014		
	<u>\$8,546,702</u>		

Risks and Uncertainties

The City's Firefighters' Retirement Plan (the Plan) has investments in a combination of stocks, bonds, government securities and other investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect balances and the amounts reported in the statement of plan net assets and the statement of changes in plan net assets. The Plan, through its investment advisors, monitors its investments and the risks associated therewith on a regular basis, which the City believes minimizes these risks.

5. PROPERTY, PLANT AND EQUIPMENT

Governmental activities

	Beginng Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	6,304,329	1,631,317		7,935,646
Condruction in progress	729,495		(729,495)	-
Total assets not being depreciated	<u>7,033,824</u>	<u>1,631,317</u>	<u>(729,495)</u>	<u>7,935,646</u>
Capital assets being depreciated				
Buildings	4,978,679	798,788		5,777,467
Machinery and equipment	3,912,265	260,554	(708,810)	3,464,009
Infrastructure	10,338,649	1,256,670		11,595,319
Total assets being depreciated	<u>19,229,593</u>	<u>2,316,012</u>	<u>(708,810)</u>	<u>20,836,795</u>
Less accumulated depreciation				
Buildings	(1,620,766)	(122,016)		(1,742,782)
Machinery and equipment	(336,768)	(1,117,412)		(1,454,180)
Infrastructure	(8,456,516)	(293,786)		(8,750,302)
Total accumulated depreciation	<u>(10,414,050)</u>	<u>(1,533,214)</u>	<u>-</u>	<u>(11,947,264)</u>
Total capital assets, being depreciated,net	<u>8,815,543</u>	<u>782,798</u>	<u>(708,810)</u>	<u>8,889,531</u>
Governmental activities capital assets, net	<u>15,849,367</u>	<u>2,414,115</u>	<u>(1,438,305)</u>	<u>16,825,177</u>

Business-type activities

Capital assets not being depreciated:				
Construction in progress	-	251,754		251,754
Total assets not being depreciated	<u>-</u>	<u>251,754</u>	<u>-</u>	<u>251,754</u>
Capital assets being depreciated				
Automobiles	321,163	30,907		352,070
Machinery & Equipment	103,815	10,010	(3,990)	109,835
Storm Drainage	655,455			655,455
Canals	1,442,923			1,442,923
Box Culvert	252,510			252,510
Total assets being depreciated	<u>2,775,866</u>	<u>40,917</u>	<u>(3,990)</u>	<u>2,812,793</u>
Less accumulated depreciation				
Automobiles	(12,813)	(51,720)		(64,533)
Machinery & Equipment	(75,730)	(14,671)	1,551	(88,850)
Storm Drainage	(449,105)	(13,616)		(462,721)
Canals	(834,453)	(32,185)		(866,638)
Box Culvert	(163,982)	(6,597)		(170,579)
Total accumulated depreciation	<u>(1,536,083)</u>	<u>(118,789)</u>	<u>1,551</u>	<u>(1,653,321)</u>
Total capital assets, being depreciated,net	<u>1,239,783</u>	<u>(77,872)</u>	<u>(2,439)</u>	<u>1,159,472</u>
Governmental activities capital assets, net	<u>1,239,783</u>	<u>173,882</u>	<u>(2,439)</u>	<u>1,411,226</u>

5. PROPERTY, PLANT AND EQUIPMENT

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

Governmental activities	
General government	\$ 433,856
Public safety	210,348
Social services	7,403
Culture and recreation	189,637
Total depreciation expense – governmental activities	<u>\$ 841,244</u>
Business-type activities	
Stormwater	<u>\$ 118,789</u>
Total depreciation expense – business-type activities	<u>\$ 118,789</u>

6. INTERFUND RECEIVABLES AND PAYABLES AND INTERFUND TRANSFERS

Interfund receivables and payables at September 30, 2003 and the amount of interfund transfers for the fiscal year ended September 30, 2003 are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 358,460	\$ -	\$ 379,255	\$ 214,152
Special Revenues Funds:				
Community redevelopment association	-	358,460	-	-
Fire rescue fund	-	-	198,000	212,844
Grants fund	-	-	16,152	-
Stormwater fund	-	-	-	166,411
Total	<u>\$ 358,460</u>	<u>\$ 358,460</u>	<u>\$ 593,407</u>	<u>\$ 593,407</u>

The interfund payable of \$358,460 by the Community Redevelopment Agency (CRA) arises from an agreement that the CRA will refund to the City the costs associated with the City's provision of services for CRA operations and creation. Repayment of the payable has been deferred until a point when the CRA has matured sufficiently to reimburse the City's general fund for those expenses.

The transfer of \$198,000 from the City's general fund to the Fire Rescue fund results from a policy decision to hold the line on the Fire Assessment rate.

The transfer of \$16,152 represents the transfer of a grant match amount to permit expenditures to occur from the same allocations center.

The transfers of \$212,844 and \$166,411 from the Fire rescue and grant funds respectively are payments from those funds for services provided by and expended through the general fund. The majority of these services are indirect services and provide for items such as: general management, human resources, benefits management, risk management, legislative services, accounting payroll processing and similar support services.

7. RECEIVABLES

Customer/Accounts Receivable - Customer/Accounts receivable as of September 30, 2003 are as follows:

	General Fund	Special Revenue Fund
Occupational licenses	\$ 28,673	\$ -
Code violations	345,100	1,600
Fire inspection fees	-	36,375
Emergency medical service fees	880,836	928,124
Other	<u>201,939</u>	<u>-</u>
Total	<u>1,456,548</u>	<u>966,099</u>
Less allowance	<u>(539,936)</u>	<u>(792,028)</u>
Total customer accounts Receivable, net	<u>\$ 916,612</u>	<u>\$ 174,071</u>

8. LEASES

Capital Lease

The City entered into a capital lease agreement to purchase certain lighting and air-conditioning improvements. The lease requires monthly payments of \$3,408, including interest at 7.1% per annum, expiring on February 2009.

The future minimum lease payments under non-cancelable capital lease and the present value of net minimum lease payments as of September 30, 2003 are as follows:

Fiscal year ending September 30:	
2004	\$ 40,891
2005	40,891
2006	40,891
2007	40,891
2008	40,891
2009	<u>17,038</u>
Total minimum lease payments	221,493
Amount representing interest	<u>(37,901)</u>
Present value of minimum lease payments	<u>\$ 183,592</u>

9. LONG TERM DEBT

Florida Municipal Loan Council

On May 3, 2000, the City entered into a loan agreement in the amount of \$4,450,000 with the Florida Municipal Loan Council, Inc. for major roadway improvements and infrastructure projects. The loan has an outstanding balance of \$4,255,000 and requires annual payments on October 1, 2000, through April 1, 2030 bearing interest at varying rates ranging from 4.3% to 6.0%. The loan is secured by a pledge to budget and appropriate sufficient resources to cover the annual debt service requirements and contain a debt service rate covenant that must be maintained while the loan principal balance is outstanding. The City was not in compliance with the covenant to submit financial statements to the lender within 180 days after the end of the fiscal year.

9. LONG TERM DEBT (CONTINUED)

Florida Municipal Loan Council (Continued)

Fiscal year ending September 30:	Principal	Interest	Total
2004	\$ 75,000	\$ 235,058	\$ 310,058
2005	75,000	231,476	306,476
2006	80,000	227,737	307,737
2007	85,000	223,724	308,724
2008	90,000	219,448	309,448
2009-2013	525,000	1,022,306	1,547,306
2014-2018	680,000	853,388	1,533,387
2019-2023	900,000	631,023	1,531,024
2024-2028	1,175,000	337,297	1,512,297
2029-2030	570,000	33,060	603,060
	<u>\$ 4,255,000</u>	<u>\$ 4,014,517</u>	<u>\$ 8,269,517</u>

Notes Payable

On February 17, 2000, the City entered into two loan agreements with a local financial institution for approximately \$993,000 to finance certain capital projects and major equipment purchases. The notes payable are secured by non ad valorem revenues of the City. The first note of \$418,700 bears interest at 5.211% with principal and interest due over five years in quarterly installments of approximately \$26,000. Approximately \$182,000 of the \$418,700 note was allocated and is accounted for in the Stormwater Utility Enterprise Fund. The outstanding balance allocated to the Stormwater Utility Enterprise Funds as of September 30, 2004 is approximately \$54,609. The remaining proceeds of \$236,700 was allocated to the Capital Project Fund (Note A). The balance outstanding allocated to the Capital Projects Funds as of September 30, 2003 is approximately \$71,001. The second note (Note B), in the amount of \$574,200 bears interest at 5.37% with principal and interest payments of \$22,000 due quarterly, over a ten year period, with an outstanding balance as of September 30, 2003 of approximately \$373,230.

Annual debt service requirements to maturity for notes payable, including interest of \$73,353 are as follows:

Fiscal year ending September 30:	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
Governmental activities				
2004	\$ 104,754	\$ 21,662	\$ 36,406	\$ 2,143
2005	81,087	16,256	18,203	356
2006	57,420	12,712		
2007	57,420	9,630		
2008	57,420	6,549		
2009-2010	86,130	4,045		
Total outstanding	<u>\$ 444,231</u>	<u>\$ 70,854</u>	<u>\$ 54,609</u>	<u>\$ 2,499</u>

On September 27, 2001, the City entered into a credit agreement with a local financial institution and issued the Series 2001A note payable for approximately \$2,361,000 to be used for capital projects and major equipment purchases. Debt proceeds from the Note totaled approximately \$2,442,832 of which \$2,361,600 represented debt principal and \$81,232, accrued interest. The note is secured by a

9. LONG TERM DEBT (CONTINUED)

Notes Payable (Continued)

pledge to appropriate sufficient non ad valorem revenues to pay interest and principal on the note and contains covenants related to debt service coverage deadline to submit financial statements and annual budget reporting while the principal balance of the note is outstanding. The City is not in compliance with the requirements to submit the financial statements to the lender within 210 days after the end of the fiscal year.

At September 30, 2003 and for the period then ended, the City had complied with the provisions of its loan agreements. The annual requirements to pay principal and interest on the note at September 30 are as follows:

Fiscal year ending September 30:	Principal	Interest	Total
2004	\$ 309,786	\$ 63,733	\$ 373,519
2005	309,786	51,590	361,376
2006	309,786	39,446	349,232
2007	162,534	29,467	192,001
2008	162,534	23,096	185,630
2009-2011	487,602	31,060	518,662
	<u>\$ 1,742,028</u>	<u>\$ 238,392</u>	<u>\$ 1,980,420</u>

Line of Credit

The City has a \$9,000,000 line-of-credit with a local financial institution, that bears interest at the "London Inter-Bank Offering Rate" (LIBOR) plus .83. This rate is adjusted on a monthly basis. The line-of credit is secured by a pledge of the Community Redevelopment Association (CRA) ad-valorem tax revenues and revenues generated from the CRA property lease and contains covenants related to debt service coverage and deadline to submit the audited financial statements to the bank. The City is not in compliance with the covenant to submit the financial statements to the lender within 180 days after the end of the year. The line-of-credit matures on March 26, 2005 at which time any principal outstanding is due and payable. At September 30, 2003, \$3,911,500 was outstanding under this agreement.

Changes in Long-Term Liabilities

During the year ended September 30, 2003, the following changes occurred in long-term liabilities. :

Governmental activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable	\$ 2,600,799		\$ (414,540)	\$ 2,186,259	\$ 414,540
Line of Credit	3,911,500			3,911,500	
Florida Municipal Loan	4,325,000		(70,000)	4,255,000	70,000
Capital Lease	210,471		(26,879)	183,591	28,841
Compensated absences	649,178		(56,445)	592,733	277,502
Governmental activities long-term liabilities	<u>\$ 11,696,948</u>	<u>\$ -</u>	<u>\$ (567,864)</u>	<u>\$ 11,129,083</u>	<u>\$ 790,883</u>
Business-type activities					
Notes payable	\$ 91,015		\$ (36,406)	\$ 54,609	\$ 36,406
Business-type activities long-term liabilities	<u>\$ 91,015</u>	<u>\$ -</u>	<u>\$ (36,406)</u>	<u>\$ 54,609</u>	<u>\$ 36,406</u>

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft or damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters for which the City carries commercial insurance. There were no significant reductions in insurance coverage from coverages in the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

11. CONTINGENCIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by Federal and State grantor agencies. 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. Although the outcome of these lawsuits is not presently determinable, it is in the opinion of the City management and counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

12. PENSION PLANS

Florida Retirement System (Employees Hired Prior to January 1, 1996)

Plan Description

All City employees hired prior to January 1, 1996 participate in the Florida Retirement System (FRS), a multiple employer cost-sharing Public Employee Retirement System (PERS). Payroll for City employees covered by the PERS for the year ended September 30, 2003 was \$3,216,579.

All full-time City employees were eligible to participate in the PERS. Normal retirement is at 6 years of credited service and age 62 or at 30 years of credited service regardless of age for regular members. Retirement benefits are payable monthly for life, equal to 1.6% of their average final compensation for each year of credited service. Normal retirement for special risk class employees (fire) are as follows: employees who retire at age 62 with six years of special risk service or have 25 continuous years of special risk service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3% of their average final compensation for each year of credited service. Average final compensation is the average of the five highest years of salary during covered employment.

Benefits are fully vested after 6 years of credited service. Vested employees may retire at any time after fully vesting, however, the benefits will be reduced by 5% for each year the employee lacks from attaining age 62. If the employee has 30 years of creditable service, they can retire at any age with no reduction in benefits. The FRS also provides disability and survivor benefits. Benefits are established by State Statute.

Funding Policy

Employees cannot contribute to the PERS. The City is required to contribute a certain percentage of employee salaries per year. The following are the required contributions and the percentage contributed by the City for the current year and the preceding two years:

12. PENSION PLANS

Florida Retirement System (Employees Hired Prior to January 1, 1996)

Plan Description

<u>Fiscal year ending September 30:</u>	<u>Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2003	\$ 400,160	\$ 400,160	100%
2002	404,503	\$404,503	100%
2001	480,271	480,271	100%

The most recent actuarial report was prepared as of July 1, 2002. Section 121.031(3) of the Florida Statutes required that an actuarial review of the System be performed biannually. The conclusions of the review are included in the annual report of the System. The City's liability for participating in the FRS is limited to the payment at the rate and sequency established by the law of the FRS on future payroll of the City.

The State of Florida issued a publicly available financial report that includes basic financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, 2693 North Monroe Street, Building C, Tallahassee, Florida 32299-1560.

City's Pension Fund for Firefighters

Plan Description

The City Pension Fund for Firefighters in the City of Lauderdale Lakes (the Plan) was established pursuant Ordinance #97-21 of the City and Chapter 175 of State of Florida Statutes. The Plan, which is a single-employer plan, was established to provide retirement benefits to firefighters of the City of Lauderdale Lakes. A more detailed description of the Plan and its provisions appears in the Ordinances constituting the Plan and in the summary plan description.

Summary of Significant Accounting Policies

Basis of Accounting The City of Lauderdale Lakes, Inc. Firefighters Pension Trust Fund financial records are maintained on the accrual basis of accounting. Contributions from the City, as calculated by the actuary, are recognized as revenue when due. Contributions from the members and the State of Florida are recognized as revenue during the period in which the members earn compensation. Expenses are recognized in the accounting period if measurable. Benefits and refunds are recognized when due and payable in accordance with the term of the Plan. Administrative costs are paid by the plan.

Method Used to Value Investments Investments are reported at fair value in the financial statements based on the quoted market prices as reported by recognized security exchanges. Securities that have no quoted market price are presented at estimated fair value as provided by the custodial bank and investment counsel.

Service Retirement Benefits

Upon normal retirement, a participant will receive a monthly pension amount equal to 3% of their final monthly earnings of continuous service multiplied by the number of years of

12. PENSION PLANS (CONTINUED)

City's Pension Fund for Firefighters (Continued)

Summary of Significant Accounting Policies (Continued)

Service Retirement Benefits (Continued)

continuous service. Members will become eligible for normal retirement after ten years of continuous service and the attainment of age 55 or, if earlier, accumulating 25 years of continuous service. Early retirement is available after ten years of credited service.

Disability Benefits

A participant who incurs a service connected disability is entitled to a monthly benefit equal to 42% of average monthly earnings or an amount equal to the accrued retirement benefit. Off duty disability benefits accrue after 10 years of service. Off duty disability benefits amount to 25% of average monthly salary or an amount equal to the accrued retirement benefit.

Death Benefits

If death occurs prior to retirement, while in the line of duty and vested in the Plan, a member's beneficiary will receive a monthly benefit of 50% of the member's salary payable for their lifetime. If a participant dies while off duty and vested in the Plan, their beneficiary will receive benefits otherwise payable to the member at the early or normal retirement date. If a participant dies while off duty and not vested, their beneficiary will receive a refund of all credited contributions made to the Plan.

Funding Policy

Participants are required to contribute 1% of their gross wages to the Plan. If the employee should leave the City with less than ten years of credited service, all amounts contributed to the Plan will be refunded, or the participant may leave their contributions, for a period of up to 5 years from the date of separation, in the Plan.

If an employee leaves the City after ten years of credited service, the participant may elect their normal retirement benefit starting at their normal or early retirement date or they may elect to withdraw their contributions. The City is required to contribute an actuarially determined amount that, when combined with participants' contributions and contributions from the State of Florida, will fully provide for all benefits as they become payable. The City's contribution, including amounts from the State, was \$118,063.

Investments

As of September 30, 2003, the Plan held no single investment, which exceeded 5% of plan net assets. The Plan invests mainly in U.S. Government Agencies Securities, Corporate Bond, Common Stock and Money Market Funds.

Annual Pension Cost and Net Pension Obligation

The annual pension cost and net pension obligation (overpayment) for the current year is as follows:

12. PENSION PLANS (CONTINUED)

City Pension Fund for Firefighters (Continued)

Annual Pension Cost and Net Pension Obligation (Continued)

Annual required contribution	\$ 87,022
Interest on net pension obligation	(2,692)
Adjustment to annual required contribution	<u>1,206</u>
Annual pension cost	85,536
Contributions made	<u>(117,583)</u>
(Decrease) in net pension obligation	(32,047)
Net pension (asset), beginning of year	<u>(33,651)</u>
Net pension (asset), end of year	\$ <u>(65,698)</u>

The annual required contribution for the current year was determined as part of the October 1, 2002 actuarial valuation using the frozen initial liability actuarial cost method. The actuarial assumptions included an 8% investment rate of return, net of administrative expenses and projected salary increases of 6%, which include an inflation component of 3.5%.

<u>Fiscal year ended:</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension (Asset)</u>
9/30/00	72,699	100%	(16,715)
9/30/01	73,912	123%	(45,193)
9/30/02	85,536	137%	(65,698)

Defined Contribution Plans

Employees Hired After January 1, 1996

The City offers a defined contribution plan created in accordance with Internal Revenue Service Code Section 401(a) and Resolution Number 98-78 and administered by Benefits Outsource, Inc. All general employees; except firefighters, are eligible to participate in the plan after one year of continuous service and attaining the age of 18. At September 30, 2003, there were 34 Defined Contribution Plan members. Members may contribute up to 10% of their salary. The City's contribution is discretionary and determined on a yearly basis at a rate of 10% of the plan participant's annual salary. During the year ended September 30, 2003, the City and the employees contributed \$150,922 and \$9,276, respectively, to the Plan. Provisions of the Plan may be amended by the City Commission. The Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries, consequently, the City has no fiduciary responsibility, therefore, the net assets of the Plan are not included in the City's financial statements.

Mayor, Commission and Executive Staff

The City offers a defined contribution plan created in accordance with Internal Revenue Service Code Section 401(a) and Resolution Number 98-97 and 00-170 and administered by ICMA Corporation. The Mayor, Commission Members, City Manager and Executive Staff participate in the plan in the first month subsequent to the appointment/hired date. At September 30, 2003, there were 70 Defined Contribution Plan members. The Mayor, Commission Members and City Manager are required to contribute 10% of their annual salary. Executive Staff are required to contribute 5% of their annual salary. The City contributes 15% of the City Manager's salary and 10% of the Mayor's, Commission

12. PENSION PLANS (CONTINUED)

City Pension Fund for Firefighters (Continued)

Mayor, Commission and Executive Staff (Continued)

Member's and Executive Staff's annual compensation. As of October 1, 2001, all general and professional employees could elect to participate in the plan. The City must match 10% of their salary. During the year ended September 30, 2003, the City and the employees contributed \$251,118 and \$164,502, respectively, to the Plan. Provisions of the Plan may be amended by the City Commission. The Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries. Consequently, the City has no fiduciary responsibility, therefore, the net assets of the Plan are not included in the City's financial statements.

13. DESCRIPTION OF LEASING AGREEMENTS

The Community Redevelopment Association (CRA) leases a parcel of real estate to a private corporation on a month to month basis. The lease is classified as an operating lease and expires in April 2003. For the period ended September 30, 2003, \$276,000 in rental income has been earned and recognized as other revenues in the general fund and the CRA fund.

14. CONTINGENCY

Certain amounts due for emergency transport fees charged to residents and business within the City may be uncollectible as a result of litigation that contested the legality of these fees. As of September 30, 2003, allowances have been established in the general fund and fire rescue fund of approximately \$522,171 and \$776,803, respectively.

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APPENDIX I

Financial Information Regarding City of North Miami Beach

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CITY OF NORTH MIAMI BEACH, FLORIDA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Fiscal Years Ended September 30,

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues:			
Property taxes	\$11,858,349	\$10,831,884	\$ 8,033,116
Franchise fees	1,442,511	1,417,597	1,771,684
Utility taxes	2,377,175	2,297,035	3,511,342
Communication services tax	1,785,296	1,900,963	---
Other taxes	18,921	22,132	32,445
Licenses and permits	1,484,769	1,457,601	1,428,960
Intergovernmental	6,885,256	5,411,900	7,380,673
Charges for services	8,969,556	8,555,664	8,101,703
Fines and forfeitures	1,762,583	2,296,153	3,128,043
Grants-Safe Neighborhood Program	3,450	16,685	68,292
Other	3,073,224	3,157,552	3,423,195
Interest	<u>774,186</u>	<u>1,075,096</u>	<u>1,471,758</u>
Total revenues	<u>\$40,435,276</u>	<u>\$38,540,262</u>	<u>\$38,351,211</u>
Expenditures:			
Current:			
General government	11,865,781	9,779,235	10,545,005
Police services	14,925,900	14,380,460	13,705,665
Library	867,432	823,115	788,471
Parks and recreation	4,034,910	3,709,203	3,572,762
Public services	8,168,192	7,719,140	7,401,108
Capital outlay	7,448,044	6,109,966	4,740,291
Debt service:			
Principal	1,653,991	1,732,538	1,773,193
Interest	<u>1,716,850</u>	<u>1,758,129</u>	<u>2,230,196</u>
Total expenditures	<u>50,681,100</u>	<u>45,921,786</u>	<u>44,549,691</u>
Excess (deficiency) of revenues over expenditures	<u>(10,245,824)</u>	<u>(7,381,524)</u>	<u>(6,198,480)</u>
Other financing sources (uses):			
Transfers in	5,975,605	5,207,966	2,976,826
Transfers out	(1,832,733)	(1,469,965)	(2,343,211)
Loan proceeds	---	---	---
Contributions from other funds	---	---	2,951,000
Bonds issued	---	11,510,000	17,983,000
Financing Proceeds	---	---	---
Payment to bond refunding escrow agent	---	(11,937,917)	---
Premiums received on debt issuance	---	286,243	---
Lease proceeds	<u>547,000</u>	<u>942,000</u>	<u>---</u>
Total other financing sources (uses)	<u>4,689,872</u>	<u>4,538,327</u>	<u>21,567,615</u>
Net change in fund balances	<u>(5,555,952)</u>	<u>(2,843,197)</u>	<u>15,369,135</u>
Fund balances - beginning	24,327,763	<u>27,170,960</u>	<u>11,801,825</u>
Cumulative effect of a change in accounting principle			
	650,000	---	---
Fund balances - beginning, as restated	<u>24,977,763</u>	---	---
Fund balances - ending	<u>\$19,421,811</u>	<u>\$24,327,763</u>	<u>\$27,170,960</u>

The obligation of the City of North Miami Beach to pay the Loan Payments is limited as described in the Official Statement. Certain of the above revenues may not be legally available to make, nor are any of the above revenues pledged to, the Loan Repayments. No representation is made as to the amount of revenues that are legally available to make the Loan Repayments.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor, City Council and City Manager
City of North Miami Beach, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of North Miami Beach, Florida (the City) as of and for the year ended September 30, 2003, which, collectively, comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof 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 a report dated January 14, 2004 on our consideration of the City'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.

Management's Discussion and Analysis and the Required Supplementary Information on pages 3-17 and pages 57-66, respectively, 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Rachlin Cohen & Holtz LLP

One Southeast Third Avenue ■ Tenth Floor ■ Miami, Florida 33131 ■ Phone 305.377.4228 ■ Fax 305.377.8331 ■ www.rachlin.com

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Honorable Mayor, City Council and City Manager
City of North Miami Beach, Florida
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information identified in the table of contents as combining financial statements and schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion thereon.

Rachlin Cohen + Holtz LLP

Miami, Florida
January 14, 2004

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2003

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Pooled cash and investments	\$ 8,117,667	\$ 3,838,024	\$ 11,955,691
Receivables	5,241,563	5,231,037	10,472,600
Internal balances	-	-	-
Inventories	142,575	378,736	521,311
Prepaid costs	81,068	59,691	140,759
Deferred charges	-	978,725	978,725
Other assets	35,100	-	35,100
Restricted assets:			
Cash in state investment pool	-	2,970,119	2,970,119
Escrow funds held by agent	9,154,374	58,844,011	67,998,385
Escrow funds held by lessor	407,056	84,423	491,479
Capital assets, net of accumulated depreciation	33,031,244	56,526,625	89,557,869
Capital assets, not being depreciated	<u>14,491,701</u>	<u>16,712,967</u>	<u>31,204,668</u>
Total assets not being depreciated	<u>70,702,348</u>	<u>145,624,358</u>	<u>216,326,706</u>
<u>LIABILITIES</u>			
Vouchers payable and accrued liabilities	1,736,164	1,871,776	3,607,940
Due to other governmental units	-	2,349,979	2,349,979
Payable from restricted assets:			
Customer deposits	-	3,268,938	3,268,938
Deferred revenue	892,305	-	892,305
Deposits held in trust	829,122	-	829,122
Noncurrent liabilities:			
Due within one year	2,256,306	330,615	2,586,921
Due in more than one year	<u>35,512,423</u>	<u>76,767,099</u>	<u>112,279,522</u>
Total liabilities	<u>41,226,320</u>	<u>84,588,407</u>	<u>125,814,727</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	14,887,734	55,829,630	70,717,364
Restricted for:			
In-plant and fireflow	-	3,931,723	3,931,723
Capital projects	8,584,656	-	8,584,656
Debt service	292,847	-	292,847
Law enforcement	1,000,513	-	1,000,513
Grant related	30,671	-	30,671
Unrestricted	<u>4,679,607</u>	<u>1,274,598</u>	<u>5,954,205</u>
Total net assets	<u>\$ 29,476,028</u>	<u>\$ 61,035,951</u>	<u>\$ 90,511,979</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2003

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Primary government:							
Governmental activities:							
General government	\$ 13,681,797	\$ 2,289,967	\$ 774,099	\$ -	\$(10,617,731)	\$ -	\$(10,617,731)
Public safety	15,932,268	1,768,756	376,229	137,941	(13,649,342)	-	(13,649,342)
Library	1,040,790	25,163	-	-	(1,015,627)	-	(1,015,627)
Parks and recreation	4,277,295	625,764	5,072	3,450	(3,640,009)	-	(3,640,009)
Public works	9,570,613	7,507,257	928,062	247,561	(887,733)	-	(887,733)
Interest on long-term debt	<u>1,716,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,716,850)</u>	<u>-</u>	<u>(1,716,850)</u>
Total governmental activities	<u>46,219,613</u>	<u>12,216,907</u>	<u>2,086,462</u>	<u>388,952</u>	<u>(31,527,292)</u>	<u>-</u>	<u>(31,527,292)</u>
Business-type activities:							
Water	18,466,131	16,215,452	1,237,938	5,490,629	-	4,477,888	4,477,888
Sewer	3,745,779	4,706,726	119,053	290,693	-	1,370,693	1,370,693
Stormwater	<u>750,425</u>	<u>1,019,213</u>	<u>186,781</u>	<u>-</u>	<u>-</u>	<u>455,569</u>	<u>455,569</u>
Total business-type activities	<u>22,962,335</u>	<u>21,941,391</u>	<u>1,543,772</u>	<u>5,781,322</u>	<u>-</u>	<u>6,304,150</u>	<u>6,304,150</u>
Total	<u>69,181,948</u>	<u>34,158,298</u>	<u>3,630,234</u>	<u>6,170,274</u>	<u>(31,527,292)</u>	<u>6,304,150</u>	<u>(25,223,142)</u>
General revenues:							
Property taxes					11,858,349	-	11,858,349
Utility taxes					2,377,175	-	2,377,175
Franchise fees based on gross receipts					1,442,511	-	1,442,511
Communication services tax					1,785,296	-	1,785,296
Sales taxes					2,399,369	-	2,399,369
Other taxes					18,921	-	18,921
State revenue sharing and other intergovernmental					2,836,613	-	2,836,613
Unrestricted interest from investments					78,364	43,123	121,487
Billing surcharge					2,204,171	-	2,204,171
Sale of City property					568	-	568
Miscellaneous					741,618	264,981	1,006,599
Transfers					<u>4,142,872</u>	<u>(4,142,872)</u>	<u>-</u>
Total general revenues and transfers					<u>29,885,827</u>	<u>(3,834,768)</u>	<u>26,051,059</u>
Change in net assets					(1,641,465)	2,469,382	827,917
Net assets - beginning					<u>31,117,493</u>	<u>58,566,569</u>	<u>89,684,062</u>
Net assets - ending					<u>\$ 29,476,028</u>	<u>\$ 61,035,951</u>	<u>\$ 90,511,979</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2003

	<u>General</u>	<u>Proud Neighborhood</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Pooled cash and investments	\$ 6,134,930	\$ -	\$ 1,982,737	\$ 8,117,667
Accounts receivables	3,788,496	-	1,453,067	5,241,563
Inventories	142,575	-	-	142,575
Prepaid costs	79,745	-	1,323	81,068
Due from other funds	1,000,813	-	153,842	1,154,655
Escrow funds held by agent	-	9,153,369	1,005	9,154,374
Escrow funds held by lessor	372,740	-	34,316	407,056
Other assets	35,100	-	-	35,100
Total assets	<u>\$11,554,399</u>	<u>\$ 9,153,369</u>	<u>\$ 3,626,290</u>	<u>\$ 24,334,058</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Vouchers payable and accrued liabilities	\$ 892,847	\$ 755,152	\$ 88,165	\$ 1,736,164
Deposits held in trust	829,122	-	-	829,122
Due to other funds	93,615	4,653	1,056,387	1,154,655
Estimated claims	300,000	-	-	300,000
Deferred revenue	807,685	-	84,620	892,305
Total liabilities	<u>2,923,269</u>	<u>759,805</u>	<u>1,229,172</u>	<u>4,912,246</u>
Fund balances:				
Reserved:				
Encumbrances	1,260,447	-	-	1,260,447
Grant related	-	-	30,671	30,671
Law enforcement	-	-	1,000,513	1,000,513
Inventories	142,575	-	-	142,575
Prepaid costs	79,745	-	1,323	81,068
Liability claims	353,027	-	-	353,027
Workers' compensation claims	760,144	-	-	760,144
Case settlement	300,000	-	-	300,000
Land acquisition	273,417	-	-	273,417
Debt service	-	-	292,847	292,847
Construction	-	8,393,564	191,092	8,584,656
Unreserved reported in:				
General fund	5,461,775	-	-	5,461,775
Special revenue funds	-	-	880,672	880,672
Total fund balances	<u>8,631,130</u>	<u>8,393,564</u>	<u>2,397,118</u>	<u>19,421,812</u>
Total liabilities and fund balances	<u>\$11,554,399</u>	<u>\$ 9,153,369</u>	<u>\$ 3,626,290</u>	

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

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

47,522,945

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

(37,468,729)

Net assets of governmental activities

\$ 29,476,028

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>General</u>	<u>Proud Neighborhood</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 9,448,264	\$ -	\$ 2,410,085	\$ 11,858,349
Franchise fees	1,442,511	-	-	1,442,511
Utility taxes	2,377,175	-	-	2,377,175
Communication services tax	1,785,296	-	-	1,785,296
Other taxes	18,921	-	-	18,921
Licenses and permits	1,484,769	-	-	1,484,769
Intergovernmental	3,935,653	-	2,949,603	6,885,256
Charges for services	8,969,556	-	-	8,969,556
Fines and forfeitures	289,654	-	1,472,929	1,762,583
Grants-Safe Neighborhood Program	-	-	3,450	3,450
Other	2,725,399	-	347,825	3,073,224
Interest	82,014	670,388	21,784	774,186
Total revenues	<u>32,559,212</u>	<u>670,388</u>	<u>7,205,676</u>	<u>40,435,276</u>
Expenditures:				
Current:				
General government	11,260,509	457,309	147,963	11,865,781
Police services	13,037,763	-	1,888,137	14,925,900
Library	867,432	-	-	867,432
Parks and recreation	3,937,265	-	97,645	4,034,910
Public services	8,160,192	-	8,000	8,168,192
Capital outlay	748,349	5,372,192	1,327,503	7,448,044
Debt service:				
Principal	736,453	-	917,538	1,653,991
Interest	57,009	-	1,659,841	1,716,850
Total expenditures	<u>38,804,972</u>	<u>5,829,501</u>	<u>6,046,627</u>	<u>50,681,100</u>
Excess (deficiency) of revenues over expenditures	(6,245,760)	(5,159,113)	1,159,049	(10,245,824)
Other financing sources (uses):				
Transfers in	5,398,385	-	577,220	5,975,605
Transfers out	(920,571)	-	(912,162)	(1,832,733)
Lease proceeds	547,000	-	-	547,000
Total other financing sources (uses)	<u>5,024,814</u>	<u>-</u>	<u>(334,942)</u>	<u>4,689,872</u>
Net change in fund balances	<u>(1,220,946)</u>	<u>(5,159,113)</u>	<u>824,107</u>	<u>(5,555,952)</u>
Fund balances - beginning	9,202,076	13,552,677	1,573,010	24,327,763
Cumulative effect of a change in accounting principle	650,000	-	-	650,000
Fund balances - beginning, as restated	<u>9,852,076</u>	<u>13,552,677</u>	<u>1,573,010</u>	<u>24,977,763</u>
Fund balances - ending	<u>\$ 8,631,130</u>	<u>\$ 8,393,564</u>	<u>\$ 2,397,117</u>	<u>\$ 19,421,811</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2003

Amounts reported for governmental activities in the statement of activities
(Page 19) are different because:

Net change in fund balances - total governmental funds (Page 21)	\$(5,555,952)
------------------------------------------------------------------	---------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The details of the difference are as follows:

Capital outlay	\$ 7,448,044	
Depreciation expense	<u>(3,715,312)</u>	
Net adjustment		3,732,732

The issuance of long-term debt (e.g., bonds, master leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

The details of the difference are as follows:

Debt issued:		
Master leases	<u>547,000</u>	
	<u>547,000</u>	
Principal payments:		
General obligation and capital improvement bonds	785,000	
Notes payable	101,530	
Master leases	<u>771,180</u>	
	<u>1,657,710</u>	
Net adjustment		1,110,710

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated absences	(83,236)
Estimated claims	(842,000)
Other item	<u>(3,719)</u>

Change in net assets of governmental activities (Page 19)	<u>\$ (1,641,465)</u>
-----------------------------------------------------------	-----------------------

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

SEPTEMBER 30, 2003

Business-type Activities -
Enterprise Funds

	<u>Water</u> <u>Utility</u> <u>System</u>	<u>Sewer</u> <u>Utility</u> <u>System</u>	<u>Stormwater</u> <u>Utility</u> <u>System</u>	<u>Totals</u>
<u>ASSETS</u>				
Current assets:				
Pooled cash and investments	\$ 3,335,218	\$ 318,972	\$ 183,834	\$ 3,838,024
Accounts receivable	3,749,005	1,293,332	188,700	5,231,037
Due from other funds	780,210	-	-	780,210
Inventories	378,736	-	-	378,736
Prepaid costs	58,027	1,664	-	59,691
Total current assets	<u>8,301,196</u>	<u>1,613,968</u>	<u>372,534</u>	<u>10,287,698</u>
Non-current assets:				
Restricted assets:				
Cash in state investment pool	2,582,926	387,193	-	2,970,119
Escrow funds held by agent	58,840,559	-	3,452	58,844,011
Escrow funds held by lessor	76,769	7,654	-	84,423
	<u>61,500,254</u>	<u>394,847</u>	<u>3,452</u>	<u>61,898,553</u>
Deferred charges - unamortized issuance costs	978,725	-	-	978,725
Capital assets, net of accumulated depreciation	59,601,316	11,100,435	2,537,841	73,239,592
Total non-current assets	<u>122,080,295</u>	<u>11,495,282</u>	<u>2,541,293</u>	<u>136,116,870</u>
Total assets	<u>\$ 130,381,491</u>	<u>\$ 13,109,250</u>	<u>\$ 2,913,827</u>	<u>\$ 146,404,568</u>

(Continued)

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS (Continued)

SEPTEMBER 30, 2003

	Business-type Activities - <u>Enterprise Funds</u>			<u>Totals</u>
	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	
<u>LIABILITIES AND NET ASSETS</u>				
Current liabilities:				
Vouchers payable and accrued liabilities	\$ 1,725,111	\$ 142,723	\$ 3,942	\$ 1,871,776
Due to other governmental units	1,948,407	401,572	-	2,349,979
Due to other funds	324,315	455,895	-	780,210
Current portion of notes payable	-	-	100,000	100,000
Current portion of master lease payable	161,464	69,151	-	230,615
Total current liabilities	<u>4,159,297</u>	<u>1,069,341</u>	<u>103,942</u>	<u>5,332,580</u>
Current liabilities payable from restricted assets:				
Customer deposits	<u>2,948,973</u>	<u>319,965</u>	<u>-</u>	<u>3,268,938</u>
Non-current liabilities:				
Compensated absences	358,365	28,823	18,057	405,245
Notes payable	-	-	2,500,000	2,500,000
Master lease payable	177,853	89,928	-	267,781
Revenue bonds payable	73,240,000	-	-	73,240,000
Unamortized bond premium	354,073	-	-	354,073
Total non-current liabilities	<u>74,130,291</u>	<u>118,751</u>	<u>2,518,057</u>	<u>76,767,099</u>
Total liabilities	<u>81,238,561</u>	<u>1,508,057</u>	<u>2,621,999</u>	<u>85,368,617</u>
Net assets:				
Invested in capital assets, net of related debt	44,939,327	10,949,010	(58,707)	55,829,630
Restricted for in-plant and fireflow	3,611,832	319,891	-	3,931,723
Unrestricted	591,771	332,292	350,535	1,274,598
Total net assets	<u>\$49,142,930</u>	<u>\$11,601,193</u>	<u>\$ 291,828</u>	<u>\$61,035,951</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Business-type Activities - <u>Enterprise Funds</u>			
	Water Utility System	Sewer Utility System	Stormwater Utility System	<u>Totals</u>
Operating revenues:				
Service revenues	<u>\$ 16,215,452</u>	<u>\$ 4,706,726</u>	<u>\$ 1,019,213</u>	<u>\$ 21,941,391</u>
Operating expenses:				
Operating, administrative and maintenance	12,335,560	3,298,678	608,544	16,242,782
Depreciation	<u>2,588,864</u>	<u>438,929</u>	<u>92,294</u>	<u>3,120,087</u>
Total operating expenses	<u>14,924,424</u>	<u>3,737,607</u>	<u>700,838</u>	<u>19,362,869</u>
Operating income	<u>1,291,028</u>	<u>969,119</u>	<u>318,375</u>	<u>2,578,522</u>
Non-operating revenue (expense):				
Intergovernmental	412,980	112,396	186,781	712,157
Interest income	1,164,200	8,812	1,726	1,174,738
Interest expense	(3,541,707)	(8,172)	(49,587)	(3,599,466)
Other income	<u>248,560</u>	<u>2,810</u>	<u>13,611</u>	<u>264,981</u>
Total non-operating revenue (expense)	<u>(1,715,967)</u>	<u>115,846</u>	<u>152,531</u>	<u>(1,447,590)</u>
Income (loss) before contributions and transfers	<u>(424,939)</u>	<u>1,084,965</u>	<u>470,906</u>	<u>1,130,932</u>
Capital contributions	5,190,629	290,693	-	5,481,322
Transfers out	<u>(2,837,913)</u>	<u>(902,085)</u>	<u>(402,874)</u>	<u>(4,142,872)</u>
	<u>2,352,716</u>	<u>(611,392)</u>	<u>(402,874)</u>	<u>1,338,450</u>
Change in net assets	1,927,777	473,573	68,032	2,469,382
Net assets, beginning	<u>47,215,153</u>	<u>11,127,620</u>	<u>223,796</u>	<u>58,566,569</u>
Net assets, ending	<u>\$ 49,142,930</u>	<u>\$ 11,601,193</u>	<u>\$ 291,828</u>	<u>\$ 61,035,951</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	<u>Totals</u>
Cash flows from operating activities:				
Cash received from customers	\$ 17,203,602	\$ 4,842,473	\$ 1,032,487	\$ 23,078,562
Cash payments to suppliers	(8,422,562)	(3,590,144)	(574,165)	(12,586,871)
Cash payments to employees	<u>(3,031,378)</u>	<u>(572,464)</u>	<u>(217,569)</u>	<u>(3,821,411)</u>
Net cash provided by operating activities	<u>5,749,662</u>	<u>679,865</u>	<u>240,753</u>	<u>6,670,280</u>
Cash flows from noncapital financing activities:				
Capital contributions	5,190,629	290,693	-	5,481,322
Transfers to other funds	(2,837,913)	(902,085)	(402,874)	(4,142,872)
Intergovernmental revenue	<u>124,500</u>	<u>242,853</u>	<u>367,529</u>	<u>734,882</u>
Net cash provided by (used in) by noncapital financing activities	<u>2,477,216</u>	<u>(368,539)</u>	<u>(35,345)</u>	<u>2,073,332</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(11,724,493)	(423,130)	-	(12,147,623)
Disposal of capital assets	-	-	(3,815)	(3,815)
Interest paid	(3,541,707)	(8,172)	(49,587)	(3,599,466)
Deferred charges - issuance costs	28,946	-	-	28,946
Payments on master lease payable	(369,335)	(75,867)	-	(445,202)
Payments on notes payable	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Net cash used in capital and related financing activities	<u>(15,606,589)</u>	<u>(507,169)</u>	<u>(103,402)</u>	<u>(16,217,160)</u>
Cash flows from investing activities:				
Interest income	<u>1,149,882</u>	<u>8,812</u>	<u>1,726</u>	<u>1,160,420</u>
Net increase (decrease) in pooled cash and investments	(6,229,829)	(187,031)	103,732	(6,313,128)
Pooled cash and investments, beginning	<u>71,065,301</u>	<u>900,850</u>	<u>83,555</u>	<u>72,049,706</u>
Pooled cash and investments, ending	<u>\$ 64,835,472</u>	<u>\$ 713,819</u>	<u>\$ 187,286</u>	<u>\$ 65,736,577</u>
Pooled cash and investments per balance sheet:				
Unrestricted	\$ 3,335,218	\$ 318,972	\$ 183,834	\$ 3,838,024
Restricted	<u>61,500,254</u>	<u>394,847</u>	<u>3,452</u>	<u>61,898,553</u>
	<u>\$ 64,835,472</u>	<u>\$ 713,819</u>	<u>\$ 187,286</u>	<u>\$ 65,736,577</u>

(Continued)

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

(Continued)

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Business-type Activities - <u>Enterprise Funds</u>			<u>Totals</u>
	<u>Water Utility System</u>	<u>Sewer Utility System</u>	<u>Stormwater Utility System</u>	
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 1,291,028	\$ 969,119	\$ 318,375	\$ 2,578,522
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,588,864	438,929	92,294	3,120,087
Other income	248,560	2,810	13,611	264,981
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivables	228,224	125,476	(337)	353,363
Due from other funds	482,289	-	-	482,289
Inventories	55,604	-	-	55,604
Prepaid costs	(56,932)	(1,664)	-	(58,596)
Increase (decrease) in:				
Customer deposits	86,009	9,125	-	95,134
Vouchers payable and accrued liabilities	434,843	(64,830)	(2,446)	367,567
Due to other funds	312,154	(806,604)	(180,744)	(675,194)
Due to other governmental units	79,019	7,504	-	86,523
Total adjustments	<u>4,458,634</u>	<u>(289,254)</u>	<u>(77,622)</u>	<u>4,091,758</u>
Net cash provided by operating activities	<u>\$ 5,749,662</u>	<u>\$ 679,865</u>	<u>\$ 240,753</u>	<u>\$ 6,670,280</u>
Non-cash investing, capital and financing activities:				
Borrowings under master lease	<u>\$ 142,485</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 167,485</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

SEPTEMBER 30, 2003

	<u>Pension Trust Funds</u>	<u>Police Holding Account Agency Fund</u>
<u>ASSETS</u>		
Cash	\$ -	\$ 261,560
Cash held with trustee	3,656	-
Investments:		
Cash management funds	5,521,694	-
Mutual funds	18,124,186	-
U.S. Government securities	16,794,176	-
Corporate bonds	7,806,877	-
Common stocks	34,122,320	-
Receivables:		
Accrued interest and dividends	340,557	-
Receivable from broker on investments sold	140,599	-
Total assets	82,854,066	261,560
<u>LIABILITIES AND NET ASSETS</u>		
Vouchers payable and accrued liabilities	97,914	-
Payable to broker for investments purchased	1,040,120	-
Deposits held in trust	-	261,560
Total liabilities	1,138,034	261,560
Net assets held in trust for pension benefits	\$ 81,716,032	\$ -

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Pension Trust <u>Funds</u>
ADDITIONS	
Contributions:	
Employees	\$ 5,417,757
Employer	3,697,337
State/County	<u>401,821</u>
Total contributions	<u>9,516,915</u>
 Investment income:	
Net appreciation in fair value of investments	7,404,499
Interest and dividends	2,234,265
Investment expenses	<u>(285,305)</u>
Net investment income	<u>9,353,459</u>
Total additions	<u>18,870,374</u>
 DEDUCTIONS	
Pension benefits	5,516,997
Refunds of contributions	40,770
Administrative expenses	<u>283,763</u>
Total deductions	<u>5,841,530</u>
 Net increase	 13,028,844
 Net assets held in trust for pension benefits:	
Beginning	<u>68,687,188</u>
Ending	<u>\$ 81,716,032</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of North Miami Beach (the City) was incorporated in 1926. The City operates under a Council-Manager form of government. In addition to police services, general government, library, recreation, sanitation and public works services provided to its residents, the City operates water, sewer and stormwater utilities and maintains various trust and agency funds in a fiduciary capacity. The City does not provide educational, fire or hospital facilities. Those services are provided by the Miami-Dade County School Board and Miami-Dade County, respectively.

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the fiscal year ended September 30, 2001, the City implemented the new financial reporting requirements of GASB Statement No. 34. As a result, an entirely new financial presentation format has been implemented. The more significant of the City's accounting policies are described below.

a. 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.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Government-Wide and Fund Financial Statements (Continued)

customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The City reports the following major governmental funds:

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

The *Proud Neighborhood Fund*, a capital projects fund, accounts for various upgrades and improvements to the City's neighborhoods.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The City reports the following major proprietary funds:

The *Water Utility System Fund* accounts for the activities of providing water treatment and distribution service to the property owners of the City and a portion of unincorporated Miami-Dade County and some adjacent municipalities.

The *Sewer Utility System Fund* accounts for the operation of the sewage pumping stations and collection systems to customers both inside and outside the City's boundaries.

The *Stormwater Utility System Fund* accounts for providing stormwater services to residences and businesses within the City.

Additionally, the City reports the following fund types:

The *Other Governmental Funds* are used to account for all other various special revenue, debt service, and capital projects funds.

The *Pension Trust Funds* account for the activities of the Retirement Plan for General Employees, the Retirement Plan for Police Officers and Firefighters and the Retirement Plan and Trust for General Management Employees which accumulates resources for pension benefits.

The *Police Holding Account Agency Fund* accounts for monies that have been seized but not forfeited and are held in trust while waiting for adjudication.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City has the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water, sewer and stormwater utility funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

d. Assets, Liabilities and Net Assets or Equity

1. Pooled Cash and Investments

Pooled cash and investments include cash on hand and investments with the State Board Investment Pool.

Resources of all funds, with the exception of the pension trust funds, the agency fund and certain other cash and investment accounts, have been combined into a pooled cash and investment system for the purpose of maximizing earnings. Interest earned on pooled cash and investments is allocated monthly based upon equity balances of the respective funds.

All investments of the City, except the State Board Investment Pool, are recorded at fair value. The Investment Pool is recorded at its value of the pool shares (2A-7 Pool), which is fair value.

Cash and cash equivalents, for purposes of the statement of cash flows, includes pooled cash and investments which are defined as short-term, highly liquid investments with original maturities of three months or less.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

3. Inventories

Inventories in the general fund and the enterprise funds are stated at cost on a specific identification basis. Inventories, which consist of expendable supplies held for consumption, are recorded as an asset when purchased and recorded as an expense when consumed (consumption method).

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

4. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, bike paths and similar items) are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$750 and an estimated useful life of one year. Purchased or constructed assets are recorded at actual cost or estimated historical cost if actual cost is unavailable. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and utility plant	30-50
Improvements other than buildings	20
Furniture, fixtures, machinery and equipment	5-10
Infrastructure	30

5. 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 a portion of unused vacation time and sick leave subject to length of service and contract classification. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The general fund has typically been used to liquidate such amounts.

6. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

6. Long-Term Obligations (Continued)

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

7. Property Taxes

Property taxes (ad valorem taxes) are assessed on January 1 (the lien date) 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 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, 2003 was 7.5 mills per \$1,000 of assessed valuation; the millage rate for bonded debt service was 1.3957 mills.

8. Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use and recoverability of inventory, the pension and post-retirement obligations, and useful lives and impairment of tangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from these estimates.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

10. Cumulative Effect of a Change in Accounting Principle

Compensated Absences and Estimated Claims of Governmental Funds as a Long-Term Liability

In past years, the City recorded a current liability for compensated absences and estimated claims based on an estimated amount expected to be paid in the following year. However, GASB Interpretation No. 6 states that the accumulation of financial resources in a governmental fund for the eventual payment of unmatured liabilities does not constitute an outflow of current financial resources. Therefore, the reclassification of the previously reported expense of \$650,000 for compensated absences and estimated claims in the governmental funds has been recorded as a cumulative effect of a change in accounting principle, restating the beginning fund balance of the General Fund.

NOTE 2. DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized with securities held by the entity or its agent in the entity's name.

The carrying amount of the City's deposits on the statement of net assets (including fiduciary funds) is as follows:

Pooled cash	\$ 3,639,028
Escrow funds held by agent	67,998,385
Escrow funds held by lessor	491,479
	<u>\$72,128,892</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS

Investments

The City is authorized to invest in obligations of the U.S. Treasury, its agencies, instrumentalities and the State Board of Administration Investment Pool (SBA). The State Board of Administration is part of the Local Government Surplus Funds Trust Fund and is governed by Ch. 19-7 of the Florida Administrative Code. 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 board has adopted operating procedures consistent with the requirements for a 2a-7 fund. The pension trust funds are also authorized to invest in common stocks, corporate bonds rated "A" or better by Standard & Poor's Corporation or "A" or better by Moody's bond ratings.

The City's investments are categorized in the following table to give an indication of the level of risk assumed by the City at year end. Category 1 includes insured or registered or securities held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the City's name.

	<u>Category 1</u>
U.S. Government securities	\$ 16,794,176
Corporate bonds	7,806,877
Common stock	<u>34,122,320</u>
	58,723,373
Investments not subject to categorization:	
Mutual funds	18,124,186
Investment Pool	11,551,995
Cash management funds	<u>5,521,694</u>
Total investments	<u>\$ 93,921,248</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The following is a reconciliation of deposits and investments to the statement of net assets:

Deposits	\$ 72,128,892
Investments	<u>93,921,248</u>
	<u>\$ 166,050,140</u>
Pooled cash and investments, primary government	\$ 11,955,688
Restricted cash in state investment pool, primary government	2,970,119
Escrow funds held by agent, primary government	67,998,385
Escrow funds held by lessor, primary government	<u>491,479</u>
Total primary government	<u>83,415,671</u>
Cash, fiduciary funds	261,560
Cash held with trustee, fiduciary funds	3,656
Investments, fiduciary funds	<u>82,369,253</u>
Total fiduciary funds	<u>82,634,469</u>
Grand total	<u>\$ 166,050,140</u>

NOTE 3. RECEIVABLES

Receivables as of September 30, 2003 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Nonmajor</u>	<u>Total</u>
Receivables:						
Billed	\$ 905,775	\$ 2,036,351	\$ 460,841	\$ 92,044	\$ -	\$ 3,495,011
Unbilled	1,077,323	1,028,730	376,794	96,656	-	2,579,503
Franchise and utility	532,293	-	-	-	-	532,293
Intergovernmental	-	434,330	884	-	1,042,328	1,477,542
Grants	-	-	-	-	10,739	10,739
Other	1,200,973	249,594	454,813	-	400,000	2,305,380
Property taxes	<u>72,132</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,132</u>
Gross receivables	3,788,496	3,749,005	1,293,332	188,700	1,453,067	10,472,600
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 3,788,496</u>	<u>\$ 3,749,005</u>	<u>\$ 1,293,332</u>	<u>\$ 188,700</u>	<u>\$ 1,453,067</u>	<u>\$ 10,472,600</u>

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, *unearned revenue* and *deferred revenue* reported in the governmental funds was as follows:

Occupational licenses and grants drawdowns prior to meeting all eligibility requirements	<u>\$ 892,305</u>
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CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2003 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 4,168,437	\$ -	\$ -	\$ 4,168,437
Construction in progress	4,886,984	5,436,280	(96,451)	10,226,813
Total capital assets, not being depreciated	<u>9,055,421</u>	<u>5,436,280</u>	<u>(96,451)</u>	<u>14,395,250</u>
Capital assets, being depreciated:				
Buildings	28,980,618	103,101	-	29,083,719
Improvements other than buildings	10,084,568	583,076	(777,261)	9,890,383
Furniture, fixtures, machinery and equipment	25,041,612	351,704	(80,215)	25,313,101
Infrastructure	3,400,849	1,135,352	-	4,536,201
Capital lease equipment	-	764,513	-	764,513
Total capital assets being depreciated	<u>67,507,647</u>	<u>2,937,746</u>	<u>(857,476)</u>	<u>69,587,917</u>
Less accumulated depreciation for:				
Buildings	(10,892,517)	(1,301,886)	-	(12,194,403)
Improvements other than buildings	(3,487,142)	(398,514)	-	(3,885,656)
Furniture, fixtures, machinery and equipment	(17,332,127)	(1,830,456)	44,288	(19,118,295)
Infrastructure	(1,033,124)	(207,856)	-	(1,240,980)
Capital lease equipment	-	(20,888)	-	(20,888)
Total accumulated depreciation	<u>(32,744,910)</u>	<u>(3,759,600)</u>	<u>44,288</u>	<u>(36,460,222)</u>
Total capital assets, being depreciated, net	<u>34,762,737</u>	<u>(821,854)</u>	<u>(813,188)</u>	<u>33,127,695</u>
Governmental activities capital assets, net	<u>\$43,818,158</u>	<u>\$4,614,426</u>	<u>\$ (909,639)</u>	<u>\$47,522,945</u>
<u>Business-type activities</u>				
Capital assets, not being depreciated:				
Land	\$ 3,247,204	\$ 738,549	\$ -	\$ 3,985,753
Construction in progress	5,391,089	7,336,125	-	12,727,214
Total capital assets, not being depreciated	<u>8,638,293</u>	<u>8,074,674</u>	<u>-</u>	<u>16,712,967</u>
Capital assets, being depreciated:				
Buildings and utility plant	84,796,405	3,903,672	-	88,700,077
Machinery and equipment	10,338,503	147,802	(709)	10,485,596
Capital lease equipment	-	192,774	-	192,774
Total capital assets being depreciated	<u>95,134,908</u>	<u>4,244,248</u>	<u>(709)</u>	<u>99,378,447</u>
Less accumulated depreciation for:				
Buildings and utility plant	(34,636,034)	(2,140,012)	-	(36,776,046)
Machinery and equipment	(5,096,411)	(967,551)	709	(6,063,253)
Capital lease equipment	-	(12,523)	-	(12,523)
Total accumulated depreciation	<u>(39,732,445)</u>	<u>(3,120,086)</u>	<u>709</u>	<u>(42,851,822)</u>
Total capital assets, being depreciated, net	<u>55,402,463</u>	<u>1,124,162</u>	<u>-</u>	<u>56,526,625</u>
Business-type activities capital assets, net	<u>\$64,040,756</u>	<u>\$9,198,836</u>	<u>\$ -</u>	<u>\$73,239,592</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$2,180,802
Public safety	775,058
Library	173,358
Parks and recreation	103,601
Public works services	482,493
Total depreciation expense - governmental activities	<u>\$3,715,312</u>
Business-type activities:	
Water	\$2,588,864
Sewer	438,929
Stormwater	92,294
Total depreciation expense - business-type activities	<u>\$3,120,087</u>

Commitments

In September 2000, the City's voters approved a referendum for up to a \$17.5 million bond issue for capital improvements throughout the various neighborhoods of the City. Pursuant to this referendum in November 2000, the City issued \$17,305,000 of Florida Municipal Loan Council Revenue Bonds, Series 2000B. Construction began in fiscal year 2001 with approximately 70% of the projects completed or well underway at September 30, 2003. The construction schedule calls for this capital program to be completed during the fiscal year ending September 30, 2006. Of the \$8.4 million reserved fund balance, approximately \$3.3 million represents outstanding encumbrances, which leaves \$5.1 million to be expended.

In August 2002, the City issued \$66,385,000 of Florida Municipal Loan Council, Series 2002B Bonds for the expansion and modernization of its Norwood Water Treatment Plant and Well Fields. The engineering and design phase of the project was started immediately after the bond issuance, and is scheduled for a February 2004 completion. Construction of two Floridan Aquifer wells has been completed. Two more Floridan Aquifer wells and five Biscayne Aquifer wells are currently under construction, and expected to be completed by August 2004. Construction of the Norwood Water Treatment Plant Expansion Project is scheduled to commence in May 2004, and substantial completion is projected for January 2006. Approximately \$4.9 million has been spent to date on engineering, design, and construction. During the current fiscal year, the City capitalized interest in the amount of \$200,000 relating to the above construction project.

In September 2003, a settlement in a general liability lawsuit was negotiated in the amount of \$900,000 payable over three fiscal years. The first \$300,000 was paid before the fiscal year ended, the second installment was accrued at year end since payment was made on October 1, 2003 and the remaining \$300,000 has been reserved from General fund balance.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2003 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Police Anti-Crime Community Team	\$ 7,245
General	NMB Blvd Palm Tree Plant - FDACS	8,000
General	Snake Creek Project/Columbia Park	49,242
General	Capital Development Grants Program	8,398
General	MPO Study Grant	24,594
General	CDBG Wash. Park Roadway Improvement	300,000
General	CDBG Taylor Park Daycare Building	100,000
General	CDBG Housing Rehabilitation	102,780
General	2000B Bonds Debt Service Fund	385,162
General	CIP Proud Neighborhood Bonds	4,653
General	SNP Challenge & FRDAP Grants	10,739
LETf State Forfeiture Fund	Police Stop Our Stress Program	176
LETf State Forfeiture Fund	HIDTA Black Market Peso Exchange	28,451
LETf State Forfeiture Fund	Great Grant/Coop Agreement	8,883
LETf State Forfeiture Fund	Victims of Crime Act Grant	3,302
LETf State Forfeiture Fund	Bulletproof Vest Grant	15,860
LETf State Forfeiture Fund	Alternative to Suspension Program	3,555
1993 Capital Improvements Fund	General	<u>93,615</u>
		<u>\$ 1,154,655</u>
Water Utility Fund	2002B FMLC Revenue Bonds	\$ 24,315
Water Utility Fund	Water Plant Expansion Grants	300,000
Water Utility Fund	Sewer Utility Fund	455,895
		<u>\$ 780,210</u>

Interfund transfers:

	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Proud Neighborhood</u>	<u>Non-Major</u>	
Transfers out:				
General fund	\$ 717,428	\$ -	\$ 203,143	\$ 920,571
Water	2,837,913	-	-	2,837,913
Sewer	902,085	-	-	902,085
Stormwater	122,874	-	280,000	402,874
Nonmajor	818,085	-	94,077	912,162
Total transfers out	<u>\$ 5,398,385</u>	<u>\$ -</u>	<u>\$ 577,220</u>	<u>\$ 5,975,605</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. LONG-TERM DEBT

Bonds Payable

1. Changes in Bonds Payable

The following is a summary of bond transactions for the City for the year ended September 30, 2003:

Balance, September 30, 2002	\$ 105,355,000
Bonds retired	<u>(785,000)</u>
Balance, September 30, 2003	<u>\$ 104,570,000</u>

2. Bonds Authorized and Outstanding

Long-term debt at September 30, 2003 consists of the following individual issues:

Capital Improvements Bonds:

\$13,000,000 General Obligation 1994 Series serial bonds; final annual installment of \$275,000 due February 1, 2004; interest at 6.3%.	\$ 275,000
\$1,950,000 Capital Improvement Revenue Bonds, 1997 Series serial bonds; secured by pledge of revenues from municipal revenue sharing program; due in annual installments of \$110,000 to \$395,000 through October 1, 2012; interest at 4.85%.	1,450,000
\$1,000,000 Capital Improvement Revenue Bonds, 1998 Series serial bonds; secured by pledge of revenues from municipal revenue sharing program; due in annual installments of \$50,000 to \$425,000 through October 1, 2013; interest at 4.48%.	875,000
\$300,000 Florida League of Cities, 2000 A Series Capital Appreciation and term bonds; secured by municipal bond insurance; due in annual installments of \$11,530 to \$26,205 through April 1, 2020; interest at 4.3% to 6.0%.	300,000
\$17,305,000 Florida League of Cities, 2000 B Series Capital Appreciation and term bonds; secured by municipal bond insurance; due in annual installments of \$165,000 to \$1,325,000 from November 1, 2001 to November 1, 2030; interest at 4.25% to 3.75%.	16,985,000
\$11,510,000 Florida Municipal Loan Council, 2002 A Series Capital Appreciation and term bonds; secured by municipal bond insurance; due in annual installments of \$70,000 to \$870,000 from May 1, 2003 to May 1, 2024; interest at 3.25% to 5.50%.	<u>11,445,000</u>
	<u>31,330,000</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

2. Bonds Authorized and Outstanding (Continued)

Revenue Bonds:

Water Utility System:

\$6,855,000 Florida League of Cities, 2000 A Series Capital Appreciation and term bonds/secured by municipal bond insurance; due in annual installments of \$263,470 to \$598,795 from April 1, 2004 to April 1, 2020; interest at 4.3% to 6.0%	6,855,000
\$66,385,000 Florida Municipal Loan Council, 2002 B Series Water Utilities Appreciation and term bonds; secured by municipal bond insurance; due in semi-annual installments of \$155,000 to \$5,085,000 beginning February 1, 2005 to August 1, 2032; interest at 3.0% to 5.375%.	<u>66,385,000</u>
Total	<u>\$ 104,570,000</u>

3. Debt Service Requirements

Debt service requirements to maturity for each series of bonds at September 30, 2003 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
General Obligation Bonds:			
1994 Series:			
2004	<u>\$ 275,000</u>	<u>\$ 691,750</u>	<u>\$ 966,750</u>
Capital Improvement Bonds:			
1997 Series:			
2004	\$ 110,000	\$ 70,325	\$ 180,325
2005	115,000	64,990	179,990
2006	120,000	59,413	179,413
2007	125,000	53,593	178,593
2008	135,000	47,530	182,530
2009-2012	<u>845,000</u>	<u>121,249</u>	<u>966,249</u>
	<u>\$1,450,000</u>	<u>\$ 417,100</u>	<u>\$1,867,100</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

3. Debt Service Requirements (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Capital Improvements Bonds:			
1998 Series:			
2004	\$ 50,000	\$ 39,200	\$ 89,200
2005	50,000	36,960	86,960
2006	50,000	34,720	84,720
2007	50,000	32,480	82,480
2008	50,000	30,240	80,240
2009-2013	<u>625,000</u>	<u>117,600</u>	<u>742,600</u>
	<u>\$ 875,000</u>	<u>\$ 291,200</u>	<u>\$ 1,166,200</u>
Florida League of Cities (Water and Capital):			
2000 A Series:			
2004	\$ 275,000	\$ 386,831	\$ 661,831
2005	285,000	373,769	658,769
2006	300,000	360,088	660,088
2007	315,000	345,539	660,539
2008	330,000	330,183	660,183
2009-2013	1,915,000	1,387,313	3,302,313
2014-2018	2,520,000	787,688	3,307,688
2019-2020	<u>1,215,000</u>	<u>103,500</u>	<u>1,318,500</u>
	<u>\$ 7,155,000</u>	<u>\$ 4,074,910</u>	<u>\$ 11,229,910</u>
Florida League of Cities (Capital):			
2000 B Series:			
2004	\$ 165,000	\$ 894,908	\$ 1,059,908
2005	185,000	887,162	1,072,162
2006	205,000	878,434	1,083,434
2007	225,000	868,703	1,093,703
2008	245,000	857,949	1,102,949
2009-2013	1,590,000	4,085,704	5,675,704
2014-2018	2,375,000	3,562,713	5,937,713
2019-2023	3,440,000	2,783,225	6,223,225
2024-2028	4,820,000	1,685,600	6,505,600
2029-2031	<u>3,735,000</u>	<u>309,735</u>	<u>4,044,735</u>
	<u>\$ 16,985,000</u>	<u>\$ 16,814,133</u>	<u>\$ 33,799,133</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

3. Debt Service Requirements (Continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Florida Municipal Loan Council (Capital):			
2002 A Series:			
2004	\$ 70,000	\$ 571,268	\$ 641,268
2005	355,000	568,644	923,644
2006	375,000	550,894	925,894
2007	395,000	532,144	927,144
2008	405,000	516,344	921,344
2009-2013	2,280,000	2,319,480	4,599,480
2014-2018	2,920,000	1,676,825	4,596,825
2019-2023	3,775,000	805,650	4,580,650
2024	870,000	43,500	913,500
	<u>\$11,445,000</u>	<u>\$ 7,584,749</u>	<u>\$ 19,029,749</u>
Florida Municipal Loan Council (Water):			
2002 B Series:			
2004	\$ -	\$ 3,260,281	\$ 3,260,281
2005	-	3,260,281	3,260,281
2006	215,000	3,260,281	3,475,281
2007	155,000	3,253,831	3,408,831
2008	155,000	3,249,181	3,404,181
2009-2013	5,300,000	15,961,358	21,261,358
2014-2018	8,980,000	14,374,756	23,354,756
2019-2023	13,670,000	11,660,938	25,330,938
2024-2028	18,980,000	7,673,250	26,653,250
2029-2032	18,930,000	2,424,250	21,354,250
	<u>\$66,385,000</u>	<u>\$68,378,407</u>	<u>\$ 134,763,407</u>

Debt reserve requirements as specified by provisions of various ordinances are as follows:

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance, in all material respects, with significant covenants and restrictions. Interest and bond redemption payments have been made timely.

4. Defeasance of Long-Term Debt

In May 2002, the City issued \$11,510,000 Florida Municipal Loan Council, Series 2002A Bonds for the purpose of advance refunding \$10,955,000 General Obligation Bonds, Series 1994 (the refunded bonds).

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

4. **Defeasance of Long-Term Debt** (Continued)

After payment of approximately \$200,071, in underwriting fees, insurance, and other issuance costs, the net bond proceeds of \$11,937,917 were used to purchase government securities which were placed in an irrevocable trust with an escrow agent. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets.

As a result of the advance refunding, the City incurred a net present value gain of approximately \$465,300.

Notes Payable

Florida Local Government Finance Commission Pooled Commercial Paper Loan Program:

Draw A-1

In August 1996, the City obtained financing of \$2,400,000 through a commercial paper loan program to assist in financing certain stormwater projects. During 1998, the City refinanced the loan and increased its outstanding obligation by \$120,000. The refinancing extended the maturity of the loan by two years. In September 2003, the City again refinanced the loan with a balance of \$2,080,000 and extended the maturity of the loan by four years.

Draw A-2

In September 1998, the City obtained additional commercial paper loan program financing of \$720,000 from the same agency. The additional funds will also be used to finance certain stormwater projects. In September 2002, the City refinanced the loan and increased its outstanding obligation by \$570,000. The refinancing extended the maturity of the loan by two years.

Draw A-3

In August 1999, the City obtained financing of \$850,000 from the same agency to assist in financing a portion of the costs and expenses to various capital improvements projects.

The interest rate on the three loans varies (blended market rates) and is payable monthly. The actual interest rate for the month of September 2003 was 1.00144 percent. The loans are collateralized by legally available non-ad valorem revenues.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Notes Payable (Continued)

Principal requirements to maturity are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Fiscal year ending September 30:			
2004	\$ 625,000	\$ 100,000	\$ 725,000
2005	-	100,000	100,000
2006	-	470,000	470,000
2007	-	1,930,000	1,930,000
	<u>\$ 625,000</u>	<u>\$ 2,600,000</u>	<u>\$ 3,225,000</u>

In February 2000, the City obtained financing of \$120,000 through taxable special obligation notes to assist in financing the purchase of real property. The notes bear interest at 8% and is payable in quarterly installments of \$3,782 including interest through February 2004. The balance as of September 30, 2003 is \$22,031.

Master Leases

The City has entered into master lease purchase agreements each year from the period August 1989 to September 2003. During 2003, new lease purchases totaled approximately \$714,485.

Obligations created under these leases are to be repaid from on hand and legally available funds from sources other than ad valorem taxes. The agreements make provision for termination of governmental non-appropriations, such that the City will not be obligated to make any further lease payments beyond the year in which the City does not appropriate sufficient funds to continue making payments required under the leases.

The capital assets acquired under these leases remain collateral for repayment of outstanding principal obligations.

The assets acquired through capital leases are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Assets:			
Machinery and equipment	\$ 764,513	\$ 192,774	\$ 957,287
Less accumulated depreciation	<u>(20,888)</u>	<u>(12,523)</u>	<u>(33,411)</u>
	<u>\$ 743,625</u>	<u>\$ 180,251</u>	<u>\$ 923,876</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Master Leases (Continued)

The information provided is as of October 1, 2002 and prior information is not available.

Future minimum lease payments and the present value of net minimum lease payments at September 30, 2003 are as follows:

Fiscal year ending September 30:	Governmental Activities	Business-type Activities	Total
2004	\$ 639,275	\$ 243,255	\$ 882,530
2005	445,457	185,320	630,777
2006	229,251	78,952	308,203
2007	<u>52,447</u>	<u>11,149</u>	<u>63,596</u>
Total minimum lease payments	1,366,430	518,675	1,885,105
Less amount representing interest	<u>(61,219)</u>	<u>(20,279)</u>	<u>(81,498)</u>
Present value of net minimum lease payments	<u>\$ 1,305,211</u>	<u>\$ 498,396</u>	<u>\$ 1,803,607</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2003 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds and notes payable:					
General obligation and term bonds	\$ 32,115,000	\$ -	\$ (785,000)	\$ 31,330,000	\$ 670,000
Notes payable	<u>748,561</u>	<u>-</u>	<u>(101,530)</u>	<u>647,031</u>	<u>647,031</u>
Total bonds and notes payable	32,863,561	-	(886,530)	31,977,031	1,317,031
Master leases	1,529,391	547,000	(771,180)	1,305,211	639,275
Estimated claims	1,113,000	1,470,500	(878,500)	1,705,000	300,000
Compensated absences	<u>2,698,251</u>	<u>2,384,495</u>	<u>(2,301,259)</u>	<u>2,781,487</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 38,204,203</u>	<u>\$ 4,401,995</u>	<u>\$ (4,837,469)</u>	<u>\$ 37,768,729</u>	<u>\$ 2,256,306</u>
Business-type activities					
Notes payable	\$ 2,650,000	\$ -	\$ (50,000)	\$ 2,600,000	\$ 100,000
Revenue bonds	73,240,000	-	-	73,240,000	-
Premium on revenue bonds	<u>368,391</u>	<u>-</u>	<u>(14,318)</u>	<u>354,073</u>	<u>-</u>
Total bonds and notes payable	76,258,391	-	(64,318)	76,194,073	100,000
Master leases	776,113	167,485	(445,202)	498,396	230,615
Compensated absences	<u>408,897</u>	<u>522,765</u>	<u>(526,417)</u>	<u>405,245</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 77,443,401</u>	<u>\$ 690,250</u>	<u>\$ (1,035,937)</u>	<u>\$ 77,097,714</u>	<u>\$ 330,615</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. OTHER INFORMATION

a. Risk Management

The City is exposed to various risks of loss related to torts, theft, or damage to and destruction of assets, errors and omissions and natural disasters for which the City carries commercial insurance. The City established a risk management program for workers' compensation and general liabilities. Premiums are paid into the self-insurance funds, which are included in the general fund. Florida law limits the liability in each instance not to exceed \$200,000. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Liabilities include an estimated amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. The current liability for claims and judgments is reported in the general fund and the remainder of the liability is recorded in the general long-term debt account group because it is not expected to be liquidated with expendable available financial resources. There were no reductions in insurance coverages from coverages in the prior year and there was one settlement that exceeded insurance coverage during fiscal year 2003.

Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	<u>2003</u>	<u>2002</u>
Unpaid claims, beginning of fiscal year	\$ 1,113,000	\$ 974,000
Incurred claims (including IBNRs)	1,470,500	662,600
Claim payments	<u>(878,500)</u>	<u>(523,600)</u>
Unpaid claims, end of fiscal year	<u>\$ 1,705,000</u>	<u>\$ 1,113,000</u>

Based upon the City Attorney's evaluation of pending cases, the maximum liability to which the City might be exposed is \$1.8 million. The self insurance funds, which are included in the general fund, have cash available of approximately \$1.4 million at September 30, 2003 and any judgments assessed would be paid from this cash balance.

b. Litigation

The City is the defendant in several lawsuits incidental to its operations. In the opinion of management and counsel, the ultimate outcome of such matters will not have a material adverse effect upon the financial condition of the City.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 7. OTHER INFORMATION (Continued)

c. Post Employment Benefits

The City offers continuation of health and life insurance benefits to employees upon retirement. As of fiscal year end, 38 retirees participate in the City's health insurance program. The cost for health insurance is paid by the retiree at a rate of \$295-\$645 per month for single coverage and \$826-\$1866 per month for family coverage. Six of the 38 retirees received health insurance paid entirely by the City. Expenditures for post retirement dental care and life insurance benefits for retirees were approximately \$16,000 for the fiscal year ended September 30, 2003. The cost of life insurance for approximately 154 retirees is paid for by the City at a rate of \$.29 per \$1,000 of insurance. Retirees receive \$10,000 of life insurance coverage. At the end of the fiscal year, the City paid a set dollar subsidy ranging between \$12 to \$15 of the monthly dental premium for 45 retirees. The City paid the entire dental premium for 4 retirees.

d. Contingent Liabilities

Federal and State programs in which the City participates were audited in accordance with the provisions of the Single Audit Act, the U.S. Office of Management and Budget Circular A-133, and the Florida Statutes. Pursuant to those provisions, financial assistance programs were tested for compliance with applicable grant requirements. Grantor agencies may subject grant programs to additional compliance tests, which could result in disallowed expenditures. In the opinion of management, future disallowances, if any, of grant program expenditures would be immaterial.

NOTE 8. EMPLOYEE RETIREMENT SYSTEMS

The following brief descriptions of the Retirement Plans are provided for general information purposes only. Participants should refer to the Plan documents for more complete information.

1. Summary of Significant Accounting Policies

Basis of Accounting

Public Employee Retirement Systems (PERS) financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments of the pension trust funds are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Net appreciation (depreciation) in fair value of investments includes realized and unrealized gains and losses.

Interest and dividends are reported as investment earnings. As of September 30, 2003, no single investment exceeded 5% of total plan net assets.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Plan Description

The City, as a single employer, maintains the following three public employee retirement systems defined benefit pension plans covering substantially all full-time employees and certain former City firemen: the Retirement Plan for General Employees of the City of North Miami Beach, the Retirement Plan for Police Officers and Firefighters of the City of North Miami Beach and the Retirement Plan and Trust for General Management Employees of the City of North Miami Beach. These Plans are recorded as Pension Trust Funds. In accordance with various provisions of State statutes and the City Charter, the City is obligated to fund the liabilities of the Plans based upon actuarial valuations performed at least every two years.

The latest actuarial valuation for the Retirement Plan for the General Employees is as of October 1, 2002 and the latest actuarial valuation for the Retirement Plan for Police Officers and Firefighters is as of October 1, 2001 are as follows. The Retirement Plan and Trust for General Management Employees has not yet had an actuarial valuation performed.

	<u>General</u>	<u>Police Officers and Firefighters</u>	<u>General Management Employees</u>
Covered payroll (in thousands)	<u>\$ 10,842</u>	<u>\$ 5,781</u>	<u>\$ 1,679</u>
Numbers of members included in Plan:			
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	169	104	-
Current employees:			
Vested	112	38	26
Non-vested	<u>183</u>	<u>63</u>	<u>5</u>
Total	<u>464</u>	<u>205</u>	<u>31</u>

Retirement Plan for General Employees

The benefit provisions and all other requirements of the Retirement Plan for General Employees are established by City Ordinance and are summarized as follows:

Vesting

Benefits are fully vested after 6 years of credited service.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Plan Description (Continued)

Retirement Plan for General Employees (Continued)

Eligibility for Retirement

Attainment of age 62 or age 55 with 20 years of service.

Annual Retirement Benefit

Normal retirement benefits are based upon 3.0% of "final monthly compensation", as defined by the pension plan, times years of credited service.

Other Benefits

The Plan also provides for optional retirement benefits, early retirement, deferred retirement, disability retirement and death benefits.

Employee Contributions

Employees contribute 7% of their basic annual compensation beginning after two years of service. If any employee leaves covered employment before six years of credited service, accumulated employee contributions plus interest are refunded to the employee.

City Contributions

City contributions are based upon actuarially determined amounts, which together with employee contributions and fund earnings, are sufficient to fund the plan.

Retirement Plan for Police Officers and Firefighters

The benefit provisions and all other requirements of the Retirement Plan for Police Officers and Firefighters are established by City ordinance and are summarized as follows:

Vesting

Benefits are fully vested after ten years of credited service.

Eligibility for Retirement

Normal retirement is the earlier of age 52 or 22 years of service for firefighters and the earlier of age 52 or 20 years of credited service for police officers.

Annual Retirement Benefit

Normal retirement benefits are based upon 3% for firefighters and police officers of "final monthly compensation", as defined by the pension plan, times years of credited service.

Other Benefits

The Plan also provides for optional retirement benefits, early retirement, deferred retirement, disability retirement and death benefits.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

3. Plan Description (Continued)

Retirement Plan for Police Officers and Firefighters (Continued)

Employee Contributions

10.5% and 6% of annual compensation for police officers and firefighters, respectively.

City Contributions

City contributions are based upon actuarially determined amounts, which together with employee, state and county contributions and fund earnings are sufficient to fund the Plan.

Retirement Plan and Trust for General Management Employees

The benefit provisions and all other requirements of the Retirement Plan and Trust for General Management Employees are established by City ordinance and are summarized as follows:

Vesting

Benefits are fully vested after six years of credited service.

Eligibility for Retirement

Normal retirement is the attainment of a combined age and years of service totaling 75, but not earlier than age 55, or the attainment of age 62 with six years of service.

Annual Retirement Benefit

Normal retirement benefits are based upon 3% of "final monthly compensation", as defined by the pension plan, times years of credited service.

Other Benefits

The Plan also provides for optional retirement benefits, early retirement, deferred retirement and death benefits.

Employee Contributions

Management personnel contribute 8% of their basic annual compensation.

City Contributions

City contributions are based upon actuarially determined amounts, which together with employee and fund earnings are sufficient to fund the Plan.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

3. Annual Pension Cost and Net Pension Asset

General Employees

As of October 1, 2002, there was no net pension obligation. The annual pension cost and net pension asset for the current year was as follows:

Annual required contribution	\$ 1,547,537
Interest on net pension obligation	(27,820)
Adjustment to annual required contribution	<u>30,455</u>
Annual pension cost	1,550,172
Contributions made	<u>1,512,123</u>
Decrease in net pension asset	(38,049)
Net pension asset, beginning of year	<u>327,299</u>
Net pension asset, end of year	<u>\$ 289,250</u>

The annual required contribution for the current year was determined as part of the October 1, 2002 actuarial valuation using the entry age normal. The actuarial assumptions included (a) 8.5% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.5% per year. Both (a) and (b) included an inflation component of 3.5%. The assumptions include post-retirement benefit increases for cost of living adjustment of 2.25% per year. The actuarial value of assets was determined using smoothed market value.

Three-Year Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2001	576,257	110%	279,497
9/30/2002	654,133	107%	327,299
9/30/2003	1,550,172	98%	289,250

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

3. Annual Pension Cost and Net Pension Asset (Continued)

Police and Firefighters

As of October 1, 2001, there was no net pension obligation. The annual pension cost and net pension asset for the current year was as follows:

Annual required contribution	\$ 1,891,578
Interest on net pension asset	-
Adjustment to annual required contribution	-
Annual pension cost	<u>1,891,578</u>
Contributions made	<u>1,900,000</u>
Increase in net pension asset	8,422
Net pension asset, beginning of year	<u>1,046,134</u>
Net pension asset, end of year	<u>\$ 1,054,556</u>

The annual required contribution for the current year was determined as part of the October 1, 2001 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.5% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 5.5% to 8.7% per year. Both (a) and (b) included an inflation component of 4%. The assumptions include post-retirement benefit increases for the cost of living adjustment of 2.5% per year. The actuarial value of assets was determined using the difference between actual and expected return recognized over five years.

<u>Fiscal Year Ended</u>	<u>Three-Year Trend Information</u>		
	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2000	\$ 1,014,246	108%	\$ 1,173,524
9/30/2001	1,128,814	110%	1,400,466
9/30/2002	1,891,578	100%	1,054,556

Management Employees

On January 7, 2003, the City Council approved the creation of the General Management Employees Pension Plan. The Plan includes all full time employees not eligible for inclusion in the General Employees or Police and Firefighters Plans. The creation of this plan allowed employees previously in the City's defined contribution 401(a) plan to join this Plan. In order to switch from the defined contribution 401(a) plan into this defined benefit plan, the employees were required to relinquish their holdings in the defined contribution plan and transfer into this plan.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

3. Annual Pension Cost and Net Pension Asset (Continued)

Management Employees (Continued)

The Florida Municipal Pension Trust Fund, a division of the Florida League of Cities, administers the Plan. The annual required contribution for the first year was determined by an impact study performed by an actuarial company in 2002. For the first year, the City contributed 17% of covered payroll or \$285,214 and the employees contributed 8% or \$133,924. Additionally in February 2003, all of the employees in this Plan contributed the balances of their individual defined contribution accounts totaling \$3,676,585. As of September 30, 2003, the Plan administrator has not completed an actuarial assessment.

NOTE 9. DEFINED CONTRIBUTION PLAN

The City is a single employer that contributes to the City of North Miami Beach Money Purchase Plan, which is a defined contribution pension plan created in accordance with Internal Revenue Code 401(a). When it was originally established, the Plan was limited to upper management, department heads and their assistants. Effective February 2003, the plan is limited to the six employees who did not elect to transfer to the defined benefit Management plan (see Note 8). Effective January 1, 2003, the City contributes 17% of annual covered payroll and the employees are required to contribute 8%. Prior to January 1, the City contributed 17% and the employees contributed 7%. Employer contributions for fiscal year ended September 30, 2003 were approximately \$72,000 while the employee contributions were approximately \$33,000. Plan provisions and contribution requirements are established and may be amended by the City Manager.

NOTE 10. SUBSEQUENT EVENTS

In December 2003, the City issued \$7,765,000 of Florida Municipal Loan Council, Series 2003B bonds for various transportation projects, including the reconstruction of Hanford Boulevard. The bonds mature in 16 years and are secured by a pledge of the City's portion of the new one-half cent County Transit Sales Surtax.

Also in December 2003, the City refinanced the Draw A-3 portion of the commercial paper loan balance in the amount of \$625,000. The refinancing extended the loan maturity by four years. The note has a variable interest rate and is secured by non-ad valorem revenues.

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APPENDIX J

Financial Information Regarding City of Port Richey

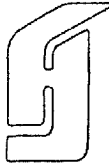
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CITY OF PORT RICHEY, FLORIDA
 Combined of Revenues, Expenditures and Changes in Fund Balances (Deficit)
 General Fund
 For the Fiscal Years Ended September 30

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues:			
Taxes	\$1,862,526	\$1,530,915	\$1,365,711
Licenses and permits	256,921	244,055	171,123
Intergovernmental	390,251	398,543	396,317
Charges for services	289,482	280,969	333,644
Fines and forfeits	97,167	68,638	64,702
Grant revenues	275,979	246,128	251,125
Interest	7,773	25,168	164,153
Miscellaneous	48,693	29,483	42,022
Gain on sale of land	<u>628,415</u>	<u>--</u>	<u>--</u>
Total revenues	3,857,207	2,823,899	2,788,797
Expenditures:			
Current:			
General government	756,383	758,081	830,153
Public safety	1,751,726	1,703,263	1,557,008
Physical environment	81,663	115,938	115,849
Transportation	369,469	593,363	672,248
Human services	10,143	9,779	10,363
Parks and recreation	64,582	-	255
Debt service - principal and interest	-	-	-
Capital outlay - new city hall construction	<u>-</u>	<u>1,215,682</u>	<u>356,342</u>
Total expenditures	<u>3,033,966</u>	<u>4,396,106</u>	<u>3,532,218</u>
Excess (deficiency) of revenues over (under) expenditures	<u>823,241</u>	<u>(1,572,207)</u>	<u>(743,421)</u>
Other financing (uses) sources:			
Operating transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Operating transfers out	<u>(225,930)</u>	<u>(147,747)</u>	<u>(149,885)</u>
Total other financing (uses) sources	<u>(225,930)</u>	<u>(147,747)</u>	<u>(149,885)</u>
Excess (deficiency) of revenues over (under) expenditures and other financing (uses) sources	597,311	(1,719,954)	(893,306)
Fund (deficit) balance at beginning of year	<u>(717,193)</u>	<u>1,002,761</u>	<u>1,896,067</u>
Fund (deficit) balance at end of year	\$ <u>(119,882)</u>	\$ <u>(717,193)</u>	\$ <u>1,002,761</u>

The obligation of the City of Port Richey to pay the Loan Payments is limited as described in the Official Statement. Certain of the above revenues may not be legally available to make, nor are any of the above revenues pledged to, the Loan Repayments. No representation is made as to the amount of revenues that are legally available to make the Loan Repayments.

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HACKER, JOHNSON & SMITH PA

Fort Lauderdale
Orlando
Tampa

Certified Public Accountants

Independent Auditors' Report

The Honorable Mayor and
City Council
City of Port Richey, Florida:

We have audited the accompanying general-purpose financial statements and the combining and individual fund and account group financial statements and schedules of the City of Port Richey, Florida (the "City") as of and for the year ended September 30, 2003, as listed under Item II. Financial Section in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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, 2003, 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 of America. Also, in our opinion, the combining and individual fund and account group financial statements and schedules referred to above present fairly, in all material respects, the financial position of each of the individual funds and account groups of the City as of September 30, 2003, and the results of operations of such funds and the cash flows of the individual proprietary fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America. The statistical data and other information listed under Item I. Introductory Section and Item III. Statistical Section in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of the City. Such information has not been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 19, 2003 on our consideration of the City'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.

Hacker, Johnson & Smith PA

HACKER, JOHNSON & SMITH PA
Tampa, Florida
December 19, 2003

CITY OF PORT RICHEY, FLORIDA

Combined Balance Sheet - All Fund Types and Account Groups

September 30, 2003

	Governmental			Proprietary	Account Groups		Totals	
	Fund Types			Fund Types			(Memorandum Only)	
Assets:	General	Special Revenue	Debt Service	Enterprise	Fixed Assets	Long-Term Debt	2003	2002
Cash and cash equivalents	\$ -	-	-	456,405	-	-	456,405	114,212
Investments	56,507	-	-	38,476	-	-	94,983	42,807
Receivables (net, where applicable, of allowance for uncollectibles):								
Taxes	133,376	-	-	-	-	-	133,376	114,222
Accounts	-	-	-	215,972	-	-	215,972	174,855
Interfund	770,577	-	-	1,320,503	-	-	2,091,080	1,098,389
Other assets	2,769	-	-	-	-	-	2,769	2,770
Restricted assets:								
Cash	436,077	12,952	-	673,680	-	-	1,122,709	1,177,050
Investments	-	-	42,949	379,103	-	-	422,052	672,861
Grants receivable	-	-	-	-	-	-	-	94,603
Fixed assets (net, where applicable, of accumulated depreciation)	-	-	-	10,761,219	7,516,633	-	18,277,852	18,210,496
Unamortized bond issuance costs	-	-	-	30,049	-	-	30,049	36,155
Amount to be provided for retirement of general long-term debt:								
Amount available in debt service fund	-	-	-	-	-	42,949	42,949	44,269
Accrued leave	-	-	-	-	-	401,971	401,971	391,542
Obligation under capital leases	-	-	-	-	-	210,527	210,527	297,736
General obligation notes payable	-	-	-	-	-	1,492,051	1,492,051	1,545,731
Total assets	\$ <u>1,399,306</u>	<u>12,952</u>	<u>42,949</u>	<u>13,875,407</u>	<u>7,516,633</u>	<u>2,147,498</u>	<u>24,994,745</u>	<u>24,017,698</u>

(continued)

CITY OF PORT RICHEY, FLORIDA

Combined Balance Sheet - All Fund Types and Account Groups, Continued

September 30, 2003

	<u>Governmental</u>			<u>Proprietary</u>	<u>Account Groups</u>		<u>Totals</u>	
	<u>Fund Types</u>			<u>Fund Types</u>	<u>Fixed</u>	<u>Long- Term</u>	<u>(Memorandum Only)</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Enterprise</u>			<u>Assets</u>	<u>Debt</u>
Liabilities, (Deficit) Equity, and Other Credits								
Liabilities:								
Accounts payable	\$ 74,680	-	-	143,046	-	-	217,726	532,167
Accrued payroll	80,649	-	-	14,121	-	-	94,770	101,087
Accrued leave	-	-	-	38,816	-	401,971	440,787	449,494
Interfund payable	1,320,503	-	-	770,577	-	-	2,091,080	1,098,389
Equity in pooled cash	-	-	-	78,956	-	-	78,956	188,129
Obligations under capital lease	-	-	-	-	-	210,527	210,527	297,736
Deferred revenue	43,356	-	-	-	-	-	43,356	57,344
Other current liabilities	-	-	-	947	-	-	947	948
Utilities deposits	-	-	-	204,776	-	-	204,776	199,702
Payable from restricted assets:								
Current portion of revenue bonds payable	-	-	-	130,000	-	-	130,000	125,000
Accrued interest payable	-	-	-	47,516	-	-	47,516	50,265
Revenue bonds payable, net of bond discount and deferrals	-	-	-	1,664,907	-	-	1,664,907	1,785,757
General obligation notes payable	-	-	-	-	-	1,535,000	1,535,000	1,590,000
Total liabilities	<u>1,519,188</u>	<u>-</u>	<u>-</u>	<u>3,093,662</u>	<u>-</u>	<u>2,147,498</u>	<u>6,760,348</u>	<u>6,476,018</u>
Deficit) equity and Other Credits:								
Investment in general fixed assets	-	-	-	-	7,516,633	-	7,516,633	7,365,147
Contributed capital	-	-	-	5,930,382	-	-	5,930,382	5,930,382
Retained earnings:								
Reserved	-	-	-	876,188	-	-	876,188	965,308
Unreserved	-	-	-	3,975,175	-	-	3,975,175	3,953,767
Fund balance (deficit):								
Reserved	436,077	12,952	42,949	-	-	-	491,978	803,537
Undesignated	(555,959)	-	-	-	-	-	(555,959)	(1,476,461)
Total (deficit) equity and other credits	<u>(119,882)</u>	<u>12,952</u>	<u>42,949</u>	<u>10,781,745</u>	<u>7,516,633</u>	<u>-</u>	<u>18,234,397</u>	<u>17,541,680</u>
Total liabilities, (deficit) equity and other credits	<u>\$ 1,399,306</u>	<u>12,952</u>	<u>42,949</u>	<u>13,875,407</u>	<u>7,516,633</u>	<u>2,147,498</u>	<u>24,994,745</u>	<u>24,017,698</u>

ee Notes to Financial Statements.

CITY OF PORT RICHEY, FLORIDA

**Combined Statement of Revenues, Expenditures and
Changes in Fund Balance (Deficit)**

All Governmental Fund Types

For the Fiscal Year Ended September 30, 2003

	<u>Government Fund Types</u>			<u>Totals</u>	
	<u>General Fund</u>	<u>Special Revenue</u>	<u>Debt Service Fund</u>	<u>(Memorandum Only)</u>	
				<u>2003</u>	<u>2002</u>
Revenues:					
Taxes	\$ 1,862,526	-	-	1,862,526	1,530,915
Licenses and permits	256,921	-	-	256,921	244,055
Intergovernmental	390,251	-	-	390,251	398,543
Charges for services	289,482	-	-	289,482	280,969
Fines and forfeits	97,167	-	-	97,167	68,638
Grant revenues	275,979	-	-	275,979	246,128
Interest	7,773	-	-	7,773	25,168
Miscellaneous	48,693	-	-	48,693	29,483
Gain on sale of land	<u>628,415</u>	<u>-</u>	<u>-</u>	<u>628,415</u>	<u>-</u>
Total revenues	<u>3,857,207</u>	<u>-</u>	<u>-</u>	<u>3,857,207</u>	<u>2,823,899</u>
Expenditures:					
Current:					
General government	756,383	70,351	-	826,734	758,081
Public safety	1,751,726	-	-	1,751,726	1,703,263
Physical environment	81,663	-	-	81,663	115,938
Transportation	369,469	-	-	369,469	593,363
Human services	10,143	-	-	10,143	9,779
Parks and recreation	64,582	-	-	64,582	-
Debt service - principal and interest	-	-	143,947	143,947	149,040
Capital outlay - new city hall construction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,215,682</u>
Total expenditures	<u>3,033,966</u>	<u>70,351</u>	<u>143,947</u>	<u>3,248,264</u>	<u>4,545,146</u>
Excess (deficiency) of revenues over (under) expenditures	<u>823,241</u>	<u>(70,351)</u>	<u>(143,947)</u>	<u>608,943</u>	<u>(1,721,247)</u>
Other financing (uses) sources:					
Operating transfers in	-	83,303	142,627	225,930	147,747
Operating transfers out	<u>(225,930)</u>	<u>-</u>	<u>-</u>	<u>(225,930)</u>	<u>(147,747)</u>
Total other financing (uses) sources	<u>(225,930)</u>	<u>83,303</u>	<u>142,627</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other financing (uses) sources	597,311	12,952	(1,320)	608,943	(1,721,247)
Fund (deficit) balance at beginning of year	<u>(717,193)</u>	<u>-</u>	<u>44,269</u>	<u>(672,924)</u>	<u>1,048,323</u>
Fund (deficit) balance at end of year	\$ <u>(119,882)</u>	<u>12,952</u>	<u>42,949</u>	<u>(63,981)</u>	<u>(672,924)</u>

See Notes to Financial Statements.

CITY OF PORT RICHEY, FLORIDA

**Combined Statement of Revenues, Expenditures and
Changes in Fund Deficit - Budget and Actual**

General Fund

For the Fiscal Year Ended September 30, 2003

	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues:			
Taxes	\$ 1,650,661	211,865	1,862,526
Licenses and permits	334,400	(77,479)	256,921
Intergovernmental	376,942	13,309	390,251
Charges for services	312,000	(22,518)	289,482
Fines and forfeits	84,150	13,017	97,167
Grant revenues	1,040,613	(764,634)	275,979
Interest	20,000	(12,227)	7,773
Miscellaneous	309,235	(260,542)	48,693
Gain on sale of land	142,030	486,385	628,415
Appropriated fund balance	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>
Total revenues	<u>4,285,031</u>	<u>(427,824)</u>	<u>3,857,207</u>
Expenditures:			
Current:			
General government	849,864	93,481	756,383
Public safety	1,760,926	9,200	1,751,726
Physical environment	98,313	16,650	81,663
Transportation	1,297,654	928,185	369,469
Human services	12,320	2,177	10,143
Parks and recreation	<u>72,361</u>	<u>7,779</u>	<u>64,582</u>
Total expenditures	<u>4,091,438</u>	<u>1,057,472</u>	<u>3,033,966</u>
Excess of revenues over expenditures	193,593	629,648	823,241
Other financing uses-			
Operating transfers out	<u>(193,593)</u>	<u>(32,337)</u>	<u>(225,930)</u>
Excess of revenues over expenditures and other financing uses	-	597,311	597,311
Fund deficit at beginning of year	<u>(717,193)</u>	<u>-</u>	<u>(717,193)</u>
Fund deficit at end of year	<u>\$ (717,193)</u>	<u>-</u>	<u>(119,882)</u>

See Notes to Financial Statements.

CITY OF PORT RICHEY, FLORIDA
Combined Statement of Revenues, Expenses and
Changes in Retained Earnings
All Proprietary Fund Types
For the Fiscal Year Ended September 30, 2003

	<u>Enterprise Fund</u>	
	<u>2003</u>	<u>2002</u>
		(Memorandum Only)
Operating revenues-		
Service charges	\$ <u>2,359,631</u>	<u>2,098,444</u>
Operating expenses:		
Personal services	404,212	450,587
Materials and supplies	593,116	559,236
Contractual services	616,414	650,446
Purchase of water	379,686	270,685
Utilities	61,383	56,846
Depreciation	<u>275,389</u>	<u>271,564</u>
Total operating expenses	<u>2,330,200</u>	<u>2,259,364</u>
Operating income (loss)	<u>29,431</u>	<u>(160,920)</u>
Nonoperating (expenses) revenues:		
Interest revenue	18,675	34,692
Interest and fiscal expenses	(100,562)	(101,062)
Amortization of bond costs, discounts and deferrals	<u>(15,256)</u>	<u>(16,417)</u>
Total nonoperating expenses	<u>(97,143)</u>	<u>(82,787)</u>
Net loss	(67,712)	(243,707)
Retained earnings at beginning of year	<u>4,919,075</u>	<u>5,162,782</u>
Retained earnings at end of year	\$ <u>4,851,363</u>	<u>4,919,075</u>

See Notes to Financial Statements.

CITY OF PORT RICHEY, FLORIDA

Combined Statement of Cash Flows

All Proprietary Fund Types

For the Fiscal Year Ended September 30, 2003

	<u>Enterprise Fund</u>	
	<u>2003</u>	<u>2002</u>
	<u>(Memorandum Only)</u>	
Cash flows from operating activities:		
Cash and deposits received from customers for services	\$ 2,323,588	2,060,349
Cash payments to suppliers for goods and services	(1,790,869)	(1,330,032)
Cash payments to employees for services	<u>(423,846)</u>	<u>(442,178)</u>
Net cash provided by operating activities	<u>108,873</u>	<u>288,139</u>
Cash flows from noncapital financing activity -		
Short-term borrowings due to (from) General Fund, net	<u>548,463</u>	<u>(302,430)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(191,259)	(112,360)
Decrease in restricted assets	88,194	258,087
Transfers to fiscal agent for payment of principal and interest on revenue bonds	(177,516)	(175,266)
Interest paid on revenue bonds, net of amount transferred to fiscal agent	<u>(53,046)</u>	<u>(50,266)</u>
Net cash used for capital and related financing activities	<u>(333,627)</u>	<u>(79,805)</u>
Cash flows from investing activities:		
Purchase of investments	(18,675)	(34,692)
Interest on investments	18,675	34,692
Sale of investments	<u>18,484</u>	<u>95,835</u>
Net cash provided by investing activities	<u>18,484</u>	<u>95,835</u>
Net increase in cash and cash equivalents	342,193	1,739
Cash and cash equivalents at beginning of year	<u>114,212</u>	<u>112,473</u>
Cash and cash equivalents at end of year	\$ <u>456,405</u>	<u>114,212</u>

(continued)

CITY OF PORT RICHEY, FLORIDA
Combined Statement of Cash Flows, Continued
All Proprietary Fund Types
For the Fiscal Year Ended September 30, 2003

	Enterprise Fund	
	2003	2002
	(Memorandum Only)	
Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	\$ <u>29,431</u>	<u>(160,920)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	275,389	271,564
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(41,117)	9,799
(Decrease) increase in accounts payable	(31,098)	58,458
(Decrease) increase in accrued payroll	(498)	4,490
(Decrease) increase in other current liabilities	(109,172)	129,126
(Decrease) increase in accrued leave	(19,136)	3,919
Increase (decrease) in utility deposits	<u>5,074</u>	<u>(28,297)</u>
Total adjustments	<u>79,442</u>	<u>449,059</u>
Net cash provided by operating activities	\$ <u>108,873</u>	<u>288,139</u>

See Notes to Financial Statements.

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements

September 30, 2003

(1) Summary of Significant Accounting Policies

The City of Port Richey ("City") maintains its accounting records in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

Reporting Entity. The City is a political subdivision of the State of Florida, located in Pasco County in the southwest portion of the State. The City was incorporated in 1925 under the provisions of the Laws of Florida, Chapter 110334 and had operated under that charter until April, 1994 when a new charter was adopted. The City is approximately four square miles in area. The City is a full service municipality providing its citizens with a full complement of municipal services. In addition, the City owns and operates a utility which includes both a water production and distribution system and a sewage collection system.

In evaluating how to define the City of Port Richey, Florida, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the GASB Statement Number 14. That governmental accounting standard requires that the City's financial statements include the City of Port Richey (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board) and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government.

The City includes advisory boards and commissions within the City in its financial statements in circumstances where the City selects the governing authority, designates management, has the ability to influence operations, and has accountability for fiscal matters of the advisory boards and commissions.

Blended Component Unit

Community Redevelopment Agency (CRA). On January 8, 2002, The Community Redevelopment Agency was created pursuant to Chapter 163.356, Florida Statutes, City Resolutions 02-01, 02-02 and 02-03. The City Commission serves as the CRA Board. Although legally separate, the CRA will be blended as a special revenue fund type component unit into the primary government. Separate financial statements of the CRA are not presently developed.

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Fund Accounting. The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable and available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The following fund types and account groups are used by the City.

Governmental Fund Types:

General. The general fund is used to account for all activities of the general government not accounted for in some other fund.

Debt Service Fund. The debt service fund accounts for the accumulation of resources for and payment of principal, interest and related costs of the City's general long-term debt which is not supported by enterprise fund revenues.

Special Revenue Fund. The special revenue fund is used to account for the activities of the CRA.

Proprietary Funds. Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to outside parties.

Account Groups. Account groups are used to establish control and accountability over the City's general fixed assets, and the outstanding principal of its general long-term debt obligations, which is not associated with or the obligation of, the proprietary fund. Accordingly, the City maintains a general fixed asset group and a general long-term debt account group.

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

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

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Basis of Accounting, Continued. The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" refers to whether the amount of the transaction can be reasonably determined and "available" refers to whether the amount is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are cigarette taxes, franchise taxes, utility taxes, interest revenue and proceeds from state revenue-sharing. Sales taxes collected and held by the state at year end on behalf of the City also are recognized as revenue. Permit and license fees are not susceptible to accrual because generally they are not measurable until received in cash.

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

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

The City has elected to apply all Financial Accounting Standard Board Statements and interpretations issued after November 30, 1989 for its proprietary activities.

Budgets. Annual appropriated budgets are legally adopted on a basis consistent with GAAP for the General Fund. The Enterprise Fund budget is adopted on a basis consistent with GAAP except no provision is made for depreciation and amortization. These funds are controlled on a fund and departmental level. In accordance with the requirements of Section 6.04(b) of the City's Charter, budgetary data for the City's enterprise fund has been reported in the individual fund section of this report. The department heads are authorized to transfer budget amounts within departments; however, any revision that alters the total expenditures of any department or fund must be approved by the City Manager. The budgets are compared to actual expenditures whereby encumbrances are treated as a reservation of fund balance. In instances where budget appropriations and estimated revenues have been revised during the year, budget data presented in the financial statements represent final authorized amounts. Unencumbered appropriations expire at year-end.

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Encumbrances. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities, because the commitments will be honored during the subsequent year. Unencumbered amounts are reappropriated in the succeeding year's budget.

Cash and Investments. Cash includes amounts on hand and in savings accounts (general and water and sewer funds).

For purposes of the statement of cash flows in the enterprise fund, the City considers all highly liquid debt instruments purchased with a maturity of three months or less, except restricted assets, to be cash equivalents.

The City's investment policy is to maintain funds in investments which yield the highest possible efficiency and return within the limitations established by Florida Statutes, Chapter 166.261. Provisions of those statutes authorize the City to invest in:

- a) Florida State Board of Administration Local Government Pooled Investment Fund.
- b) Bonds, notes or other obligations of the United States or for which the credit of the United States is pledged for the payment thereof.
- c) Interest-bearing time deposits, savings accounts or collective investment funds in banks or savings and loan associations organized under the laws of the United States.
- d) Obligations of the Federal Farm Credit banks and the Federal Home Loan Mortgage Corporation.
- e) Obligations of the Federal National Mortgage Association and the Government National Mortgage Association.

In March 1998, the GASB issued Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. This Statement requires the City to report investments at their fair market value rather than amortized cost. The unrealized gain or loss on investments is reported in the current period as an increase/decrease to the investment balance and revenue/expense. This Statement considers the unrealized gain or loss to be available for spending by the City in the current period.

Short-Term Interfund Receivables/Payables. During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables." Overdrafts in pooled cash by an individual fund is considered a short-term interfund loan between the funds involved in the pooled cash.

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Advances to Other Funds. Noncurrent portions of long-term interfund loans receivable are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation. There were no advances to other funds outstanding at September 30, 2003 or 2002.

Inventories. At September 30, 2003 and 2002, no inventory was on hand. Materials and supplies are purchased as needed for repairs.

Restricted Assets. The City has three categories of restricted assets: cash, investments and grant receivables.

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The water and sewer revenue bond sinking fund account is used to segregate resources accumulated for debt service payments over the next twelve months. The water and sewer revenue bond reserve account is used to report resources set aside to make up potential future deficiencies in the water and sewer revenue bond sinking fund account. The water and sewer revenue bond renewal and replacement account is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

The impact fees investment represents funds received prior to the commencement of certain developmental construction. The sewer construction investments represent funds received as a result of litigation over the quality of the City's sewer line construction. Grant receivables are restricted to certain uses by the City.

Fixed Assets. General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain (infrastructure) general fixed assets consisting of bridges, parking areas, and playgrounds are capitalized and are presented as improvements other than buildings. Expenditures for streets, roads and street lighting are not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, improvements other than buildings and equipment and amortization of assets held under capital leases in the proprietary fund type are computed using the straight-line method.

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Fixed Assets, Continued. Interest is capitalized on proprietary fund assets acquired with debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period.

Accrued Leave. Regular, full-time, permanent employees earn vacation and sick leave starting thirty days after their date of employment.

Vacation leave is earned based on years of continuous and creditable service as follows:

<u>Years of Service</u>	<u>Total Days Per Year</u>
1 to 5	10
6	11
7	12
8	13
9	14
10 or more	15

The maximum amount of vacation leave that may be carried over from one year to the next is the amount earned in one and a half years. An employee who has served one year or more and who terminates employment with the City is paid for any unused vacation leave accumulated to the time of termination.

Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts. Vested or accumulated vacation and sick leave of the proprietary fund is recorded as an expense and liability of that fund as the benefits accrue to employees.

Sick leave is earned based on years of continuous and creditable services as follows:

<u>Years of Service</u>	<u>Maximum Days Credited</u>
0 to 5	30
6 to 10	60
11 or more	90

Employees may accrue sick leave benefits to a maximum amount of ninety days.

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Long-Term Obligations. Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Fund Equity. Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, other governmental entities or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Bond Discounts/Issuance Costs. Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable whereas issuance costs are recorded as deferred charges.

Interfund Transactions. Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Memorandum Only - Total Columns. Total columns on the general-purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. Also, comparative total data captioned "memorandum only" for the prior year have been presented in the combined, combining and individual fund financial statements in order to provide a comparison of the government's financial position, cash flows and operations from fiscal 2002 to 2003.

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(2) Legal Compliance

Budgets. On or before May 31 of each year, the department head of each of the City's departments submits requests for appropriation to the City Manager, who then submits the requests to the City Council so that a budget may be prepared. The budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the City Council for review before August 1. The City Council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated as available by the City Manager and department head or the revenue estimates must be changed by an affirmative vote of a majority of the City Council.

Establishment of Funds. During the year ended September 30, 2003, the City established no additional funds.

(3) Equity in Pooled Cash, Deposits and Investments

Deposits. At year-end, the carrying amount of the City's deposits was \$456,405. These deposits are covered by federal depository insurance and, for the amount in excess of such federal depository insurance, by the State of Florida's Security for Public Deposits Act. Provisions of the Act require that public deposits may only be made at qualified public depositories. The Act requires each qualified public depository to deposit with the State Treasurer eligible collateral equal to or in excess of the required collateral as determined by the provisions of the Act. In the event of a failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default.

Equity in Pooled Cash. The City maintains a cash pool that is available for use by the general and enterprise funds. Each fund's portion of this pool is displayed as "Equity in Pooled Cash." Monthly interest earned by this pool is distributed to each fund on a prorata basis. In addition, investments are separately held by each of the City's funds.

Investments. Certain types of investments which may be held by the City are subject to categorization by credit risk. For these investments, the credit risk is categorized as either (1) insured or registered for which the securities are held by the City or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the City's name or (3) uninsured and unregistered for which the securities are held by the broker or dealer, or by their bank's trust department or agent but not in the City's name. Due to the nature of the investments held by the City at September 30, 2003, the investments are not subject to categorization.

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(3) Equity in Pooled Cash, Deposits and Investments, Continued

Investments, Continued. During the fiscal year ended September 30, 2003, the City's only investment was the Florida State Board of Administration Local Government Surplus Funds Trust Fund Investment Pool which is an investment pool administered by the Florida State Board of Administration.

	<u>Carrying Amount</u>	<u>Fair Value</u>
Investments not subject to categorization:		
Investments held by City-		
Florida State Board of Administration-		
Local Government Surplus Funds Trust Fund Investment Pool	\$ <u>94,983</u>	<u>94,983</u>

Investments in the Florida Local Government Surplus Funds Trust Fund Investment Pool are carried at market value which is the same as the value of the pool.

(4) Receivables

Receivables at September 30, 2003, consist of the following:

	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Receivables:			
Taxes	\$ 133,376	-	133,376
Accounts	-	221,050	221,050
Interfund	<u>770,577</u>	<u>1,320,503</u>	<u>2,091,080</u>
Gross receivables	903,953	1,541,553	2,445,506
Less: Allowance for uncollectibles	<u>-</u>	<u>(5,078)</u>	<u>(5,078)</u>
Net total receivables	\$ <u>903,953</u>	<u>1,536,475</u>	<u>2,440,428</u>

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(4) Receivables, Continued

As the operator of a utility (water and sewer enterprise fund), the City grants credit to its utility customers who are City and County residents. The above allowance for uncollectible accounts relates to the enterprise fund accounts receivable as of September 30, 2003.

(5) Restricted Assets

The City's restricted assets are categorized as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Restricted cash:		
On deposit at Mercantile Bank	\$ 774,906	774,906
Held by the City's agent in the City's name	172,845	172,845
Invested in the Florida State Board of Administration:		
Local Government Surplus Funds Trust Fund		
Investment Pool	<u>174,958</u>	<u>174,958</u>
Total restricted cash	<u>1,122,709</u>	<u>1,122,709</u>
Restricted investments:		
At William R. Hough & Co. Investment Firm:		
U.S. Treasury note	379,103	379,103
Wachovia Bank money market funds	<u>42,949</u>	<u>42,949</u>
Total restricted investments	<u>422,052</u>	<u>422,052</u>
Total restricted assets	\$ <u>1,544,761</u>	<u>1,544,761</u>

The City is restricted to using the cash and investments for construction or improvements of roads, streets, highways and bridges, facilities, future sewer line construction or repairs and payment of the current portion of the water revenue bonds.

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(6) 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.

The tax levy of the City is established by the City Council prior to October 1 of each year and the Pasco County Property Appraiser incorporates the City's millage into the total tax levy, which includes the Pasco County School Board tax requirements. The 2003 millage rate assessed by the City was \$5.82.

All property is reassessed according to its fair market value January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State statutes.

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount.

Delinquent taxes on real property bear interest at 18% per year. On or prior to June 1 following the tax year, certificates are sold by the Pasco County Tax Collector's Office 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.

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.

Because tax certificates are sold to private investors and the proceeds are remitted on a timely basis to the City, any delinquent or uncollected property taxes at year end are immaterial. The City's tax calendar is as follows:

Valuation date:	January 1
Levy date:	November 1
Due date:	March 31, succeeding year
Lien date:	April 1, succeeding year

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(7) Fixed Assets

During the fiscal year ended September 30, 2003, the following changes in general fixed assets occurred:

	<u>Balance</u> <u>October 1,</u> <u>2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>September 30,</u> <u>2003</u>
Land	\$ 1,953,042	-	26,000	1,927,042
Buildings	2,136,607	130,859	-	2,267,466
Improvements other than buildings	1,479,964	183,097	-	1,663,061
Equipment and vehicles	1,612,437	100,702	54,075	1,659,064
Construction progress	<u>183,097</u>	<u>-</u>	<u>183,097</u>	<u>-</u>
Total general fixed assets	\$ <u>7,365,147</u>	<u>414,658</u>	<u>263,172</u>	<u>7,516,633</u>

Effective June 2002 the City entered into a ten year lease for a reserve generator which requires annual payments of approximately \$60,000.

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(7) Fixed Assets, Continued

The proprietary fund fixed assets at September 30, 2003 are summarized as follows:

Land	\$ 27,000
Buildings	341,691
Improvements other than buildings	13,367,993
Equipment and vehicles	<u>526,834</u>
Total, at cost	14,263,518
Less: Accumulated depreciation and amortization	<u>3,502,299</u>
Net fixed assets	\$ <u>10,761,219</u>

In proprietary funds, the following estimated useful lives are used to compute depreciation:

Buildings	45 years
Improvements other than buildings	35 to 60 years
Equipment and vehicles	10 to 20 years

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(8) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employee; and natural disasters. The City is self-insured for general liability claims, property and workers' compensation through Public Risk Management of Florida, an intergovernmental insurance pool. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The City also carries commercial insurance for accidental death coverage for its police officers, firemen and volunteer firemen. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Long-Term Debt

Long-term debt, in the form of revenue bonds issued in the course of financing acquisitions, extensions and improvements to both the water and sewer utility systems, is recognized as a liability in the enterprise fund financial statements. The capital improvement revenue bonds are accounted for in the general long-term debt account group.

During the fiscal year ended September 30, 2003, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance</u> <u>October 1,</u> <u>2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>September 30,</u> <u>2003</u>
Accrued leave	\$ 391,542	10,429	-	401,971
Obligation under capital leases	297,736	-	87,209	210,527
Bonds	<u>1,590,000</u>	<u>-</u>	<u>55,000</u>	<u>1,535,000</u>
	<u>\$ 2,279,278</u>	<u>10,429</u>	<u>142,209</u>	<u>2,147,498</u>

Obligation Under Capital Leases - General Fund. The City leases equipment from certain independent corporations. The leases are classified as capital leases which are capitalized to fixed assets, and the payments are charged to expenditures when paid. At the expiration of the capital lease term, the City has the option of purchasing the leased equipment at significantly reduced prices.

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(9) Long-Term Debt, Continued

Future minimum annual maturities of the above general long-term debt capital leases are summarized as follows:

<u>Year Ended September 30,</u>	<u>Capital Leases</u>
2004	\$ 103,479
2005	82,961
2006	<u>39,073</u>
Total minimum lease payments	225,513
Less: amount representing interest	<u>14,986</u>
Present value of net minimum lease payments at September 30, 2003	\$ <u>210,527</u>

Note-Payable. During fiscal 2000 the City issued notes payable totaling \$1,690,000 for the construction of a new city hall. Interest is payable semiannually at rates ranging from 4.3% to 6%. The City has covenanted to appropriate in its annual budget from non-ad valorem revenues legally available to the City, amounts sufficient to pay annual principal and interest installments required for this issue. \$1,085,000 of the issue are serial notes payable, principal payable in varying amounts and interest payable semiannually through April 1, 2015. \$605,000 of the issue are term notes payable with interest payable semiannually through April 1, 2015, principal and interest payable semiannually through April 1, 2020, non ad valorem revenues must cover projected maximum annual debt service on debt secured by and/or payable solely from such non-ad valorem revenues by at least 1.5x; and (ii) projected maximum annual debt service requirements for all debt secured by and/or payable solely from such non-ad valorem revenues will not exceed 20% of Governmental Fund Revenues.

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(9) Long-Term Debt, Continued

Debt service requirements as of September 30, 2003 are as follows:

<u>Bond Year Ending October 1,</u>	<u>Principal</u>	<u>Sinking Fund Requirements</u>
2004	\$ 60,000	142,963
2005	60,000	140,113
2006	65,000	142,232
2007	70,000	144,080
2008	70,000	140,668
2009	75,000	142,238
2010	80,000	143,488
2011	80,000	139,488
2012	85,000	140,487
2013	90,000	141,131
2014	95,000	140,731
2015	100,000	140,031
2016	110,000	144,031
2017	115,000	142,843
2018	120,000	141,375
2019	125,000	139,625
2020	<u>135,000</u>	<u>142,593</u>
	<u>\$ 1,535,000</u>	<u>2,408,117</u>

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(9) Long-Term Debt, Continued

Proprietary Revenue Bonds. On March 8, 1994, the City issued \$2,775,000 of Water and Sewer Revenue Bonds Series 1994, to refund the Water and Sewer Revenue Bonds, Series 1987-A and Series 1987-B and to pay certain costs and expenses relating to the issuance of the Series 1994 bonds. Bond resolution 94-04 as amended authorized the issue. The payment of principal and interest on the Series 1994 bonds is secured by a pledge of all revenues and the public service tax. The following summarizes the refunding:

Net carrying amount:	
Principal amount of Series 1987-A bonds outstanding	\$ 1,445,039
Principal amount of Series 1987-B bonds outstanding	1,205,000
Less: Unamortized bond discount on Series 1987-A bonds	(25,416)
Unamortized bond issuance costs	<u>(30,678)</u>
	2,593,945
Reacquisition Price:	
Series 1987-B bond proceeds	(1,143,511)
City funds	(145,742)
Less:	
Interest	2,129
Series 1987-A bond proceeds	<u>(1,445,039)</u>
Deferred amount on refunding	\$ <u>(138,218)</u>

The refunding of the Series 1987 bonds reduced the total debt service down from \$4,963,315 to \$4,415,705 as of March 8, 1994. This produced an economic gain from this transaction of \$547,610.

As the earliest redemption date was September 1, 1995, for the retirement of the Series 1987-A bonds, the funds from the Series 1994 issue were placed irrevocably in a trust account. The trustee redeemed the refunded bonds on their annual due dates through September 1, 1995 and the remaining bonds due after September 1, 1995 were redeemed on September 1, 1995 at a redemption price of 102%. The Series 1987-B bonds were completely retired on March 8, 1994.

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(9) Long-Term Debt, Continued

For the Series 1994 bonds, interest is payable on April 1 and October 1 of each year and principal is payable on October 1 of each year. The interest rates on the outstanding bonds range from 3% to 5.5%. The maturity amounts and sinking fund requirements of the Series 1994 bonds as of September 30, 2003 are as follows:

<u>Bond Year Ending October 1,</u>	<u>Principal Amount</u>	<u>Sinking Fund Requirements</u>
2004	\$ 135,000	224,081
2005	140,000	222,938
2006	150,000	226,287
2007	155,000	223,975
2008	165,000	225,838
2009	175,000	227,175
2010	185,000	227,987
2011	190,000	223,275
2012	200,000	222,825
2013	<u>215,000</u>	<u>226,825</u>
Total	<u>\$ 1,710,000</u>	<u>2,251,206</u>

Total expenses of issuance of the Series 1994 bonds in the amount of \$109,963, is being amortized using the bonds outstanding method, which approximates the effective interest method, over the remaining life of the outstanding bonds. The remaining balance at September 30, 2003 is \$30,049. The same method was used to amortize the bond discount of \$26,581 and the remaining balance at September 30, 2003 is \$7,323. The deferred amount on refunding of \$138,218 is being amortized over the life of the new issue using the bonds outstanding method, which approximates the effective interest method and the remaining balance at September 30, 2003 is \$37,770.

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(9) Long-Term Debt, Continued

Under the bond resolution as amended, the City will fix, establish, revise from time to time whenever necessary, maintain and collect such fees, rates, rentals and other charges for the use of the products, services and facilities of the Water and Sewer Systems, and will always provide in each fiscal year, (a) operating revenues which will be sufficient in each bond year to pay or make, in accordance with the provisions hereof, 100% of all costs of operation and maintenance as the same shall become due, all deposits to the Reserve Fund and the Renewal and Replacement Fund required for such bond year, and any other payments required by the Resolution to be made in such bond year including the principal and interest requirement for such bond year; and (b) revenues which will be sufficient in each bond year to pay or make 100% of all costs of operation and maintenance as the same shall become due, all deposits to the Reserve Fund and the Renewal and Replacement Fund required for such bond year, and any other payments required by the Resolution to be made in such bond year except the principal and interest requirements for such bond year and that will be sufficient to pay 125% of such principal and interest requirement, and (c) revenues which, together with the Public Service Tax, will be sufficient in each bond year to pay or make 100% of all costs of operation and maintenance as the same shall become due, all deposits to the Reserve Fund and the Renewal and Replacement Fund required for such bond year, any other payments required by the Resolution to be made in such bond year except principal and interest requirement for such bond year, and 150% of the principal and interest requirement for such bond year.

If variable rate bonds are outstanding at the time fees, rates, rentals and other charges for the product, services, and services of the Water and Sewer System are being established by the City Council, and is anticipated that such variable rate bonds will be outstanding during all or any portion of the following bond year, then for purposes of determining the principal and interest requirement for such bond year the interest rate on such variable rate bonds shall be assumed to be the average interest rate that was in effect during the twelve month period immediately preceding the date on which such fees, rates, rentals, and other charges are being established (or the period during which such variable rate bonds are outstanding, if they have not been outstanding for at least twelve months as of such date).

The rates, fees, rentals or other charges will not be reduced to be insufficient to provide revenues fully adequate for the purposes provided by the bond resolution.

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(10) Accrued Leave

Accrued leave consists of the following at September 30, 2003:

	<u>Accrued Vacation and Sick Leave</u>
Fund Types:	
Enterprise fund	\$ 38,816
General fund	<u>401,971</u>
Total	\$ <u>440,787</u>

The General Fund's portion of accrued leave has been recorded in the General Long-Term Debt Group because this liability will be liquidated with future financial resources.

(11) Segment Information - Enterprise Funds

The City maintains an Enterprise Fund which provides water and sewer services. Segment information for the fiscal year ended September 30, 2003 was as follows:

Operating revenues	\$ <u>2,359,631</u>
Depreciation expense	\$ <u>275,389</u>
Operating income	\$ <u>29,431</u>
Net loss	\$ <u>(67,712)</u>
Fixed assets:	
Additions	\$ <u>191,259</u>
Net working capital deficiency	\$ <u>(296,794)</u>
Total assets	\$ <u>13,875,407</u>
Total fund equity	\$ <u>10,781,745</u>

(12) Intra-Governmental Charges

The costs of certain general and administrative functions of the City are recorded and controlled in the General Fund. These administrative costs have been allocated to the City's Enterprise Fund for the year ended September 30, 2003, as shown in the following table:

<u>Fund</u>	<u>Administrative Costs Allocated</u>
Water and sewer	\$ <u>250,000</u>

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(13) Contributed Capital

Contributed capital as of September 30, 2003 in the Enterprise Fund is summarized as follows:

	<u>Government</u>	<u>Customers</u>	<u>Developers</u>	<u>Inter-Governmental</u>	<u>Total</u>
Contributed capital, September 30, 2003	\$ <u>659,637</u>	<u>1,572,990</u>	<u>2,423,936</u>	<u>1,273,819</u>	<u>5,930,382</u>

(14) Reserved Retained Earnings

The following is a description of each reserve:

Water and Sewer Revenue Bonds Debt Service. Established in conjunction with the issuance of the Water and Sewer Revenue Bonds and funded by transfers from the revenue account of the Enterprise Fund. The use of the money is restricted to the payment of the current debt service requirement and the balance at September 30, 2003 was \$279,103.

Water and Sewer Revenue Bonds Renewal and Replacement. Established in conjunction with the issuance of the Water and Sewer Revenue Bonds and funded by transfers from the revenue account of the Enterprise Fund. The use of this money is restricted to funding the cost of extensions, enlargements or additions to, or replacement or emergency repairs of capital assets and the balance at September 30, 2003 was \$100,000.

Impact Fees. Established in conjunction with the passage of an ordinance imposing water and sewer impact fees based on the equitable portion per new connection of the cost of financing the extension or expansion of the City's water or sewer system. These impact fees may only be used for the extension, improvement, addition to and expansion of the City's water or sewer system and the balance at September 30, 2003 was \$469,435.

Sewer Construction. Established in accordance with the Water and Sewer Revenue Bond Covenants and the FmHA grant which require that the funds received as a result of the sewer construction litigation be used for system renewal and replacement or debt reduction and the balance at September 30, 2003 was \$27,650.

(15) Reserved Fund Balances

Governmental Funds. Reserved fund balances indicate those portions of fund balances that are legally segregated for a specific use or not available for appropriation of expenditure. The nature of these reserves are as follows at September 30, 2003:

Governmental Funds - Reserved for:	
Transportation impact fees	\$ 436,077
Debt service	42,949
Community redevelopment	<u>12,952</u>
Total Reserved	\$ <u>491,978</u>

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(16) Budgetary Compliance Schedule

The following schedule provides a comparison of budget to actual expenditures - budgetary basis for the fiscal year ended September 30, 2003 by department. This schedule includes budgetary comparisons for both Enterprise and General Fund operations.

<u>Department</u>	<u>Budget</u>	<u>Expenditures</u>	<u>Variance Favorable (Unfavorable)</u>
Legislative	\$ 50,939	50,891	48
Administrative	194,004	188,652	5,352
Finance	572,499	470,917	101,582
Nondepartmental	32,422	45,923	(13,501)
Police	1,115,591	1,125,544	(9,953)
Fire	412,681	401,637	11,044
Protective Inspection	232,654	224,545	8,109
Public Works	98,313	81,663	16,650
Transportation	1,297,654	369,469	928,185
Human Services	12,320	10,143	2,177
Parks and recreation	72,361	64,582	7,779
Water and Sewer	<u>2,646,464</u>	<u>2,054,811</u>	<u>591,653</u>
	<u>\$ 6,737,902</u>	<u>5,088,777</u>	<u>1,649,125</u>

(17) Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State of Florida. 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 has not entered any operating leases with scheduled rent increases as of September 30, 2003.

The City is involved as complainant and defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(18) Employee Retirement Systems

All City employees participate in the Florida Retirement System (System), a cost-sharing, multiple-employer public employee defined benefit plan established under Florida Statutes, Chapter 121, which may be amended by the Florida Legislature. Rules governing the operations and administration of the System may be found in Chapter 60S of the Florida Administrative Code. The Florida Retirement System Annual Report is a document printed for members of the Legislature and the public reflecting the financial operation and condition of the state-administered retirement systems. The publication includes financial statements, actuarial comments, investment information and statistical data of the system. A copy can be obtained by writing to Division of Retirement, Research, Education & Policy Section, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560 or by calling (850) 488-5706. The payroll for employees covered by the System for the year ended September 30, 2003, was \$1,905,185; the City's total payroll was \$1,925,797.

All full-time and permanent part-time City employees are eligible to participate in the System. Benefits are determined by category and length of service as follows:

<u>Membership Category</u>	<u>Retirement Benefit</u>	<u>Vesting</u>	<u>September 30, 2002 Employer Contribution Rate</u>	<u>September 30, 2003 Employer Contribution Rate</u>
Regular	1.6% times years of service times average compensation (5 highest years) if age 62 or 30 years of service at any age.	After 6 years of creditable service.	5.76%	7.39%
Special risk (fire and police)	2.0% times years of service times average compensation (5 highest years) if age 55 or 25 years of special risk service.	After 6 years of special risk service.	16.01%	18.53%

Presently, the System does not require contributions from covered members. The City is required to contribute an actuarially determined rate. Any change to the contribution rate or benefits must be enacted by the Florida Legislature. A rate change was enacted as of July 1, 2003.

(continued)

CITY OF PORT RICHEY, FLORIDA

Notes to Financial Statements, Continued

(18) Employee Retirement Systems, Continued

The contribution requirements for the fiscal years ending September 30, 2003, 2002 and 2001 were \$195,965, \$207,150 and \$222,621, respectively, equal to the required contributions for each year. These contributions represented 10.2% of covered payroll in 2003, 11.1% of covered payroll in 2002 and 12.5% covered payroll in 2001.

The City does provide postretirement health insurance to employees upon completion of twenty-five years of continuous or twenty years continuous service and sixty years of age.

(19) Deferred Compensation Plan

The City offers an optional deferred compensation plan, created in accordance with Internal Revenue Code Section 457 to all employees in addition to pension plans. Under the provisions of Internal Revenue Code Section 457 *Deferred Compensation Plans* and GASB Statement No. 32, *Accounting and Financial Reporting for IRS Code Section 457 Deferred Compensation Plans* all assets and income of the plan are held in trust for the inclusive benefit of participants. Accordingly, the assets and liabilities of the plan are not reported within the City's financial statements at September 30, 2003.

(20) Postemployment Benefits

Postemployment health care benefits are made available to the City's terminated employees in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"). Under COBRA, the City is required to offer an election to deceased or terminated participants, their spouses or dependents to continue coverage in the health plan provided by the City. As allowed under COBRA, the City charges the participant the cost of the coverage, up to 102% of the applicable premium.

(21) Other Employee Benefits

The City has a "Cafeteria" plan created in accordance with Internal Revenue Code Section 125. The plan provides employees with an opportunity to select several benefit alternatives, many of which are offered on a pre-tax basis.

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