

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.

\$46,805,000
FLORIDA MUNICIPAL LOAN COUNCIL
REVENUE BONDS,
SERIES 2003B

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

The Revenue Bonds, Series 2003B (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 June 1 and December 1, commencing June 1, 2004. The principal of, premium, if any, and interest on the Bonds will be paid by Wachovia Bank, National Association, as Trustee. So long as DTC or its nominee, Cede & Co., is the registered owner, such payments will be made directly to Cede & Co. Disbursement of such payments to the DTC Participants (as defined herein) is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants (as defined herein), as more fully described herein.

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

The proceeds to be received by the Issuer from the sale of the Bonds will be used by the Issuer to make loans (the "Loans") to five State of Florida municipalities (City of Apopka, Town of Bay Harbor Islands, City of Belle Isle, City of Deerfield Beach and City of North Miami Beach) and one State of Florida county (Gadsden County) (collectively referred to as the "Borrowers") pursuant to loan agreements between the Issuer and each of the Borrowers (the "Loan Agreements") for the purposes of (i) providing funds to finance various governmental undertakings of the Borrowers and (ii) paying costs and expenses related to the issuance of the Bonds, including the premiums for the municipal bond insurance policy and debt service reserve fund surety bond.

Payments made by the Borrowers in repayment of the loans (the "Loan Repayments") will be assigned by the Issuer to Wachovia Bank, National Association, as Trustee, pursuant to a Trust Indenture, dated as of December 1, 2003 between the Issuer and the Trustee (the "Indenture").

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

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation 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 Kraig 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. First Southwest Company, Orlando, Florida has served as financial advisor to the Issuer in connection with the Bonds. Florida League of Cities, Inc. is the administrator of the Issuer's Bond program. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about December 17, 2003.

Banc of America Securities LLC

AMOUNTS, MATURITIES, INTEREST RATES AND PRICES

\$30,445,000 Serial Bonds

<u>Maturity</u> (December 1)	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>
2004	\$1,260,000	2.000%	100.805%
2005	1,685,000	2.000	100.824
2006	1,720,000	2.000	100.285
2007	1,750,000	2.200	99.773
2008	1,795,000	2.500	99.491
2009	1,840,000	2.800	99.618
2010	1,890,000	3.000	99.130
2011	1,960,000	3.125	98.000
2012	2,010,000	4.000	102.728
2013	1,625,000	5.250	112.276
2014	2,055,000	5.250	111.222
2015	2,170,000	5.250	110.180
2016	2,240,000	5.250	109.235
2017	2,355,000	5.250	108.384
2018	2,480,000	5.250	107.626
2019	1,610,000	5.250	106.873

\$4,305,000 5.000% Term Bonds Due December 1, 2023 - Price 102.201%

\$9,450,000 5.000% Term Bonds Due December 1, 2028 - Price 101.013%

\$2,605,000 5.000% Term Bonds Due December 1, 2033 - Price 100.778%

Florida Municipal Loan Council

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

Original Members

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

Directors

Raul Martinez, Chairman, Mayor, City of Hialeah
Dottie K. Reeder, Vice-Chair, Mayor, City of Seminole
Evelyn L. Greer, Mayor, Village of Pinecrest
H.L. (Roy) Tyler, Commissioner, City of Haines City
Larry Ady, Commissioner, City of Belle Isle

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Program Administrator

Florida League of Cities, Inc.
Tallahassee, Florida

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

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

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

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

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTY THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

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OFFICIAL STATEMENT

Relating To

\$46,805,000

FLORIDA MUNICIPAL LOAN COUNCIL

Revenue Bonds

Series 2003B

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 \$46,805,000 Florida Municipal Loan Council Revenue Bonds, Series 2003B (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 October 2, 2003 and a Trust Indenture (the "Indenture"), dated as of December 1, 2003, between the Issuer and Wachovia Bank, National Association, as trustee (the "Trustee").

The Bonds are being issued to provide funds to make seven loans to five municipalities and one county 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 Apopka, the Town of Bay Harbor Islands, the City of Belle Isle, the City of Deerfield Beach and the City of North Miami Beach, and to Gadsden County, Florida (collectively, the "Borrowers," and individually, a "Borrower") pursuant to Loan Agreements, dated as of December 1, 2003, between the Issuer and each Borrower (collectively, the "Loan Agreements"). There will be two loans made to the City of Deerfield Beach, referred to as the "Deerfield G.O. Loan" and the "Deerfield Covenant Loan," respectively. Each Borrower will use proceeds of the loan made to it by the Issuer (a "Loan") to finance, refinance or reimburse itself for the cost of a governmental undertaking approved by the governing body of that Borrower for a public purpose (a "Project") and to pay a proportionate share of the costs of issuance of the Bonds. Each Project to be financed or refinanced with proceeds of the Bonds is briefly described herein under the caption "Purpose of the Bonds."

Pursuant to each Loan Agreement, each Borrower agrees to make payments (the "Basic Payments") in such amounts and at such times as shall be sufficient to pay the principal of, premium, if any, and interest on the Loan to that Borrower when due. The Basic Payments correlate to the debt service on a principal amount of Bonds equal to the principal amount of the Loan. The aggregate scheduled Basic Payments under all Loan Agreements equals the scheduled payments of principal and interest on the Bonds. Not all Loans mature on the same date. No Borrower is obligated to pay the principal of, premium, if any, or interest on,

or any other amount payable with respect to, a Loan made to a different Borrower. The Basic Payments for each Borrower are set forth herein under the caption "Debt Service Requirements."

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

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

The City of Apopka and the City of Deerfield Beach, with respect to one of the two Loan Agreements between itself and the Issuer (referred to herein as the "Deerfield Covenant Loan Agreement"), have each agreed to appropriate in their annual budgets, by amendment, if required, and to pay when due under their respective Loan Agreements (such Loan Agreements being referred to herein as the "Covenant Loan Agreements"), as promptly as money becomes available, amounts of Non-Ad Valorem Revenues (hereinafter defined) of such Borrower sufficient to satisfy the Loan Repayment obligations of such Borrower. "Non-Ad Valorem Revenues" means all revenues and taxes of the particular Borrower derived from any source whatever, other than ad valorem taxation on real and personal property, which are legally available for Loan Repayments.

The Loan Agreement between the Town of Bay Harbor Islands and the Issuer is referred to herein as the "Bay Harbor Loan Agreement." The Loan Repayment obligations of the Town of Bay Harbor Islands will be payable from and secured solely by a pledge of and lien upon the Town's Half-Cent Sales Tax Revenues, Franchise Fees and Public Service Tax Revenues (hereinafter described). Further information concerning the Bay Harbor Loan Agreement and the Half-Cent Sales Tax Revenues, Franchise Fees and Public Service Tax Revenues of the Town of Bay Harbor Islands is contained herein under the caption "Security and Sources of Payment - Town of Bay Harbor Islands Loan."

The Loan Agreement between the City of Belle Isle and the Issuer is referred to herein as the "Belle Isle Loan Agreement." The Loan Repayment obligations of the City of Belle Isle will be payable from and secured solely by a pledge of and lien upon the City's Discretionary Communications Services Tax Revenues (hereinafter described). In addition, to the extent and for the duration described herein, the City of Belle Isle also agrees to appropriate in its annual budgets, by amendment, if required, and to pay when due under its Loan Agreement, as promptly as money becomes available, amounts of Non-Ad Valorem Revenues of the City sufficient to satisfy the Loan Repayment obligations of the City to the extent the Discretionary Communications Services Tax Revenues are insufficient for such purpose. Further information concerning the Belle Isle Loan Agreement and the Discretionary Communications Services Tax Revenues of the City of Belle Isle is contained herein under the caption "Security and Sources of Payment - City of Belle Isle Loan."

The Basic Payment obligations (the obligations to pay principal, premium, if any, and interest) of the City of Deerfield Beach under one of its two Loan Agreements (referred to as the "Deerfield G.O. Loan Agreement") constitutes a general obligation of the City, for which the full faith, credit and ad valorem taxing power of the City is pledged. With respect to the Deerfield G.O. Loan Agreement, the City covenants that in each year while such Loan is outstanding, it shall levy and collect a tax without limitation as to rate or amount on all assessable property within its geographic jurisdiction, sufficient in amount to pay the Basic Payments under the Deerfield G. O. Loan Agreement, as the same shall become due, after applying any other funds which may be available for such Basic Payment and which shall actually be so applied. For the payment of the Additional Payments under the Deerfield G.O. Loan Agreement, the City agrees to budget and appropriate Non-Ad Valorem Revenues sufficient to pay such Additional Payments. The full faith and

credit and ad valorem taxing power of the City of Deerfield Beach is not pledged to the Additional Payments under the Deerfield G.O. Loan Agreement.

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

The Loan Agreement between the City of North Miami Beach and the Issuer is referred to herein as the "North Miami Beach Loan Agreement." The Loan Repayment obligations of the City of North Miami Beach will be payable from and secured by a pledge of and lien upon the City's Transit Surtax Revenues (hereinafter described). In addition, the City of North Miami Beach also agrees to appropriate in its annual budgets, by amendment, if required, and to pay when due under its Loan Agreement, as promptly as money becomes available, amounts of Non-Ad Valorem Revenues of the City sufficient to satisfy the Loan Repayment obligations of the City to the extent the Transit Surtax Revenues are insufficient for such purpose. Further information concerning the North Miami Beach Loan Agreement and the Transit Surtax Revenues of the City of North Miami Beach is contained herein under the caption "Security and Sources of Payment - City of North Miami Beach Loan."

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

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

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

There follow in this Official Statement descriptions of the Bonds, the Issuer, the Insurer, the Borrowers and certain other matters. The descriptions and information contained herein do not purport to be complete, comprehensive, or definitive, and all references herein to documents or reports are qualified in their entirety by reference to the complete text of such documents or reports. Copies of documents and reports referred to herein that are not included in their entirety herein may be obtained from the Underwriter

at 1640 Gulf-to-Bay Boulevard, FL2-020-01-04, Clearwater, Florida 33755 prior to delivery of the Bonds and thereafter from the Trustee upon payment of any required fee. Unless otherwise defined herein, terms used in capitalized form in this Official Statement shall have the same meanings as in the Indenture. See Appendices C and D for definitions of certain terms used in this Official Statement.

THE BONDS

General Description

The Bonds are being issued as fully registered bonds without coupons in principal denominations of \$5,000 or any integral multiple thereof (the "Authorized Denominations"). The Bonds will be dated as of 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 June 1 and December 1 (each, an "Interest Payment Date"), commencing June 1, 2004.

The principal and premium of the Bonds shall be payable when due by check or draft, upon presentation and surrender of the Bonds at the Designated Office (initially, Charlotte, North Carolina) of Wachovia Bank, National Association, as Trustee (the "Trustee"), and interest will be payable by check or draft mailed by the Trustee on each Interest Payment Date to the holders of the Bonds registered as such as of the Record Date; provided, however, that at the expense of and upon the written request of a holder of \$1,000,000 or more (or of all Bonds if less than \$1,000,000 shall be outstanding) interest will be paid by wire transfer to an account in the United States. The Record Date with respect to any Interest Payment Date is the fifteenth day of the calendar month preceding such Interest Payment Date.

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

Redemption Provisions

Optional Redemption. The Bonds maturing on or before December 1, 2013 not subject to optional redemption prior to maturity. The Bonds maturing after December 1, 2013 are subject to redemption at the option of the Issuer on or after December 1, 2013 as a whole or in part at any time, in any manner as determined by the Trustee in its discretion taking into consideration the maturity of the Loan being prepaid by a particular Borrower, at the redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

Scheduled Mandatory Redemption. The Bonds maturing on December 1, 2023 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 December 1, 2020 and on each December 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2020	\$1,000,000
2021	1,045,000
2022	1,105,000
2023*	1,155,000

*Maturity, not a redemption.

The Bonds maturing on December 1, 2028 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on December 1, 2024 and on each December 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2024	\$1,215,000
2025	1,285,000
2026	1,345,000
2027	2,400,000
2028*	3,205,000

*Maturity, not a redemption

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

<u>Year</u>	<u>Principal Amount</u>
2029	\$470,000
2030	495,000
2031	520,000
2032	545,000
2033*	575,000

*Maturity, not a redemption

Extraordinary Mandatory Redemption. The Bonds are also subject to extraordinary mandatory redemption as a result of acceleration of a Loan pursuant to a Loan Agreement at any time, in whole or in part, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, but only with the approval of the Insurer, from all Liquidation Proceeds or Insurance Proceeds received by the Trustee as a result of an acceleration of any Loan. "Liquidation Proceeds" means amounts received by the Trustee or the Issuer in connection with the enforcement of any of the remedies under a Loan Agreement after the occurrence of an "event of default" under a Loan Agreement which has not been waived or cured. "Insurance Proceeds" means amounts which are deposited by the Insurer with the Trustee pursuant to Article IX of the Indenture as a condition of the direction of acceleration of all or a portion of the Bonds by the Insurer.

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

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

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

Notice of Redemption. In the case of every redemption, the Trustee shall cause notice of such redemption to be given to the registered Owner of any Bonds designated for redemption in whole or in part, at such Owner's address as the same shall last appear on the Bond registration books, by mailing a copy of the redemption notice by first class mail at least thirty days prior to the redemption date. The failure of the Registrar to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any other Bonds.

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

Notice of redemption is also required to be sent by registered or certified mail or overnight delivery service to certain securities depositories, provided, however, that such mailing is not a condition precedent to any redemption and a failure to mail any such notice shall not affect the validity of any proceedings for the redemption of Bonds.

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

Book-Entry Only System

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

Unless the book-entry system described herein is terminated, as hereinafter described, The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC or with the Trustee on behalf of DTC.

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

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 tenth 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
Evelyn L. Greer	Mayor, Village of Pinecrest
H.L. (Roy) Tyler	Commissioner, City of Haines City
Larry Ady	Commissioner, City of Belle Isle

THE ADMINISTRATOR AND THE ADMINISTRATION AGREEMENT

The Administrator

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

The Administrator is a Florida corporation not-for-profit. The Administrator is organized on a non-stock membership basis. The members of the Administrator consist of over 400 Florida cities and counties. The Administrator is governed by a Board of Directors consisting of 52 members. Directors are elected by the members of the Administrator.

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

In addition to loan pool origination and administration services, the Administrator provides services to its members in the areas of pool insurance and on current and emerging constitutional, legislative, and regulatory issues. The Administrator has 160 full-time employees and an annual operating budget of approximately \$15.7 million.

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

The Administration Agreement

The Issuer and the Administrator have entered into an ongoing Administration Agreement (the "Administration Agreement"). Under the terms of the Administration Agreement, the Administrator agrees to receive and review applications of municipalities and counties to participate in the Program and to forward the same to any institutions as may be providing credit support for the Program. The Administrator agrees to meet with representatives of applicants and to aid applicants in determining whether to participate in the Program. The Administrator agrees to abide by the terms of the Indenture and to use its best efforts to ensure that the Loans comply with the terms of the Indenture. Under the terms of the Administration Agreement, the Administrator is to be paid a semi-annual fee based upon the principal balance of all Loans outstanding.

The annual amount of the fee does not exceed 1/10 of one percent of the par amount of the Loans outstanding, and based upon the original par amount at issuance for each individual Loan, the fee decreases as a percentage as the par amount increases above certain levels.

THE BORROWERS

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

The Borrowers consist of five municipalities and one county 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 L hereof.

The City of Apopka - The City of Apopka is located in Orange County, Florida and was incorporated in 1882. The City of Apopka has an estimated population of approximately 31,000 people.

The Town of Bay Harbor Islands - The Town of Bay Harbor Islands is located in Miami-Dade County, Florida and was incorporated in 1947. The Town of Bay Harbor Islands has an estimated population of approximately 5,200 people.

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

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

Gadsden County - Gadsden County is located in Northwest Florida. The County has an estimated population of approximately 46,500 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 41,000 people.

PURPOSE OF THE BONDS

In General

The proceeds to be received by the Issuer from the sale of the Bonds will be used by the Issuer to make Loans to the Borrowers for the purpose of providing funds to (i) finance or refinance the costs of the Projects and (ii) pay costs and expenses related to the issuance of the Bonds, including the premiums for the Bond Insurance Policy and, except in the case of the Deerfield G.O. Loan, the Debt Service Reserve Fund Surety Bond described below.

Under the terms of the Indenture, an amount sufficient to pay the costs of issuance of the Bonds will be deposited into the Costs of Issuance Fund and the balance of the proceeds of the Bonds will be deposited into accounts in the Project Loan Fund, to be disbursed upon requisition therefor to the respective Borrowers. Although not actually disbursed to each Borrower, each Borrower is responsible for repayment of that portion of the Bonds corresponding to its pro-rata share of costs of issuance. The borrowing amount set forth below for each Borrower is the principal amount of the Bonds corresponding to the Loan to such Borrower.

City of Apopka - The City of Apopka is borrowing the proceeds of \$1,955,000 principal amount of the Bonds (which inclusive of original issue premium is \$2,044,399.30) for the purpose of financing various capital projects. The Apopka Loan is expected to be repaid over a period of 15 years.

Town of Bay Harbor Islands - The Town of Bay Harbor Islands is borrowing the proceeds of \$9,360,000 principal amount of the Bonds (which inclusive of original issue premium is \$9,591,677.70) for the purpose of financing various municipal capital expenditures. The Bay Harbor Islands Loan is expected to be repaid over a period of 30 years.

City of Belle Isle - The City of Belle Isle is borrowing the proceeds of \$985,000 principal amount of the Bonds (which inclusive of original issue premium is \$999,149.80) for the purpose of financing repaving, drainage and city-wide park improvements. The Belle Isle Loan is expected to be repaid over a period of 10 years.

City of Deerfield Beach - Pursuant to the Deerfield Covenant Loan Agreement, the City of Deerfield Beach is borrowing the proceeds of \$2,480,000 principal amount of the Bonds (which inclusive of original issue premium is \$2,557,688.80) for the purpose of financing a streetscape project. The Deerfield Covenant Loan is expected to be repaid over a period of 25 years.

City of Deerfield Beach - Pursuant to the Deerfield G.O. Loan Agreement, the City of Deerfield Beach is borrowing the proceeds of \$15,410,000 principal amount of the Bonds (which inclusive of original issue premium is \$15,797,131.90) for the purpose of financing a public works facility, a fire/rescue station, neighborhood right of way improvements and parks and recreation facilities in the City. The Deerfield G.O. Loan is expected to be repaid over a period of 25 years.

Gadsden County - Gadsden County is borrowing the proceeds of \$8,850,000 principal amount of the Bonds (which inclusive of original issue premium is \$9,253,840.65) for the purpose of financing roadway improvements. The Gadsden County Loan is expected to be repaid over a period of 15 years.

City of North Miami Beach - The City of North Miami Beach is borrowing the proceeds of \$7,765,000 principal amount of the Bonds (which inclusive of original issue premium is \$8,134,932.05) for

the purpose of financing various transportation projects. The North Miami Beach Loan is expected to be repaid over a period of 16 years.

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

Estimated Sources and Uses

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

SOURCES OF FUNDS:	
Par Amount	\$46,805,000.00
Net Original Issue Premium	<u>1,573,820.20</u>
TOTAL SOURCES:	\$48,378,820.20
USES OF FUNDS:	
Deposit to Project Loan Fund	\$47,515,528.75
Costs of Issuance(1)	<u>863,291.45</u>
TOTAL USES:	\$48,378,820.20

(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. Except with respect to the G.O. Loan to the City of Deerfield Beach, the obligations of the respective Borrowers pursuant to the Loan Agreements are not a general debt, liability or obligation of the respective Borrowers, but are limited obligations of the Borrowers payable from the sources described herein. The obligations of the City of Deerfield Beach to pay principal, premium and interest (the "Basic Payment" obligation) pursuant to its G.O. Loan Agreement with the Issuer are general obligations of the City of Deerfield Beach, which are secured by the full faith, credit and ad valorem taxing power of the City of Deerfield Beach. The Bonds are not a debt, liability or obligation of the State of Florida or any political subdivision or entity thereof other than the Issuer.

A portion of the proceeds to be received by the Issuer from the sale of the Bonds will be loaned by the Issuer to the Borrowers pursuant to the Loan Agreements. Each Loan Agreement provides that the particular Borrower will make payments to the Trustee (the "Basic Payments") in such amounts and at such times so as to provide sufficient funds to pay the principal of, premium, if any, and interest on the Loan to the Borrower. Each Loan Agreement represents the several obligation of the relevant Borrower and no

Borrower is obligated under the Loan Agreement of any other Borrower. Therefore, each Borrower is only responsible for making Basic Payments that constitute the security for a proportionate share of the debt service on the Bonds. The aggregate principal and interest payments included in the Basic Payments scheduled to be made by the Borrowers equal the scheduled debt service on the Bonds.

The City of Apopka and the City of Deerfield Beach, with respect to one of the two Loan Agreements between itself and the Issuer (referred to herein as the "Deerfield Covenant Loan Agreement"), have each agreed to appropriate in their annual budgets, by amendment, if required, and to pay when due under their respective Loan Agreements (such Loan Agreements being referred to herein as the "Covenant Loan Agreements"), as promptly as money becomes available, amounts of Non-Ad Valorem Revenues (hereinafter defined) of such Borrower sufficient to satisfy the Loan Repayment obligations of such Borrower. "Non-Ad Valorem Revenues" means all revenues and taxes of the particular Borrower derived from any source whatever, other than ad valorem taxation on real and personal property, which are legally available for Loan Repayments.

The Loan Agreement between the Town of Bay Harbor Islands and the Issuer is referred to herein as the "Bay Harbor Loan Agreement." The Loan Repayment obligations of the Town of Bay Harbor Islands will be payable from and secured solely by a pledge of and lien upon the Town's Half-Cent Sales Tax Revenues, Franchise Fees and Public Service Tax Revenues (hereinafter described). Further information concerning the Bay Harbor Loan Agreement and the Half-Cent Sales Tax Revenues, Franchise Fees and Public Service Tax Revenues of the Town of Bay Harbor Islands is contained herein under the caption "Security and Sources of Payment - Town of Bay Harbor Islands Loan."

The Loan Agreement between the City of Belle Isle and the Issuer is referred to herein as the "Belle Isle Loan Agreement." The Loan Repayment obligations of the City of Belle Isle will be payable from and secured solely by a pledge of and lien upon the City's Discretionary Communications Services Tax Revenues (hereinafter described). In addition, to the extent and for the duration described herein, the City of Belle Isle also agrees to appropriate in its annual budgets, by amendment, if required, and to pay when due under its Loan Agreement, as promptly as money becomes available, amounts of Non-Ad Valorem Revenues of the City sufficient to satisfy the Loan Repayment obligations of the City to the extent the Discretionary Communications Services Tax Revenues are insufficient for such purpose. Further information concerning the Belle Isle Loan Agreement and the Discretionary Communications Services Tax Revenues of the City of Belle Isle is contained herein under the caption "Security and Sources of Payment - City of Belle Isle Loan."

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

The Loan Agreement between Gadsden County, Florida and the Issuer is referred to herein as the "Gadsden County Loan Agreement." The Loan Repayment obligations of Gadsden County will be payable

from and secured solely by a pledge of and lien upon the County's Gas Tax Revenues (hereinafter described). Further information concerning the Gadsden County Loan Agreement and the Gas Tax Revenues of Gadsden County is contained herein under the caption "Security and Sources of Payment - Gadsden County Loan."

The Loan Agreement between the City of North Miami Beach and the Issuer is referred to herein as the "North Miami Beach Loan Agreement." The Loan Repayment obligations of the City of North Miami Beach will be payable from and secured by a pledge of and lien upon the City's Transit Surtax Revenues (hereinafter described). In addition, the City of North Miami Beach also agrees to appropriate in its annual budgets, by amendment, if required, and to pay when due under its Loan Agreement, as promptly as money becomes available, amounts of Non-Ad Valorem Revenues of the City sufficient to satisfy the Loan Repayment obligations of the City to the extent the Transit Surtax Revenues are insufficient for such purpose. Further information concerning the North Miami Beach Loan Agreement and the Transit Surtax Revenues of the City of North Miami Beach is contained herein under the caption "Security and Sources of Payment - City of North Miami Beach Loan."

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

Reserve Fund

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

The Debt Service Reserve Fund Surety Bond also serves as the reserve fund for the Issuer's (i) Revenue Bonds, Series 2001A, issued November 15, 2001, and outstanding as of the date of this Official Statement in the principal amount of \$84,085,000, (ii) Revenue Bonds, Series 2002A, issued May 17, 2002, and outstanding as of the date of this Official Statement in the principal amount of \$48,430,000, (iii) Revenue Bonds, Series 2002B, issued August 15, 2002, and outstanding as of the date of this Official Statement in the principal amount of \$66,385,000, (iv) Revenue Bonds, Series 2002C, issued November 22, 2002, and outstanding as of the date of this Official Statement in the principal amount of \$26,215,000 and (v) Revenue Bonds, Series 2003A, issued May 16, 2003, and outstanding as of the date of this Official Statement in the principal amount of \$76,460,000. The Insurer has also issued financial guaranty insurance policies with respect to these prior bonds of the Issuer.

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

Moneys on deposit in the Reserve Fund (including the Debt Service Reserve Fund Surety Bond) shall be applied to cure any deficiency in the Revenue Fund, other than with respect to the Deerfield G.O. Loan. Under the provisions of the Internal Revenue Code applicable to the Bonds, it is generally not feasible to establish a debt service reserve fund with respect to general obligation bonds or the portion of bonds ultimately payable from a general obligation pledge. Thus, amounts on deposit in the Reserve Fund are available to cure a deficiency in the Revenue Fund resultant from the failure of any Borrower, other than the City of Deerfield Beach with respect to the Deerfield G.O. Loan Agreement, to timely pay debt service on its Loan.

MBIA Insurance Corporation (the "Insurer") has committed to issue a debt service reserve surety bond (the "Debt Service Reserve Fund Surety Bond"). The Debt Service Reserve Fund Surety Bond will provide that upon notice from the Issuer or the Trustee to the Insurer to the effect that insufficient amounts are on deposit in the Revenue Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Bonds, the Insurer will promptly deposit with the Issuer or the Trustee an amount sufficient to pay the principal of and interest on the Bonds or the available amount of the Debt Service Reserve Fund Surety Bond, whichever is less. Upon the later of (i) three (3) days after receipt by the Insurer of a Demand for Payment in the form attached to the Debt Service Reserve Fund Surety Bond, duly executed by the Issuer or the Trustee; or (ii) the payment date of the Bonds as specified in the Demand for Payment presented by the Issuer or the Trustee to the Insurer, the Insurer will make a deposit of funds in an account with the Trustee sufficient for the payment of amounts which are then due to the Trustee (as specified in the Demand for Payment, subject to the Debt Service Reserve Fund Surety Bond coverage).

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

Under the terms of the Agreement, the Trustee is required to reimburse the Insurer, from the funds supplied to the Trustee, with interest, until the face amount of the Debt Service Reserve Fund Surety Bond is reinstated. No optional redemption of Bonds corresponding to a Loan with respect to which a draw has been made under the Debt Service Reserve Fund Surety Bond may be made until the Debt Service Reserve Fund Surety Bond is reinstated. The Debt Service Reserve Fund Surety Bond is provided as an alternative to the Issuer depositing funds in the Reserve Fund. The Debt Service Reserve Fund Surety Bond has already been issued in the face amount of \$10,786,750 and the premium therefor has been previously paid. At the time of issuance of the Bonds, the face amount of the Debt Service Reserve Fund Surety Bond will be increased by \$1,569,750 to \$12,356,500, and the premium for such increase will be paid by the Issuer at the time of delivery of the Bonds.

Anti-Dilution Covenant

The City of Apopka and the City of Deerfield Beach, with respect to one of the two Loan Agreements between itself and the Issuer (referred to herein as the "Deerfield Covenant Loan Agreement"), (the City of Apopka and the City of Deerfield Beach with respect to the Deerfield Covenant Loan Agreement, are herein referred to as the "Covenant Borrowers"), pursuant to their respective Loan Agreement, have each 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% of Governmental Fund Revenues (defined as General Fund, Special Fund, Debt Service Fund and Capital Projects Fund), exclusive of (x) ad valorem

revenues restricted to payment of debt service on any debt and (y) any debt proceeds, based on the particular Borrower's audited financial statements (average of actual receipts over the prior two years).

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

Under certain circumstances further described herein, the City of Belle Isle and the City of North Miami Beach may also be subject to the Anti-Dilution Covenant.

Additional Bonds; Permitted Parity Indebtedness

No additional Bonds or debt of the Issuer may be issued pursuant to the Indenture. However, the Issuer may issue additional indebtedness, including future series of bonds, for any other purposes of the Issuer (including in order to make loans to borrowers), provided that such indebtedness may not be payable from the Trust Estate pledged to the repayment of the Bonds.

There is no limitation on the issuance of additional debt by the Borrowers except as may result from compliance with the obligations described above under the caption "Anti-dilution Covenant," or below under the captions "Town of Bay Harbor Islands Loan," "City of Belle Isle Loan," "Gadsden County Loan" and "City of North Miami Beach Loan."

The Covenants to Budget and Appropriate

The information under this caption applies only to (i) the Covenant Borrowers, (ii) the City of North Miami Beach to the extent described under "City of North Miami Beach Loan," (iii) the City of Belle Isle to the extent described under "City of Belle Isle Loan" and (iv) the Additional Payment obligations of the City of Deerfield Beach under the Deerfield G.O. Loan.

In General. In each Loan Agreement, each Covenant Borrower covenants and agrees to appropriate (such covenant being referred to as the "Covenant to Budget and Appropriate") in its annual budget, by amendment if required, and to pay when due under its Loan Agreement, as promptly as money becomes available, amounts of Non-Ad Valorem Revenues of the Covenant Borrower to satisfy its Loan Repayment obligations. Such covenant is subject in all respects to the payment of obligations secured by a pledge of Non-Ad Valorem Revenues heretofore or hereinafter entered into. The Covenant Borrowers do not covenant to maintain any services or programs which generate Non-Ad Valorem Revenues or to maintain the charges they collect as of the date of this Official Statement for any such services or programs.

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

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

Revenues received by a municipality other than from ad valorem taxation are referred to as "Non-Ad Valorem Revenues." Florida municipalities collect Non-Ad Valorem Revenues from a variety of sources. Certain Non-Ad Valorem Revenues are not lawfully available to be used by municipalities to satisfy their Loan Repayments.

Under the terms of the Loan Agreements, each Covenant Borrower may pledge its Non-Ad Valorem Revenues to obligations that it issues in the future and certain Covenant Borrowers may have already pledged certain of their Non-Ad Valorem Revenues to existing indebtedness. In the event of any such pledge, such Non-Ad Valorem Revenues would be required to be applied to said obligations prior to being used to repay a Loan.

The amount and availability of Non-Ad Valorem Revenues of each of the Covenant Borrowers are subject to change, including reduction or elimination by change of state law or changes in the facts and circumstances according to which certain of the Non-Ad Valorem Revenues are collected. The amount of Non-Ad Valorem Revenues collected by a Covenant Borrower is, in certain circumstances, beyond the control of the Covenant Borrower.

Town of Bay Harbor Islands Loan

The Loan Repayment obligations of the Town of Bay Harbor Islands are not secured by or payable from the Covenant to Budget and Appropriate. Rather, the Loan Repayment obligations of the Town are payable from and are secured by a pledge of and lien upon the "Half-Cent Sales Tax Revenues," "Franchise Fees" and "Public Service Tax Revenues" of the Town, which are collectively referred to as the "Pledged Revenues" of the Town. Except as described under this caption, the Bay Harbor Islands Loan Agreement is substantially similar to the standard Covenant Loan Agreement.

"Half-Cent Sales Tax Revenues" means all amounts received by the Town from the Local Government Half-Cent Sales Tax Clearing Fund pursuant to Part VI, Chapter 218, Florida Statutes or any successor provision of law.

"Franchise Fees" means all amounts received by the Town from the granting to any person or entity of the right, privilege or franchise to construct, maintain or operate any facilities for the provision of electricity or gas, under, upon, over or across the present or future streets, alleys, bridges, easements or other public places in the Town.

"Public Service Tax Revenues" means means the proceeds of the tax levied and collected by Bay Harbor Islands on each sale of electricity, metered or bottled gas, bulk gas, fuel oil or potable water sales within the corporate territorial limits of the Town pursuant to Section 166.231, Florida Statutes, including but not limited to the public service tax currently imposed by the Town. The Public Service Tax Revenues do not include the Town's communication services tax or permit fees authorized by Section 337.401, Florida Statutes.

Half-Cent Sales Tax in General. The State of Florida levies and collects a sales tax on, among other things, the sales price of each item or article of tangible personal property sold at retail in the State of Florida, subject to certain exceptions and dealer allowances. In 1982, the Florida legislature created the Local Government Half-Cent Sales Tax Program which distributes sales tax revenue and money from the State's General Revenue Fund to counties and municipalities that meet strict eligibility requirements. In 1982, when the Half-Cent Sales Tax Program was created, the general rate of sales tax in the State was increased from 4% to 5%, and one-half of the fifth cent was devoted to the Program, thus giving rise to the name "Half-Cent Sales Tax." Although the amount of sales tax revenue deposited into the Half-Cent Sales Tax Program is

no longer one-half cent on every dollar of the sales price of an item subject to sales tax, the name "Half-Cent Sales Tax" has continued to be utilized.

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

During the special legislative session that ended May 27, 2003, the Florida Legislature enacted House Bill 113A, which among other things, amended Section 212.20, Florida Statutes, effective on July 1, 2004, to decrease from 9.653% to 8.814% the percentage of the proceeds of the sales tax to be deposited in the Trust Fund after certain other required distributions to other funds of the State. The legislative intent of House Bill 113A was to freeze for one fiscal year the total amount of Half-Cent Sales Tax distributions to the counties and municipalities throughout the State at the level of such distributions for the State fiscal year ended June 30, 2004. If the actual effect of House Bill 113A achieves such legislative intent, the Half-Cent Sales Tax Revenues received by the Town for the State fiscal year ending June 30, 2005 will be approximately the same as the Half-Cent Sales Tax Revenues received by the Town for the State fiscal year ending June 30, 2004, after which the Half-Cent Sales Tax Revenues would be expected to increase or decrease in each subsequent fiscal year relative to total sales throughout the Town and the State provided that no other legislative changes are enacted.

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

Eligibility. To be eligible to participate in the Half-Cent Sales Tax Program, each municipality, including the Town of Bay Harbor Islands, is required to have

- (i) reported its finances for its most recently completed fiscal year to the State Department of Banking and Finance as required by Florida law;
- (ii) made provisions for annual post audits of financial accounts in accordance with provisions of law;
- (iii) levied, as shown on its most recent financial report, ad valorem taxes, exclusive of taxes levied for debt service or other special millages authorized by the voters, to produce the revenue equivalent to a millage rate of 3 mills on the dollar based upon 1973 taxable values or, in order to produce revenue equivalent to that which would otherwise be produced by such 3 mill ad valorem tax, to have received certain revenues from the county, an

occupational license tax, utility tax, or ad valorem tax, or any combination of those four sources;

- (iv) certified that persons in its employ as law enforcement officers meet certain qualifications for employment, and receive certain compensation;
- (v) certified that persons in its employ as firefighters meet certain employment qualifications and are eligible for certain compensation;
- (vi) certified that each dependent special district that is budgeted separately from the general budget of such municipality has met the provisions for annual post audit of its financial accounts in accordance with law; and
- (vii) certified to the Department of Revenue that it has complied with certain procedures regarding the establishment of the ad valorem tax millage of the municipality as required by law.

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

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

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

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

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

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

**State of Florida and Miami-Dade County
Total Historical Sales Tax Collections
State Fiscal Years 1999 through 2003**

State Fiscal Year Ended <u>June 30</u>	Total Collections <u>State of Florida⁽¹⁾</u>	Percentage <u>Increase</u>	Total Collections <u>Miami-Dade County⁽¹⁾</u>	Percentage Increase <u>(Decrease)</u>
1999	\$13,858,158,449	N/A	\$1,612,008,124	N/A
2000	14,933,807,688	7.76%	1,733,742,896	7.55
2001	15,733,732,456	5.35	1,825,319,178	5.28
2002	15,985,431,641	1.59	1,751,688,420	(4.03)
2003	16,329,118,390	2.15	1,734,857,203	(0.09)

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

Source: Florida Department of Revenue.

The table below sets forth the total distribution of Half-Cent Sales Tax Revenues to Miami-Dade County, Florida and the municipalities therein for the State fiscal years ended June 30, 1999 through 2003.

State Distributions of Half-Cent Sales Tax Revenues to Miami-Dade County, Florida
and Municipalities Therein
State fiscal years ended June 30

State Fiscal Year <u>Ended June 30</u>	Half-Cent Sales <u>Tax Distributions</u>	Percentage Increase <u>(Decrease)</u>
1999	\$ 148,451,776	N/A
2000	159,622,822	7.52
2001	166,541,537	4.34
2002	171,144,970	2.76
2003	175,606,945	2.60

Source: Florida Department of Revenue.

The percentage of the total Half-Cent Sales Tax Revenues distributed to Miami-Dade County, Florida and the municipalities therein in a particular fiscal year that is distributed to the Town of Bay Harbor Islands is referred to as the "Distribution Factor" for the Town of Bay Harbor Islands. The table below sets forth the Distribution Factors for the Town of Bay Harbor Islands for the State's fiscal years ended June 30, 1998 through 2003.

Sales Tax Distribution Factors

<u>State Fiscal Year Ended June 30</u>	<u>Bay Harbor Islands Distribution Factor</u>	<u>Percentage Increase (Decrease)</u>
1999	0.171802	N/A
2000	0.167902	(2.27)
2001	0.165252	(1.58)
2002	0.174005	5.29
2003	0.171951	(1.18)

Source: Florida Department of Revenue.

The table below sets forth the annual collections and changes of the Half-Cent Sales Tax Revenues received by the Town of Bay Harbor Islands for the Town's fiscal years ended September 30, 1998 through 2002.

<u>Fiscal Year Ended</u>	<u>Half-Cent Sales Tax Revenue Collections</u>	<u>Percentage Increase (Decrease)</u>
1998	\$247,985	N/A
1999	257,928	4.00%
2000	270,947	5.04
2001	279,518	3.16
2002	299,797	7.25

Source: Town of Bay Harbor Islands.

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

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

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

Historical Collection Data. The Town of Bay Harbor Islands imposes a tax on the purchase of electricity and metered or bottled gas (natural, liquified, petroleum gas, or manufactured), in the amount of 10% of the sale price, except for any fuel adjustment charge (a separately stated charge on some electric bills). The Town of Bay Harbor Islands does not exempt any sales except those required to be exempt by State statute.

The following table sets for the amount of Public Service Taxes collected by the Town of Bay Harbor Islands during the fiscal years ended September 30, 1998 through 2002.

Historical Public Service Tax Revenues Fiscal Years Ended September 30					
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Bay Harbor Islands Public Service Tax Revenues	\$282,315	\$337,407	\$349,067	\$348,663	\$352,446

Source: Town of Bay Harbor Islands Finance Department.

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

Franchise Fees. The Town of Bay Harbor Islands has granted to Florida Power and Light Company ("FPL") and to Peoples Gas Company ("PGC"), respectively, the non-exclusive rights to use the present and future streets, alleys, bridges, easements and other public places of the Town with respect to the electrical and gas utilities operated by such entities. In return for these franchises, FPL has agreed to pay the Town a franchise fee in the amount of 6% of FPL's revenues from the sale of electrical energy within the corporate limits of the Town and PGC has agree to pay a similar 6% fee upon the sale of natural gas within the Town's limits. The FPL franchise terminates in 2011 and the PGC franchise terminates in 2010, prior to the scheduled repayment in full of the Bay Harbor Islands Loan.

The Town has covenanted in the Bay Harbor Loan Agreement not to terminate the existing FPL and PGC franchises if doing so would reduce the amount of Franchise Fees received by the Town in any year. In addition, the Town has covenanted that, to the extent permitted by law, it will not to grant any person a franchise to use public property for the provision of electricity or gas without such person agreeing to pay

the Town a franchise fee therefor in such amount as shall, together with the other Franchise Fees, Half-Cent Sales Tax Revenues and Public Service Tax Revenues, be projected to produce revenues in each fiscal year of the Town to pay the Loan Repayments.

The following table sets forth the amount of Franchise Fees collected by the Town of Bay Harbor Islands during the fiscal years ended September 30, 1998 through 2002.

	Historical Franchise Fee Revenues Fiscal Years Ended September 30				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Bay Harbor Islands Franchise Fee Tax Revenues	\$272,893	\$268,553	\$250,445	\$272,056	\$284,041

Source: Town of Bay Harbor Islands Finance Department.

Pro-forma Debt Service Coverage. The following table sets forth the pro-forma debt service coverage for the Bay Harbor Islands Loan:

	Historical Coverage of Maximum Annual Debt Service Fiscal Years Ended September 30				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Bay Harbor Islands Pledged Revenues	\$803,193	\$863,888	\$870,459	\$900,237	\$936,284
Debt Service ⁽¹⁾	\$604,818	\$604,818	\$604,818	\$604,818	\$604,818
Debt Service Coverage	1.33x	1.43x	1.44x	1.49x	1.55x

⁽¹⁾ Maximum annual debt service for the Basic Payments portion of Town of Bay Harbor Islands Loan.

Under the terms of the Bay Harbor Islands Loan Agreement, the Town of Bay Harbor Islands is permitted to issue additional debt payable from and secured by a lien upon and pledge of the Pledged Revenues on a parity with the Loan Repayment obligations under the Bay Harbor Islands Loan Agreement provided that, among other things, the amount of Pledged Revenues received by the Town for any twelve consecutive months within the 30 months immediately preceding the date of the additional debt equals at least 135% of the maximum annual debt service on the Bay Harbor Islands Loan Agreement (Basic Payments only) and the proposed parity debt. The Bay Harbor Islands Loan Agreement does not contain any limitation upon the issuance of indebtedness of the Bay Harbor Islands that is not payable from or secured by the Pledged Revenues; the Anti-dilution Covenant described herein is not contained in the Bay Harbor Islands Loan Agreement.

The Town of Bay Harbor Islands does not plan on incurring any indebtedness payable from the Pledged Revenues for the foreseeable future.

City of Belle Isle Loan

The Loan Repayment obligations of the City of Belle Isle are payable from and are secured by a pledge of and lien upon the "Discretionary Communications Services Tax Revenues " of the City. Except as described under this caption, the Belle Isle Loan Agreement is substantially similar to the standard Covenant Loan Agreement.

Except as hereinafter provided, the City of Belle Isle also agrees to appropriate in its annual budgets, by amendment, if required, and to pay when due under its Loan Agreement, as promptly as money becomes available, amounts of Non-Ad Valorem Revenues of the City sufficient to satisfy the Loan Repayment obligations of the City to the extent the Discretionary Communications Services Tax Revenues are insufficient for such purpose. The covenant to budget and appropriate described in the preceding sentence may be terminated at such time as the amount of Discretionary Communications Services Tax Revenues received by the City during any period of twelve consecutive months equals at least 135% of the maximum annual debt service on the City of Belle Isle Loan Agreement (Basic Payments only).

Discretionary Communications Services Tax in General. Each municipality in Florida is permitted to levy a discretionary communications services tax. A municipality which levies the tax is, subject to certain exemptions, required to levy it on all "communications services" which originate or terminate in the State of Florida and which are charged to a service address within the particular municipality.

"Communications services" means the transmission, conveyance or routing of voice, data, audio, video, or any other information or signals, including cable services, to a point, or between points, by or through any electronic, radio, satellite, cable, optical, microwave, or other medium or method now in existence or hereafter devised, regardless of the protocol used for such transmission or conveyance. However, the term "communications services" does not include "information services," installation or maintenance of wiring or equipment on a customer's premises, the sale or rental of tangible personal property, the sale of advertising, including, but not limited to directory advertising, bad check charges, late payment charges, billing and collection services or internet access service, electronic mail service, electronic bulletin board service or similar on-line computer services. "Information service" means, in general, the offering of a capability for generating, acquiring, storing, transforming, processing, retrieving, using, or making available information via communication services, including but not limited to, electronic publishing, web-hosting service and end-user 900 number service.

Services provided to the federal, state or local governments are exempt from the communications services tax. Sales to certain non-profit homes for the aged, religious institutions and educational institutions are also exempt from the tax. In addition, the discretionary communications services tax does not apply to any direct-to-home satellite service. Under certain circumstances, the discretionary communications services tax may not exceed \$25,000 per calendar year on communications services charges billed to a service address located in a municipality imposing the tax for interstate communications services that originate outside Florida and terminate within Florida.

The maximum rate at which any municipality may impose the discretionary communications services tax is 5.22%, although certain municipalities may not levy at a rate in excess of 5.10%.

The discretionary communications services tax is required to be paid by the purchaser of the communications service and collected from such purchaser by the dealer of the communications services. Failure to pay, collect and remit the tax as required by law may subject the offender to criminal penalties.

The proceeds of the tax are required to be remitted by the dealer to the State of Florida Department of Revenue. The Department of Revenue is permitted to deduct its cost of administering the tax, not to exceed 1% of the total tax collections, and to then distribute the remaining proceeds to the taxing municipality on a monthly basis.

Revenues raised by a municipality from the discretionary communications services tax may be used for any public purpose, including pledging such revenues to indebtedness.

City of Belle Isle Discretionary Communications Services Tax. The City of Belle Isle has imposed a discretionary communications services tax since October 1, 2001, the first date on which the tax was authorized under Florida law. For the fiscal year ended September 30, 2002 the City imposed the tax at the rate of 1.76%, for the fiscal year ended September 30, 2003 the City increased the rate to 2.12%, and for the fiscal year beginning October 1, 2003 and ending September 30, 2004 the City has increased the rate to the statutory maximum of 5.22%.

Based upon the historical amount of communications services tax revenues received by the City in the fiscal years ended 2002 and 2003, and the increase in the rate of the tax which became effective October 1, 2003, the City estimates that communications services tax revenues received during the fiscal year ending September 30, 2004 will be approximately \$172,046. Maximum annual debt service for the Basic Payments portion of the Belle Isle loan is \$120,621, which results in estimated debt service coverage of approximately 143%.

Under the Belle Isle Loan Agreement, the City of Belle Isle covenants to take all lawful steps necessary in order to impose on a continuing basis the Discretionary Communications Services Tax at such rate and on such services as permitted by law in order to receive revenues therefrom sufficient at all times to timely pay the Loan Repayments.

Under the terms of the Belle Isle Loan Agreement, the City of Belle Isle is permitted to issue additional debt payable from and secured by a lien upon and pledge of the Discretionary Communications Services Tax Revenues on a parity with the Loan Repayment obligations under the Belle Isle Loan Agreement provided that, among other things, the amount of Discretionary Communications Services Tax Revenues received by the City for any twelve consecutive months within the eighteen months immediately preceding the date of the additional debt equals at least 135% of the maximum annual debt service on the City of Belle Isle Loan Agreement (Basic Payments only) and the proposed parity debt.

In addition, for so long as the covenant to budget and appropriate from non ad valorem revenues applies to the City, in connection with the issuance of debt which is secured by its Non-Ad Valorem Revenues the City is required to comply with the Anti-dilution Covenant. Except as hereinabove described, the Belle Isle Loan Agreement does not contain any limitation upon the issuance of indebtedness of Belle Isle that is not payable from or secured by the Discretionary Communications Services Tax Revenues.

The City of Belle Isle does not plan on incurring any indebtedness payable from Discretionary Communications Services Tax Revenues for the foreseeable future.

Deerfield General Obligation Loan

The Basic Payment obligations of the City of Deerfield Beach under its G.O. Loan Agreement are general obligations of the City, for which the full faith, credit and taxing power of the City is irrevocably pledged. The City of Deerfield Beach covenants that in each year while its G.O. Loan is outstanding, it shall levy and collect an ad valorem tax without limitation as to rate or amount on all assessable property within

its geographic jurisdiction, sufficient in amount to pay its Basic Payments, as the same shall become due, after applying any other funds which may be available for such Basic Payment and which shall actually be so applied.

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

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

Within each county there is a property appraiser, one function of which is to determine the assessed valuation of all property within the county subject to ad valorem taxes. Property valuations are established each year as of January 1. Each taxpayer whose property is subject to taxation is given notice of the assessed valuation of such property, and the property owner has the right to file an appeal. Upon completion of the hearing of all appeals, an assessment roll is completed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The City of Deerfield Beach will use proceeds of its G.O. Loan to finance various municipal capital expenditures. The incurrence of the G.O. Loan was approved by the voters of the City of Deerfield Beach in a bond referendum held in 2003 for such purpose. Information relevant to the Deerfield G.O. Loan is contained herein in Appendix J.

Gadsden County Loan

The Loan Repayment obligations of Gadsden County are not secured by or payable from the Covenant to Budget and Appropriate. Rather, the Loan Repayment obligations of Gadsden County are payable from and are secured by a pledge of and lien upon the "Gas Tax Revenues" of the County. Except as described under this caption, the Gadsden County Loan Agreement is substantially similar to the standard Covenant Loan Agreement.

The "Gas Tax Revenues" consist of revenues derived by the County from two separate taxes referred to as the "County Gas Tax" and the "Constitutional Gas Tax." Each of the components of the Gas Tax Revenues is described herein.

Constitutional Gas Tax in General. In addition to other taxes, the State of Florida imposes a tax of two-cents per net gallon on the first sale or first removal from storage, after importation into the State, of motor fuel, which tax is statutorily designated as the "Constitutional Fuel Tax." "Motor fuel" is "all gasoline products or any product blended with gasoline or any fuel placed in the storage supply tank of a gasoline-powered motor vehicle." The Constitutional Fuel Tax is referred to herein as the "Constitutional Gas Tax."

County Gas Tax in General. In addition to other taxes, the State of Florida also imposes a tax of one-cent per net gallon on the first sale or first removal from storage, after importation into the State, of motor fuel, which tax is statutorily designated as the "County Fuel Tax." The County Fuel Tax is referred to herein as the "County Gas Tax."

Collection. The Department of Revenue is responsible for collecting the Constitutional Gas Tax and the County Gas Tax. After deducting the expenses of collection, administration, enforcement and distribution (limited to 2% of collections) of the Constitutional Gas Tax, the Department of Revenue remits the tax proceeds to the State Board of Administration for distribution as provided in the Florida Constitution and hereinafter described. After deducting the expenses of collection, administration, enforcement and distribution (limited to 2% of collections) of the County Gas Tax, and after deducting a 7.3% service charge to the General Revenue Fund of the State of Florida, the Department is required to divide the proceeds of the County Gas Tax and distribute the same to Florida counties.

Distribution. The formulas used to distribute the Constitutional Gas Tax and the County Gas Tax (jointly, the "Gas Taxes") to the various Florida counties are the same, and are as follows:

1. First, the distribution factor for each county is calculated on an annual basis as follows:

$$\begin{aligned}
 & \qquad \qquad \qquad 1/4 \quad \times \quad \frac{\text{County Area}}{\text{State Area}} \\
 + & \qquad \qquad \qquad 1/4 \quad \times \quad \frac{\text{County Population}}{\text{State Population}} \\
 + & \qquad \qquad \qquad 1/2 \quad \times \quad \frac{\text{Number of Motor Fuel Gallons Sold in County}}{\text{Number of Motor Fuel Gallons Sold Statewide}} \\
 = & \qquad \qquad \qquad \text{County's Distribution Factor}
 \end{aligned}$$

2. Second, the allocation for each county is calculated as follows:

$$\text{Statewide Fuel Tax Receipts} \times \text{County's Distribution Factor} = \text{County's Allocation}$$

Thus, changes in relative population and in absolute and relative motor fuel sales will affect the amount of Gas Taxes distributable to a county.

Eligibility. All counties are eligible to receive Gas Tax revenues.

Use of Revenue. Constitutional Gas Tax revenues distributed to each county may be used for the acquisition, construction and maintenance of roads. County Gas Tax revenues may be used solely for the acquisition of rights-of-way; the construction, reconstruction, operation, maintenance and repair of transportation facilities, roads, and bridges therein; or the reduction of bonded indebtedness incurred by a county (or special road and bridge districts within such county) for road and bridge or other transportation purposes.

Distribution Data. The following table summarizes County Gas Tax and Constitutional Gas Tax distributions to Gadsden County for the fiscal years of the State ended June 30, 1999 through 2003, as reported by the State Department of Revenue and State Board of Administration of Florida.

<u>Fiscal Year Ended June 30</u>	<u>Total Amount Distributed to Gadsden County</u>	<u>Percentage Increase (Decrease)</u>
1999	\$ 1,266,948	N/A
2000	1,275,348	0.66
2001	1,424,028	11.65
2002	1,404,629	(1.36)
2003	1,524,921	8.56

The following table sets forth the pro-forma debt service coverage for the Gadsden County Loan:

Historical Coverage of Maximum Annual Debt Service Based Upon State Fiscal Years Ended June 30					
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Gadsden County Gas Tax Revenues	\$1,266,948	\$1,275,348	\$1,424,028	\$1,404,629	\$1,524,921
Debt Service ⁽¹⁾	\$825,062	\$825,062	\$825,062	\$825,062	\$825,062
Debt Service Coverage	1.54x	1.55x	1.73x	1.70x	1.85x

⁽¹⁾ Maximum annual debt service for the Basic Payments portion of Gadsden County Loan.

Under the terms of the Gadsden County Loan Agreement, Gadsden County is permitted to issue additional debt payable from and secured by a lien upon and pledge of the Gas Tax Revenues on a parity with the Loan Repayment obligations under the Gadsden County Loan Agreement provided that, among other things, the amount of Gas Tax Revenues received by the County for any twelve consecutive months within the eighteen months immediately preceding the date of the additional debt equals at least 150% of the maximum annual debt service on the Gadsden County Loan Agreement (Basic Payments only) and the proposed parity debt. The Gadsden County Loan Agreement does not contain any limitation upon the issuance of indebtedness of Gadsden County that is not payable from or secured by the Gas Tax Revenues; the Anti-dilution Covenant described herein is not contained in the Gadsden County Loan Agreement.

Gadsden County does not plan on incurring any indebtedness payable from Gas Tax Revenues for the foreseeable future.

City of North Miami Beach Loan

The Loan Repayment obligations of the City of North Miami Beach are payable from and are secured by a pledge of and lien upon the Charter County Transit System Surtax Proceeds levied by Miami-Dade County, Florida and remitted to the City of North Miami-Beach pursuant to the Interlocal Agreement (the "Interlocal Agreement"), dated August 18, 2003, between the County and the City (such remitted proceeds being herein referred to as the "Surtax Proceeds"). Except as described under this caption, the North Miami Beach Loan Agreement is substantially similar to the standard Covenant Loan Agreement.

The City of North Miami Beach also agrees to appropriate in its annual budgets, by amendment, if required, and to pay when due under its Loan Agreement, as promptly as money becomes available, amounts of Non-Ad Valorem Revenues of the City sufficient to satisfy the Loan Repayment obligations of the City to the extent the Surtax Proceeds are insufficient for such purpose.

Charter County Surtax Revenues. The State of Florida levies and collects a sales tax on, among other things, the sales price of each item or article of tangible personal property sold at retail in the State of Florida, subject to certain exceptions and dealer allowances. Pursuant to Florida law, Miami-Dade County, Florida has, effective January 1, 2003, imposed a discretionary sales surtax (the "MD Surtax") at the rate of one-half of one percent on the amount of taxable sales and taxable purchases on all transactions occurring in Miami-Dade County which are otherwise subject to the state tax imposed on sales, use, rentals, admissions and other

transactions by Chapter 212, Florida Statutes, subject to certain exemptions in addition to those generally applicable to the State sales tax, including an exemption applicable to the sales amount above \$5,000 on any item of tangible personal property. Under the MD Surtax Ordinance, the MD Surtax shall remain in place until it is repealed by at least a two-thirds vote of the Board of County Commissioners of Miami-Dade County.

The MD Surtax, which is imposed at the rate of one-half percent, contains exemptions in addition to those applicable to the general State sales tax, which is imposed at the rate of 6%. Therefore, while the MD Surtax collections should generally be a function of the State sales tax collections in Miami-Dade County, the MD Surtax collections should generally be approximately, but somewhat less than, one-twelfth of the State sales tax collections in Miami-Dade County.

The MD Surtax is administered by the State Department of Revenue ("DOR") in the same manner as the State sales tax. The proceeds of the MD Surtax collected by DOR, less DOR's costs of administration (which by statute may not exceed 3% of the tax revenue), are distributed monthly to Miami-Dade County.

Under the terms of the ordinance of Miami-Dade County which imposed the MD Surtax, twenty percent of the surtax proceeds shall be distributed annually to those municipalities within the County as existed November 5, 2002 that meet the following conditions:

(i) The municipality must continue to provide the same level of general fund support for transportation that is in its FY 2001-2002 budget in subsequent fiscal years. Any MD Surtax proceeds received shall be applied by the municipality to supplement, not replace, its general fund support for transportation; and

(ii) The municipality must apply 20% of any surtax proceeds to transit uses in the nature of circulator buses, bus shelters, bus pullout bays or other transit-related infrastructure.

The use of the proceeds of the MD Surtax is limited to various transportation related uses.

MD Surtax proceeds received by Miami-Dade County are in general distributed (pursuant to the Ordinance which imposed the MD Surtax, the Interlocal Agreement and interlocal agreements between Miami-Dade County and other municipalities in Miami-Dade County) among the eligible municipalities pro-rata on the basis of relative population.

As of the date of this Official Statement, the share of the total MD Surtax distributable to the City of North Miami Beach is approximately 3.68%, although such percentage will change as the relative populations of the participating municipalities change. There is no way to predict what the share of the City will be at any future point in time.

The MD Surtax was first imposed beginning January 1, 2003, so there is only limited collection data available. However, set forth below is information concerning the past collection of sales tax in Miami-Dade County, which data may be relevant to the amount of MD Surtax revenues to be collected in the future, given the relationship between total sales tax collections within the Miami-Dade County and the amount of the MD Surtax as described above. **The sales taxes are not pledged to the obligations of North Miami Beach under the North Miami Beach Loan Agreement or to the Bonds.**

Miami-Dade County
Total Historical Sales Tax Collections
State Fiscal Years 1999 through 2003

State Fiscal Year Ended <u>June 30</u>	Total Collections <u>Miami-Dade County⁽¹⁾</u>	Percentage Increase <u>(Decrease)</u>
1999	\$1,612,008,124	N/A
2000	1,733,742,896	7.55
2001	1,825,319,178	5.28
2002	1,751,688,420	(4.03)
2003	1,734,857,203	(0.09)

In its budget for the fiscal year which began October 1, 2003 the City estimates that it will receive approximately \$1,000,000 of Surtax Proceeds, a number consistent with the past history of collection of sales tax in Miami-Dade County. Maximum annual debt service for the Basic Payments portion of the North Miami Beach loan is \$697,725, which would result in estimated debt service coverage of approximately 143% if the City's estimates are realized.

Under the Interlocal Agreement, North Miami Beach agrees to use proceeds of the MD Surtax received by it solely for uses permitted by law, which generally consist of funding transportation- related uses. If the City fails to meet the eligibility criteria described above, after having been given a reasonable opportunity to cure the deficiencies, its share shall not be distributed to it, but shall be distributed among the remaining eligible municipalities.

Under the terms of the North Miami Beach Loan Agreement, North Miami Beach is permitted to issue additional debt payable from and secured by a lien upon and pledge of the Surtax Revenues on a parity with the Loan Repayment obligations under the North Miami Beach Loan Agreement provided that, among other things, the amount of Surtax Revenues received by the City for any twelve consecutive months within the eighteen months immediately preceding the date of the additional debt equals at least 135% of the maximum annual debt service on the North Miami Beach Loan Agreement (Basic Payments only) and the proposed parity debt.

In addition, in connection with the issuance of debt which is secured by its Non-Ad Valorem Revenues the City is required to comply with the Anti-dilution Covenant unless for the fiscal year of the City ended immediately prior to the issuance of such proposed debt the amount of Surtax Revenues received by the City at least equaled the Loan Payments due on the North Miami Beach Loan in such year. Furthermore, if for any reason the MD Surtax is repealed or otherwise no longer in force, or if for any reason the City of North Miami Beach is no longer entitled to receive a portion of the MD Surtax revenues, then beginning at that point in time the Anti-Dilution Covenant would apply to North Miami Beach notwithstanding the preceding sentence. Except as hereinabove described, the North Miami Beach Loan Agreement does not contain any limitation upon the issuance of indebtedness of North Miami Beach that is not payable from or secured by the Surtax Revenues.

North Miami Beach does not plan on incurring any indebtedness payable from Surtax Revenues for the foreseeable future.

Financial Statements of the Borrowers

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

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

The Insurer does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and the Insurer set forth under the heading "Financial Guaranty Insurance." Additionally, the Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds.

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

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

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2002; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003.

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 this Official Statement and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2002, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2002, the Insurer had admitted assets of \$9.2 billion (audited), total liabilities of \$6.0 billion (audited), and total capital and surplus of \$3.2 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2003, the Insurer had admitted assets of \$9.9 billion (unaudited), total liabilities of \$6.4 billion (unaudited), and total capital and surplus of \$3.5 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

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

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

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

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

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

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

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DEBT SERVICE REQUIREMENTS

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

Year Ending December 1 <u>(Inclusive)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Debt Service</u>
2004	\$1,260,000	\$1,918,404.42	\$3,178,404.42
2005	1,685,000	1,982,432.54	3,667,432.54
2006	1,720,000	1,948,732.54	3,668,732.54
2007	1,750,000	1,914,332.54	3,664,332.54
2008	1,795,000	1,875,832.54	3,670,832.54
2009	1,840,000	1,830,957.54	3,670,957.54
2010	1,890,000	1,779,437.54	3,669,437.54
2011	1,960,000	1,722,737.54	3,682,737.54
2012	2,010,000	1,661,487.50	3,671,487.50
2013	1,625,000	1,581,087.50	3,206,087.50
2014	2,055,000	1,495,775.00	3,550,775.00
2015	2,170,000	1,387,887.50	3,557,887.50
2016	2,240,000	1,273,962.50	3,513,962.50
2017	2,355,000	1,156,362.50	3,511,362.50
2018	2,480,000	1,032,725.00	3,512,725.00
2019	1,610,000	902,525.00	2,512,525.00
2020	1,000,000	818,000.00	1,818,000.00
2021	1,045,000	768,000.00	1,813,000.00
2022	1,105,000	715,750.00	1,820,750.00
2023	1,155,000	660,500.00	1,815,500.00
2024	1,215,000	602,750.00	1,817,750.00
2025	1,285,000	542,000.00	1,827,000.00
2026	1,345,000	477,750.00	1,822,750.00
2027	2,400,000	410,500.00	2,810,500.00
2028	3,205,000	290,500.00	3,495,500.00
2029	470,000	130,250.00	600,250.00
2030	495,000	106,750.00	601,750.00
2031	520,000	82,000.00	602,000.00
2032	545,000	56,000.00	601,000.00
2033	575,000	28,750.00	603,750.00
Total	\$46,805,000	\$31,154,179.70	\$77,959,179.70

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

Year Ending December 1 (inclusive)	City of <u>Apopka</u>	Town of Bay <u>Harbor Islands</u>	City of Deerfield Beach Covenant <u>Loan</u>	City of Deerfield Beach <u>G.O. Loan</u>	City of <u>Belle Isle</u>	Gadsden <u>County</u>	City of North <u>Miami Beach</u>
2004	\$172,429.92	\$ 574,594.06	\$166,409.48	\$673,389.56	\$112,826.98	\$ 787,665.98	\$ 691,088.44
2005	183,798.76	600,677.50	175,158.76	1,074,710.00	117,421.26	823,706.26	691,960.00
2006	181,598.76	602,277.50	173,858.76	1,077,310.00	120,621.26	823,906.26	689,160.00
2007	179,398.76	603,777.50	172,558.76	1,074,710.00	118,721.26	823,906.26	691,260.00
2008	181,978.76	604,817.50	171,128.76	1,081,240.00	116,631.26	822,686.26	692,350.00
2009	184,103.76	600,192.50	174,503.76	1,076,240.00	119,256.26	824,686.26	691,975.00
2010	180,743.76	600,012.50	172,543.76	1,079,900.00	116,456.26	824,706.26	695,075.00
2011	182,143.76	604,312.50	175,443.76	1,087,300.00	118,456.26	823,206.26	691,875.00
2012	183,237.50	603,062.50	173,100.00	1,078,550.00	120,175.00	820,550.00	692,812.50
2013	183,037.50	599,862.50	175,100.00	615,750.00	115,775.00	822,350.00	694,212.50
2014	180,950.00	603,837.50	175,900.00	1,075,750.00	--	820,587.50	693,750.00
2015	183,600.00	602,025.00	171,437.50	1,081,600.00	--	822,250.00	696,975.00
2016	180,725.00	604,687.50	171,975.00	1,040,875.00	--	822,075.00	693,625.00
2017	182,587.50	601,562.50	172,250.00	1,035,937.50	--	825,062.50	693,962.50
2018	178,925.00	602,912.50	172,262.50	1,039,950.00	--	820,950.00	697,725.00
2019	--	603,475.00	172,012.50	1,042,387.50	--	--	694,650.00
2020	--	603,250.00	171,500.00	1,043,250.00	--	--	--
2021	--	603,000.00	171,000.00	1,039,000.00	--	--	--
2022	--	602,000.00	175,250.00	1,043,500.00	--	--	--
2023	--	600,250.00	174,000.00	1,041,250.00	--	--	--
2024	--	602,750.00	172,500.00	1,042,500.00	--	--	--
2025	--	604,250.00	175,750.00	1,047,000.00	--	--	--
2026	--	604,750.00	173,500.00	1,044,500.00	--	--	--
2027	--	604,250.00	171,000.00	2,035,250.00	--	--	--
2028	--	602,750.00	173,250.00	2,719,500.00	--	--	--
2029	--	600,250.00	--	--	--	--	--
2030	--	601,750.00	--	--	--	--	--
2031	--	602,000.00	--	--	--	--	--
2032	--	601,000.00	--	--	--	--	--
2033	--	603,750.00	--	--	--	--	--
Total	\$2,719,258.74	\$18,048,086.56	\$4,323,393.30	\$28,291,349.56	\$1,176,340.80	\$12,308,294.80	11,092,455.94

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 2004, 2005, 2006 and 2012 through 2033, were offered at a price in excess of the principal amount thereof. Under the Code, the excess of the cost basis of a bond over the principal amount of the bond (other than for a bondholder who holds a bond as inventory, stock in trade, or for sale to customers in the ordinary course of business) is generally characterized as "bond premium." For federal income tax purposes, bond premium is amortized over the term of the bonds. A bondholder will therefore be required to decrease his basis in the Bonds by the amount of the amortizable bond premium attributable to each taxable year he holds such Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

In addition, the Bonds maturing in the years 2014 through 2033 were offered at prices in excess of the principal amount thereof to achieve a yield based upon the date on which such Bonds are subject to

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

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

Tax Treatment of Original Issue Discount

Under the Code, the difference between the principal amount of the Bonds maturing in the years 2007 through 2011 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, except as hereinafter described with respect to the City of Deerfield Beach, will render an opinion that there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending, or to the best of such counsel's knowledge after due inquiry threatened, against or affecting such Borrower wherein an unfavorable decision, ruling or finding would adversely affect such Borrower, its financial condition or its ability to comply with its obligations under the Loan Agreement or the validity or enforceability of the Loan Agreement.

The City of Deerfield Beach is a defendant in a lawsuit brought by a party seeking a refund of certain fees paid to the City. The total amount of the disputed fees is approximately \$755,000. Counsel to the City of Deerfield Beach cannot predict the outcome of the lawsuit. However, the City of Deerfield Beach has

advised the Issuer that in the event the lawsuit is determined adverse to the City, and the City is required to refund the disputed fees, such would not have an adverse effect upon the City material to its ability to perform its obligations in connection with the Bonds and the repayment of its Loan.

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

VALIDATION

On 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 and Olive P.A. bond counsel. Bond counsel has not undertaken to independently verify, and therefore expresses no opinion as to the accuracy, completeness or fairness of any of the statements in this Official Statement or in the Appendices hereto, except as to the fairness and accuracy of the information in the sections hereof captioned "The Bonds" (except for the information contained in the subheading thereunder captioned "Book-Entry Only System" as to which no opinion will be expressed), "Security and Sources of Payment" (except for the information under the subheadings thereunder captioned "City of Belle Isle Loan," "Town of Bay Harbor Islands Loan," and "City of North Miami Beach Loan," as to which no opinion will be expressed) and "Tax Matters." A form of the approving opinion of bond counsel is included herein as Appendix E. Certain legal matters will be passed upon for the Issuer by its counsel, Kraig A. Conn, Esquire, counsel to the Issuer, as assistant general counsel to the Florida League of Cities, Inc. and for the Underwriter by its counsel, Moyle, Flanigan, Katz, Raymond & Sheehan, P.A. Certain legal matters will be passed upon for certain of the Borrowers by their respective counsel.

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

RATINGS

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

UNDERWRITING

Banc of America Securities LLC, the Underwriter, has agreed, subject to certain customary conditions precedent, to purchase the Bonds at a price of \$48,098,458.25 (which includes net original issue premium of \$1,573,820.20 and underwriter's discount of \$280,361.95), 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 First Southwest Company, Orlando, Florida, as Financial Advisor in connection with the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CONTINUING DISCLOSURE

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

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Bonds upon an event of default under the Indenture and any policy of insurance referred to herein are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the federal bankruptcy code, the Indenture, the Bonds and any policy of insurance referred to herein may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery.

MISCELLANEOUS

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

FLORIDA MUNICIPAL LOAN COUNCIL

By: /s/ Raul Martinez
Its Chairman

APPENDIX A

FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BORROWERS

This **CONTINUING DISCLOSURE AGREEMENT** dated as of _____ 1, 2003 (the "Continuing Disclosure Agreement") is executed and delivered by _____, Florida, a Florida _____ ("Borrower"), and by Florida League of Cities, Inc., a Florida corporation not-for-profit, as Dissemination Agent (the "Dissemination Agent") hereunder. Additional capitalized terms used herein shall have the meanings ascribed thereto in Section 2 hereof.

SECTION 1. Nature of Undertaking. This Continuing Disclosure Agreement constitutes an undertaking by the Borrower under paragraph (b)(5) of the Rule to provide Financial Information and notice of the occurrence of certain events with respect to the Bonds, as provided in paragraph (b)(5)(i)(C) of the Rule, and otherwise to assist the Participating Underwriter in complying with paragraph (b)(5) of the Rule with respect to the Offering of the Bonds. Among other things, the Borrower is hereby undertaking (i) to disseminate an Annual Report not later than 270 days after the end of each Fiscal Year of the Borrower in accordance with Section 4 hereof, which contains Financial Information with respect to the Borrower, (ii) if an Annual Report does not contain the Audited Financial Statements, to disseminate the Audited Financial Statements in accordance with Section 4 hereof as soon as practicable after they shall have been approved by the Governing Body, (iii) to provide notice in a timely manner, in accordance with Section 6 hereof, of the occurrence of any of the Listed Events related to the Borrower and (iv) to provide notice in a timely manner, in accordance with Section 4(e) hereof, of any failure to disseminate an Annual Report in accordance with the preceding clause (i) of this sentence.

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

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

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

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

"Annual Report Date" means the date which is 270 days after the end of a Fiscal Year.

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

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

"Bonds" means the \$_____ Florida Municipal Loan Council Revenue Bonds, Series 2003B.

"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 December 1, 2003 by and between Florida Municipal Loan Council, as Issuer, and Wachovia Bank, National Association, as Trustee.

"Insurer" means MBIA Insurance Corporation.

"Issuer" means Florida Municipal Loan Council.

"Loan Agreement" means the Loan Agreement dated as of December 1, 2003, between the Issuer and the Borrower.

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

"MSRB" means the Municipal Securities Rulemaking Board.

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

"Offering" shall have the primary offering of the Bonds for sale by the Participating Underwriter.

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

"Participating Underwriter" means Banc of America Securities LLC.

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

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

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

"SEC" means the Securities and Exchange Commission.

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

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

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

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

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

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

(b) The Dissemination Agent shall notify the Borrower of each Report Date and of the Borrower's obligation hereunder not more than 60 and not less than 30 days prior to each Report Date. The Borrower shall provide an Annual Report to the Dissemination Agent, together with an Annual Report Certificate, not later than each Annual Report Date, provided that, if the Annual Report does not include the Audited Financial Statements, the Borrower shall

provide the Audited Financial Statements to the Dissemination Agent as soon as practicable after they shall have been approved by the Governing Body.

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

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

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

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

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

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

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

SECTION 6. Reporting of Listed Events. (a) This Section 6 governs the provision of Event Notices relating to Listed Events with respect to the Bonds. The following events are "Listed Events":

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

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

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

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

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

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

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

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

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

SECTION 8. Amendments: Waivers. This Continuing Disclosure Agreement may be amended, and any provision hereof may be waived, by the parties hereto if, prior to the effective date of any such amendment or waiver, the Borrower delivers to the Dissemination Agent, the Issuer and the Trustee an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to one or more members of the Borrower), to the effect that this

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

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

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

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

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

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

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

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

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

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

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

_____, as Borrower

By: _____

Its: _____

FLORIDA LEAGUE OF CITIES, INC.,
as Dissemination Agent

By: _____

Its: _____

EXHIBIT A

Form of Annual Report Certificate

The undersigned duly appointed and acting _____ of _____, a Florida _____, as Borrower under the Continuing Disclosure Agreement (hereinafter described) (the "Borrower"), hereby certifies on behalf of the Borrower pursuant to the Continuing Disclosure Agreement dated as of December 1, 2003 (the "Continuing Disclosure Agreement") executed and delivered by the Borrower and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Continuing Disclosure Agreement.
2. Annual Report. Accompanying this Annual Report Certificate is the Annual Report for the Fiscal Year ended _____.
3. Compliance with Continuing Disclosure Agreement. The Annual Report is being delivered to the Dissemination Agent herewith not later than 270 days after the end of the Fiscal Year to which the Annual Report relates. The Annual Report contains, or includes by reference, Financial Information and Operating Data of the types identified in the Continuing Disclosure Certificate most recently delivered to the Dissemination Agent pursuant to Section 5 of the Master Continuing Disclosure Agreement. To the extent any such Financial Information or Operating Data is included in the Annual Report by reference, any document so referred to has been previously provided to the Repositories or filed with the SEC or, in the case of a reference to a Final Official Statement, has been filed with the MSRB.

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

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

_____, as Borrower

By: _____

Its: _____

Acknowledgment of Receipt:

as Dissemination Agent

By: _____

Its: _____

EXHIBIT B

Form of Section 5(a) Continuing Disclosure Certificate

The undersigned duly appointed and acting _____ of _____
_____ (the "Borrower") hereby certifies on behalf of the Borrower pursuant to the Continuing Disclosure Agreement dated as of December 1, 2003 (the "Continuing Disclosure Agreement") executed and delivered by the Borrower and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

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

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

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

(a) Financial Information _____

(b) Operating Data _____

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

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

_____, as Borrower

By: _____

Its: _____

Acknowledgment of Receipt:

as Dissemination Agent

By: _____

Its: _____

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APPENDIX B

FORM OF CONTINUING DISCLOSURE AGREEMENT FOR ISSUER

This **CONTINUING DISCLOSURE AGREEMENT** dated as of December 1, 2003 (the "Continuing Disclosure Agreement") is executed and delivered by Florida Municipal Loan Council, ("Issuer"), and by Florida League of Cities, Inc., a Florida corporation not-for-profit, as Dissemination Agent (the "Dissemination Agent") hereunder. Additional capitalized terms used herein shall have the meanings ascribed thereto in Section 2 hereof.

SECTION 1. Nature of Undertaking. This Continuing Disclosure Agreement constitutes an undertaking by the Issuer under paragraph (b)(5) of the Rule to provide Annual Financial Information and notice of the occurrence of certain events with respect to the Bonds, as provided in paragraph (b)(5)(i)(C) of the Rule, and otherwise to assist the Participating Underwriter in complying with paragraph (b)(5) of the Rule with respect to the Offering of the Bonds. Among other things, the Issuer is hereby undertaking (i) to disseminate an Annual Report not later than 270 days after the end of each Fiscal Year of the Issuer in accordance with paragraph (b)(5)(i)(A) of the Rule and Section 4 hereof, which contains Annual Financial Information with respect to the Issuer, (ii) if an Annual Report does not contain the Audited Financial Statements, to disseminate the Audited Financial Statements in accordance with paragraph (b)(5)(i)(B) of the Rule and Section 4 hereof as soon as practicable after they shall have been approved by the Governing Body, (iii) to provide notice in a timely manner, in accordance with paragraph (b)(5)(i)(C) of the Rule and Section 6 hereof, of the occurrence of any of the Listed Events related to the Issuer and (iv) to provide notice in a timely manner, in accordance with paragraph (b)(5)(i)(D) of the Rule and Section 4(e) hereof, of any failure to disseminate an Annual Report in accordance with the preceding clause (i) of this sentence.

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

"Annual Financial Information" shall have the meaning ascribed thereto in paragraph (f)(9) of the Rule.

"Annual Report" means a document or set of documents which (a) identifies the Issuer; (b) contains (or includes by reference to documents which were provided to each Repository or filed with the SEC or, if by reference to the Final Official Statement, filed with the MSRB prior to the date that the Annual Report containing such reference is provided to the Dissemination Agent in accordance with Section 4 hereof): (i) Financial Information and Operating Data for the Issuer; (ii) Audited Financial Statements if such Audited Financial Statements shall have been approved by the Governing Body at the time the Annual Report is required to be provided to the Dissemination Agent in accordance with Section 4 hereof; and (iii) Unaudited Financial Statements if the Audited Financial Statements shall not have been approved by the Governing Body at the time the Annual Report is required to be provided to the Dissemination Agent in accordance with

Section 4 hereof; (c) in the event that the Issuer delivers a Continuing Disclosure Certificate to the Dissemination Agent pursuant to Section 5(b) hereof, contains (in the case of the Annual Report disseminated on or immediately after the date such Continuing Disclosure Certificate is so delivered) a narrative explanation of the reasons for the changes in Financial Information and/or Operating Data set forth in such Continuing Disclosure Certificate and the effect of the changes on the types of Financial Information and/or Operating Data being provided in such Annual Report; and (d) in the event that the Issuer authorizes a change in the accounting principles by which its Audited Financial Statements are prepared, contains (in the case of the Annual Report disseminated on or immediately after the date of such change) (1) a comparison between the Financial Information prepared on the basis of the new accounting principles which is contained in such Annual Report and the Financial Information prepared on the basis of the former accounting principles which was contained in the previous Annual Report disseminated immediately prior to such Annual Report and (2) a discussion of the differences between such accounting principles and the effect of such change on the presentation of the Financial Information being provided in such Annual Report.

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

"Annual Report Date" means the date which is 270 days after the end of a Fiscal Year.

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

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

"Bonds" means the \$ _____ Florida Municipal Loan Council Revenue Bonds, Series 2003B.

"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 December 1, 2003, by and between the Issuer and Wachovia Bank, National Association, as Trustee.

"Insurer" means MBIA Insurance Corporation.

"Issuer" means Florida Municipal Loan Council.

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

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

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

"Participating Underwriter" means Banc of America Securities LLC.

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

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

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

"SEC" means the Securities and Exchange Commission.

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

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

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

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

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

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

(b) The Dissemination Agent shall notify the Issuer of each Report Date and of the Issuer's obligation hereunder not more than 60 and not less than 30 days prior to each Report Date. The Issuer shall provide an Annual Report to the Dissemination Agent, together with an Annual Report Certificate, not later than each Annual Report Date, provided that, if the

Annual Report does not include the Audited Financial Statements, the Issuer shall provide the Audited Financial Statements to the Dissemination Agent as soon as practicable after they shall have been approved by the Governing Body.

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

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

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

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

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

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

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

SECTION 6. Reporting of Listed Events. (a) This Section 6 governs the provision of Event Notices relating to Listed Events with respect to the Bonds. The following events are "Listed Events":

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

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

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

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

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

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

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

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

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

SECTION 8. Amendments: Waivers. This Continuing Disclosure Agreement may be amended, and any provision hereof may be waived, by the parties hereto if, prior to the effective date of any such amendment or waiver, the Issuer delivers to the Dissemination Agent and the Trustee an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to one or more members of the Issuer), to the effect that this Continuing Disclosure Agreement (taking into account such amendment or waiver) complies with the Rule, as in effect on the date of the Offering of Bonds or after the execution and delivery of this

Continuing Disclosure Agreement, taking into account any amendment or interpretation of the Rule by the SEC or any adjudication of the Rule by a final decision of a court of competent jurisdiction which may have occurred subsequent to the execution and delivery of this Continuing Disclosure Agreement. The Dissemination Agent shall notify the Repositories of any such amendment and shall provide the Repositories with a copy of any such amendment.

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

SECTION 10. Compensation of the Dissemination Agent. As compensation to the Dissemination Agent for its services pursuant to this Continuing Disclosure Agreement, the Issuer agrees to pay all fees and all expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs and other disbursements in the administration and performance of its duties hereunder, and shall to the extent permitted by law indemnify and save the Dissemination Agent and its officers, directors, attorneys, agents and employees harmless from and against any costs, expenses, damages or other liabilities (including attorneys fees) which it (or they) may incur in the exercise of its (or their) powers and duties hereunder, except with respect to its (or their) willful misconduct or gross negligence.

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

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

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

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

SECTION 13. Beneficiaries. This Continuing Disclosure Agreement shall inure solely to the benefit of the Dissemination Agent, the Trustee, the Issuer, the Insurer, the Participating Underwriter and the Bondholders. This Continuing Disclosure Agreement shall not be deemed

to inure to the benefit of or grant any rights to any party other than the parties specified in the preceding sentence.

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

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

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

FLORIDA MUNICIPAL LOAN COUNCIL,
as Issuer

By: _____
Its: Chairman

FLORIDA LEAGUE OF CITIES, INC.,
as Dissemination Agent

By: _____
Its: Executive Director

EXHIBIT A

Form of Annual Report Certificate

The undersigned duly appointed and acting _____ of Florida Municipal Loan Council, as Issuer under the Continuing Disclosure Agreement (hereinafter described) (the "Issuer"), hereby certifies on behalf of the Issuer pursuant to the Continuing Disclosure Agreement dated as of December 1, 2003 (the "Continuing Disclosure Agreement") executed and delivered by the Issuer and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Continuing Disclosure Agreement.
2. Annual Report. Accompanying this Annual Report Certificate is the Annual Report for the Fiscal Year ended _____.
3. Compliance with Continuing Disclosure Agreement. The Annual Report is being delivered to the Dissemination Agent herewith not later than 270 days after the end of the Fiscal Year to which the Annual Report relates. The Annual Report contains, or includes by reference, Financial Information and Operating Data of the types identified in the Continuing Disclosure Certificate most recently delivered to the Dissemination Agent pursuant to Section 5 of the Master Continuing Disclosure Agreement. To the extent any such Financial Information or Operating Data is included in the Annual Report by reference, any document so referred to has been previously provided to the Repositories or filed with the SEC or, in the case of a reference to a Final Official Statement, has been filed with the MSRB.

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

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

FLORIDA MUNICIPAL LOAN COUNCIL,
as Issuer

By: _____
Its: _____

Acknowledgment of Receipt:

as Dissemination Agent

By: _____
Its: _____

EXHIBIT B

Form of Section 5(a) Continuing Disclosure Certificate

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

The undersigned duly appointed and acting Chairman of Florida Municipal Loan Council (the "Issuer") hereby certifies on behalf of the Issuer pursuant to the Continuing Disclosure Agreement dated as of December 1, 2003 (the "Continuing Disclosure Agreement") executed and delivered by the Issuer and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

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

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

3. Written Undertaking. On behalf of the Issuer, the Issuer hereby designates the Continuing Disclosure Agreement to be the written undertaking under paragraph (b)(5) of the Rule with respect to the \$_____ Florida Municipal Loan Council Revenue Bonds, Series 2003B.

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

(a) Financial Information None

(b) Operating Data None

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

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

FLORIDA MUNICIPAL LOAN COUNCIL,
as Issuer

By: _____
Its: Chairman

Acknowledgment of Receipt:

FLORIDA LEAGUE OF CITIES, INC.,
as Dissemination Agent

By: _____
Its: Executive Director

APPENDIX C
FORM OF INDENTURE
TRUST INDENTURE

THIS TRUST INDENTURE is made and entered into as of _____ 1, 2003, by and between FLORIDA MUNICIPAL LOAN COUNCIL, a legal entity and public body corporate and politic duly created and existing under the Constitution and laws of the State of Florida (the "Council"), and WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association, duly organized, existing and authorized to accept and execute trusts of the character herein set out, as Trustee (the "Trustee").

WITNESSETH:

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

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

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

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

WHEREAS, the Council has previously by a resolution adopted on December 17, 1998, as amended and supplemented (the "Resolution"), authorized the issuance of its Florida Municipal Loan Council Revenue Bonds, in various series in an additional aggregate principal amount of not exceeding \$500,000,000, pursuant to certain trust indentures, to provide funds to finance, refinance or reimburse the cost of qualified Projects of the participating Borrowers; and

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

WHEREAS, the Council has now determined to issue its \$_____ Florida Municipal Loan Council Revenue Bonds, Series 2003B 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

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 Term Bonds issued under the provisions of this Indenture.

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

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

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

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 _____, 2003 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,

"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 Bonds, Series 2003B 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 _____ 2, ending on and including the following _____ 1, except for the first period which begins on _____, 2003.

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

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

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

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 _____, 2003 between the Council and the Trustee, including any indentures supplemental thereto, pursuant to which (i) the Bonds are authorized to be issued and (ii) the Council's interest in the Trust Estate is pledged as security for the payment of principal of, premium, if any, and interest on the Bonds.

"Insurance Proceeds" means amounts which are deposited by the Bond Insurer with the Trustee pursuant to Article IX hereof as a condition of the direction of acceleration of all or a portion of the Bonds by the Bond Insurer.

"Interest Payment Date" means _____ 1 and _____ 1 of each year, beginning _____ 1, 2004.

"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)

- 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, unsecured 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)

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."

- b. The term of the repo may be up to 30 days
- c. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneously with payment (perfection by possession of certificated securities)
- d. Valuation of Collateral
 - (i) The securities must be valued weekly, marked-to-market at current market price plus accrued interest
 - (a) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.
3. Legal opinion that must be delivered to the municipal entity:
 - a. Repo meets guidelines under state law for legal investment of public funds.
12. The Florida Municipal Investment Trust 1 - 3 year High Quality Bond Fund.
13. The Local Government Surplus Funds Trust Fund created pursuant to Chapter 218, Part IV, Florida Statutes for which Florida State Board of Administration acts as custodian.
14. The Florida Municipal Investment Trust Enhanced Cash Portfolio
15. Any other investment in which proceeds of the Bonds may be invested under Florida law, provided that such investments are approved in writing by the Bond Insurer.

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

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

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

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

"Loan Repayment Date" means _____ 20, 2004 and thereafter each _____ 20th and _____ 20th or if such day is not a Business Day, the next preceding Business Day.

"Loan Repayments" means the payments of principal and interest and other payments payable by the Borrower pursuant to the provisions of the Loan Agreement.

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

"Moody's" means Moody's Investors Service and its successors and assigns.

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

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

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

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

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

(b) Bonds deemed paid under Article VIII hereof; and

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

"Paying Agent" means the Trustee.

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

"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.

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

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

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

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

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

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

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

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

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

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

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

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

"Registrar" means the Trustee.

"Representation Letter" shall mean the Representation Letter from the Council to DTC.

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

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

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

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

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

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

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

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

ARTICLE II

THE BONDS

SECTION 2.01. Authorization; Book-Entry System.

(a) Authorization, Issuance and Execution of Bonds. A single series of Bonds may be issued hereunder in order to obtain moneys to carry out the purposes of the Program for the benefit of the Council and the Borrowers. The Bonds shall be designated as "Florida Municipal Loan Council Revenue Bonds, Series 2003B". At any time after the execution of this Indenture, the Council may execute and the Trustee shall authenticate and, upon request of the Council, deliver the Bonds in the aggregate principal amount of _____ Dollars (\$_____). This Indenture constitutes a continuing agreement with the Owners from time to time of the Bonds appertaining thereto to secure the full payment of the principal of, premium, if any, and interest on all such Bonds subject to the covenants, provisions and conditions herein contained.

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

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

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

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

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

SECTION 2.02. Maturity and Interest Rate Provisions. The Bonds shall be dated as of _____ 1, 2003. They shall be numbered consecutively from R-1 upward. They shall be in the denomination of \$5,000 each, or integral multiples thereof. Each Bond shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated, unless authenticated on an Interest Payment Date, in which case it shall bear interest from such Interest

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

\$ _____ Serial Bonds					
Maturity (_____)1	Amount	Interest Rate	Maturity (_____)1	Amount	Interest Rate
2004			2014		
2005			2015		
2006			2016		
2007			2017		
2008			2018		
2009			2019		
2010			2020		
2011			2021		
2012			2022		
2013					

\$ _____ % Term Bond Due _____ 1, 20__

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 of its designee.

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 2.06. Mutilated, Lost, Stolen or Destroyed Bonds; Bonds Not Delivered for Redemption. If any Bond is mutilated, lost, stolen or destroyed, the Council shall

execute and the Registrar shall authenticate a new Bond of the same date, maturity and denomination as that mutilated, lost, stolen or destroyed; provided that in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Registrar, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Council and the Registrar evidence of such loss, theft or destruction satisfactory to the Council and the Registrar, together with an indemnity satisfactory to them. In the event any such Bond shall have matured or been called for redemption, instead of issuing a duplicate Bond, the Paying Agent may pay the same. The Council and the Registrar may charge the Owner of such Bond with their reasonable fees and expenses in connection with replacing any Bond mutilated, lost, stolen or destroyed.

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

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

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

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

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

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

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

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

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

ARTICLE III

REDEMPTION OF BONDS

SECTION 3.01. Optional Redemption of the Bonds.

The Bonds maturing on or before _____ 1, 20__ are not subject to optional redemption prior to their maturities. The Bonds maturing after _____ 1, 20__ are subject to redemption at the option of the Council on or after _____ 1, 20__, as a whole or in part at any time, in any manner determined by the Trustee in its discretion taking into consideration the maturity of the Loan being prepaid by a particular Borrower, 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 _____ 1, 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 _____ 1, 20__ and on each May thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
-------------	-------------------------

*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.

ARTICLE IV

REVENUES AND FUNDS

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

SECTION 4.02. Creation of Funds and Accounts. There are hereby established by the Council the following Funds and Accounts to be held by the Trustee: (1) the Project Loan Fund, with an Account relating to each Borrower therein, (2) the Principal Fund, (3) the Revenue Fund, (4) the Cost of Issuance Fund, (5) the Reserve Fund, and (6) the Rebate Fund.

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

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

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

SECTION 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.

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. Such moneys shall be segregated at Closing into separate accounts for each Borrower. All investment earnings on amounts in the Funds and Accounts (except the Rebate Fund and the Project Loan Fund) shall be deposited in the appropriate account of the respective Borrower 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 appropriate account of the respective Borrower in the Revenue Fund.

Amounts in all separate accounts of 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 segregated at Closing into separate accounts for each Borrower. Such moneys 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 _____ 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 2003B Bonds in the sum of \$ _____ shall be deposited with the Trustee as follows:

- (i) In the Revenue Fund, the sum of \$ _____, which represents accrued interest;
- (ii) In the Cost of Issuance Fund, the sum of \$ _____;
- (iii) In each Account for the respective Borrowers in the Project Loan Fund, the total sum of \$ _____, allocated as follows:
 - (a)
 - (b)
 - (c)

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

(i) On the date of each required payment of principal or of 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 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,

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):

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 and interest on the Bonds; (b) the actuarial yields on the Loans and on the Bonds as the same may relate to any data or conclusions necessary to verify that the Bonds are not arbitrage bonds within the meaning of Section 148 of the Code; and (c) calculations related to rebate liability. Payment for costs and expenses incurred in connection with supplying the foregoing information shall be paid from moneys in the Revenue Fund pursuant to Section 4.05(3) hereof.

ARTICLE V

PROJECT LOANS

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

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

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

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

Each draw request by the Borrower shall constitute an affirmation that the material warranties and representations contained in this Indenture and the Loan Agreement remain true and correct and that no breach of the covenants contained in this Indenture or the Loan Agreement has occurred as of the date of the draw, and the Trustee shall be entitled to exclusively rely on such representation and shall be fully indemnified by the Borrower from any liability resulting from such reliance, and shall have no liability to any other party, unless the Trustee is notified in writing to the contrary prior to the disbursement of the requested Project Loan Fund draw.

All requisitions received by the Trustee shall be substantially in the form attached to the Loan Agreement as Exhibit E, as required in this Article as conditions of payment from the Project Loan Fund, shall be conclusively relied upon by the Trustee as to the matters set forth therein and shall be retained in the possession of the Trustee, subject at all times to the inspection by the Council, the Borrowers and their agents and representatives thereof.

ARTICLE VII

INVESTMENT OF MONEYS

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

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

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

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

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

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.

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, nonpresentation of Bonds, the holding of moneys in trust, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Bondholder.

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

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

(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

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.

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

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.

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

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.

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.

ARTICLE XII

AMENDMENT OF LOAN AGREEMENTS

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.

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.

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

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

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

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

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

For purposes of Bonds for transfer, exchange or payment:

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

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

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

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

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 14.08. 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

(SEAL)

By: _____
Name: Stephanie Moore
Title: Trust Officer

EXHIBIT A

[FORM OF CURRENT INTEREST BOND]

No. R-_____ \$

FLORIDA MUNICIPAL LOAN COUNCIL
REVENUE BOND
SERIES 2003B

Maturity Date: Interest Rate: Dated Date: CUSIP:

Registered Owner: Cede & Co.

Principal Amount: _____ DOLLARS

FLORIDA MUNICIPAL LOAN COUNCIL, a legal entity duly created and existing under the Constitution and laws of the State of Florida (the "Council"), for value received, hereby promises to pay (but only out of the Revenues and other assets pledged therefor as hereinafter mentioned) to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above (subject to any right of prior redemption hereinafter mentioned), the Principal Amount identified above, in lawful money of the United States of America; and to pay interest thereon in like lawful money from _____, 2003, until payment of said Principal Amount has been made or duly provided for, at the Interest Rate set forth above on _____, 2003, and on each _____ and _____ thereafter (an "Interest Payment Date"), unless interest on this Bond is in default, in which event it shall bear interest from the last date to which interest has been paid until payment of such Principal Amount shall be discharged as provided in the Indenture hereinafter mentioned. The principal (or redemption price) hereof is payable upon presentation hereof at the principal office of Wachovia Bank, National Association, as Paying Agent and Registrar (together with any successor thereto, the "Paying Agent" and the "Registrar"). Interest hereon is payable by check mailed, except as provided in the Indenture, to the person whose name appears on the bond registration books maintained by the Registrar as the Registered Owner hereof as of the close of business on the 15th day of the calendar month preceding each Interest Payment Date, at such person's address as it appears on such registration books.

This Bond is one of a duly authorized issue of bonds of the Council designated as "Florida Municipal Loan Council Revenue Bonds, Series 2003B" (the "Bonds"), issued in the aggregate principal amount of _____ Dollars (\$ _____), pursuant to the provisions of Chapter 163, Part I, Florida Statutes, and other applicable provisions of law (collectively, the "Act"), and pursuant to a Trust Indenture, dated as of

_____, 2003, between the Council and Wachovia Bank, National Association, (the "Trustee") (together with any supplements or amendments thereto, the "Indenture"). The Bonds are issued for the purpose of providing funds to make loans to the [Borrowers] (the "Borrowers") to finance, refinance or reimburse the costs of various capital projects, pursuant to loan agreements between the Council and such Borrowers (together with any supplements or amendments thereto, the "Loan Agreements").

Capitalized terms used but not defined herein shall have the meaning set forth in the Indenture.

Reference is hereby made to the Indenture (a copy of which is on file at the principal corporate trust office of the Trustee) and to the Act for a description of the rights and remedies thereunder (and limitations thereon) of the registered owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the Council thereunder, to all the provisions of which Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds and the interest thereon are payable from Revenues (as defined in the Indenture) and are secured by a pledge and assignment of said Revenues and of amounts held in certain funds and accounts established pursuant to the Indenture (including proceeds of the sale of the Bonds until applied as set forth therein), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Bonds are further secured by an assignment of the right, title and interest of the Council in the Loan Agreements to the Trustee, to the extent and as more particularly described in the Indenture.

[insert redemption provisions]

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

In the case of every redemption, the Registrar, at the direction of the Trustee, shall cause notice of such redemption to be given to the Registered Owner of any Bonds designated for redemption in whole or in part as provided in the Indenture. The failure of the Registrar to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any other Bonds. On the redemption date, the principal amount and premium, if any, of each Bond to be redeemed, together with the accrued interest thereon to such date, shall become due and payable; from and after such date of redemption (such notice having been given and moneys available solely for such redemption being on deposit with the Trustee), the Bonds or portions thereof to be redeemed shall not be deemed to be outstanding under the Indenture, and the Council shall be under no further liability in respect thereof.

In the event that the Bond Insurer shall make any payments of principal of and/or interest on any of the Bonds pursuant to the terms of the financial guaranty insurance policy, and the Bonds are accelerated or redeemed pursuant to the terms of the Indenture or Loan, the Bond Insurer may pay all or a portion of amounts due under the Bonds to the Owners thereof prior to the stated maturity dates thereof.

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

The Indenture and the rights and obligations of the Council and of the Bondholders and of the Trustee may be modified or amended from time to time and at any time, without consent of the Bondholders in the manner, to the extent and upon the terms provided in the Indenture.

The Bonds are limited obligations of the Council and are not a lien or charge upon the funds or property of the Council, except to the extent of the herein mentioned pledge and assignment. Neither the State of Florida nor the Council shall be obligated to pay the principal of the Bonds, or the interest thereon, except from Revenues received by the Council, and neither the faith and credit nor the taxing power of the State of Florida or of any political subdivision or any municipal corporation thereof is pledged to the payment of the principal of, or interest on, the Bonds. The Bonds are not a debt of the State of Florida and said State is not liable for the payment thereof.

It is hereby certified and recited that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Act, as hereinafter defined, and by the Constitution and laws of the State of Florida, and that the amount of this Bond, together with all other indebtedness of the Council, does not exceed any limit prescribed by the Act, or by the Constitution and laws of the State of Florida, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been signed by the Registrar.

IN WITNESS WHEREOF, FLORIDA MUNICIPAL LOAN COUNCIL has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Chairman and its seal to be reproduced hereon by facsimile and attested by the manual or facsimile signature of its Executive Director all as of the date of the Bonds.

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

By: _____
Chairman

Attest:

Executive Director

VALIDATION CERTIFICATE

This Bond is one of a series of Bonds which were validated and confirmed by judgment of the Circuit Court for Leon County, Florida, rendered on February 13, 2003.

By: _____
Chairman

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

WACHOVIA BANK, NATIONAL ASSOCIATION, as Registrar

Date of Authentication:

By: _____
Authorized Signer

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto _____

the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s) attorney, to transfer the same on the books of the Registrar with full power of substitution in the premises.

Dated: _____

Signature guaranteed:

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STATEMENT OF INSURANCE

[END OF BOND FORM]

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APPENDIX D
FORM OF COVENANT LOAN AGREEMENT
LOAN AGREEMENT

This Loan Agreement (the "Loan Agreement" or the "Agreement") dated as of _____ 1, 2003 and entered into between the FLORIDA MUNICIPAL LOAN COUNCIL (the "Council"), a separate legal entity and public body corporate and politic duly created and existing under the Constitution and laws of the State of Florida, and [BORROWER] (the "Borrower"), a duly constituted municipality under the laws of the State of Florida.

W I T N E S S E T H:

WHEREAS, pursuant to the authority of the hereinafter defined Act, the Council desires to loan to the Borrower the amount necessary to enable the Borrower to finance, refinance or reimburse the cost of the Projects, as hereinafter defined, and the Borrower desires to borrow such amount from the Council subject to the terms and conditions of and for the purposes set forth in this Agreement; and

WHEREAS, the Council is a separate legal entity and public body corporate and politic duly created and existing under the laws of the State of Florida organized and existing under and by virtue of the Interlocal Agreement among initially, the City of DeLand, Florida, the City of Rockledge, Florida and the City of Stuart, Florida, as amended and supplemented, together with the additional governmental entities who become members of the Council, in accordance with Chapter 163, Part I, Florida Statutes, as amended (the "Interlocal Act"); and

WHEREAS, the Council has determined that there is substantial need within the State for a financing program (the "Program") which will provide funds for qualifying projects (the "Projects") for the participating Borrowers; and

WHEREAS, the Council is authorized under the Interlocal Act to issue its revenue bonds to provide funds for such purposes; and

WHEREAS, the Council has determined that the public interest will best be served and that the purposes of the Interlocal Act can be more advantageously obtained by the Council's issuance of revenue bonds in order to loan funds to the Borrowers to finance Projects; and

WHEREAS, the Borrower is authorized under and pursuant to the Act, as amended, to enter into this Loan Agreement for the purposes set forth herein; and

WHEREAS, the Council and the Borrower have determined that the lending of funds by the Council to the Borrower pursuant to the terms of this Agreement and that certain Trust Indenture dated as of _____ 1, 2003, between the Council and the Trustee (as defined herein) relating to the Bonds (as hereinafter defined), including any amendments and

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.

supplements thereto (the "Indenture"), will assist in the development and maintenance of the public welfare of the residents of the State and the areas served by the Borrower, and shall serve a public purpose by improving the health and living conditions, and providing adequate governmental services, facilities and programs and will promote the most efficient and economical development of such services, facilities and programs in the State; and

WHEREAS, neither the Council, the Borrower nor the State or any political subdivision thereof (other than each Borrower to the extent of their obligations under their respective Loan Agreements only), shall in any way be obligated to pay the principal of, premium, if any, or interest on those certain revenue bonds of the Council designated "Florida Municipal Loan Council Revenue Bonds, Series 2003B" (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:

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

"Bond Insurance" means the insurance policy of the Bond Insurer which insures payment of the principal of and interest on the Bonds when due.

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

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

"Bonds" means the \$_____ Florida Municipal Loan Council Revenue Bonds, Series 2003B issued pursuant to Article II of the Indenture.

"Bond Year" means a 12-month period beginning on _____ 2 and ending on and including the following _____ 1, except for the first period which begins on _____, 2003.

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

"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;

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

"Loan Repayment Date" means _____, 2004, and thereafter each _____ and _____, or if such day is not a Business Day, the next preceding Business Day.

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

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

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

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

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

"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.

(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 _____ 1, 2003 between the Council and the Trustee, including any indentures supplemental thereto, pursuant to which (i) the Bonds are authorized to be issued and (ii) the Council's interest in the Trust Estate is pledged as security for the payment of principal of, premium, if any, and interest on the Bonds.

"Interest Payment Date" means _____ 1 and _____ 1 of each year, commencing _____ 1, 2004.

"Interest Period" means the semi-annual period between Interest Payment Dates.

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

"Interlocal Agreement" means that certain Interlocal Agreement originally dated as of December 1, 1998, initially among the City of Stuart, Florida, the City of Rockledge, Florida and the City of DeLand, Florida, together with the additional governmental entities who become members of the Council, all as amended and supplemented from time to time.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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:

(g) Compliance with Law. The Borrower is in compliance with all laws, ordinances, governmental rules and regulations to which it is subject and which are material to its properties, operations, finances or status as a municipal corporation or subdivision of the State.

(h) Use of Proceeds.

(1) The Borrower will apply the proceeds of the Loan from the Council solely for the financing for the cost of the Projects as set forth in Exhibit A hereto. If any component of the Project listed in Exhibit A is not paid for out of the proceeds of the Loan at the Closing of the Loan, Borrower shall, as quickly as reasonably possible, with due diligence, and in any event prior to _____, 200__, use the remainder of the amounts listed in Exhibit A and any investment earnings thereon to pay the cost of the Project, provided that, such time limit may be extended by the written consent of the Council with notice to the Trustee, and provided further that Borrower may amend Exhibit A without the consent of the Council or the Trustee (but with notice thereto) but with a favorable opinion of Bond Counsel (to the effect that such an amendment and the completion of the revised Project will not adversely affect the validity or tax-exempt status of the Bonds) regarding the amended Exhibit A, to provide for the financing of a different or additional Project if Borrower, after the date hereof, deems it to not be in the interest of Borrower to acquire or construct any item of such Project or the cost of the Project proves to be less than the amounts listed on Exhibit A and the investment earnings thereon. Notwithstanding the foregoing all such proceeds shall be expended prior to _____, 200__. Borrower will provide the Trustee with a requisition in the form of the requisition attached hereto as Exhibit E for the expenditure of the remaining amounts of the Loan in the Project Loan Fund.

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

(3) Borrower understands that the actual Loan proceeds received by it are less than the sum of the face amount of the Loan Agreement plus the reoffering premium in an amount equal to a discount as described in Section 3.01 hereof. Borrower will accordingly be responsible for repaying, through the Basic Payments portion of its Loan Repayments, the portion of the Bonds issued to fund only its Loan including the portion issued to fund the underwriting discount, original issue discount and other fees and costs of issuing the Bonds.

(4) The Borrower covenants that it will make no use of the proceeds of the Bonds which are in its control at any time during the term of the Bonds which would cause such Bonds to be "Arbitrage Bonds" within the meaning of Section 148 of the Code.

"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.

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

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

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

(f) Governmental Consent. The Borrower has obtained, or will obtain, all permits, approvals and findings of non-reviewability required as of the date hereof by any governmental body or officer for the acquisition and/or installation of the Project, including construction and renovation work, the financing or refinancing thereof or the reimbursement of the Borrower therefor, or the use of such Project, and, prior to the Loan, the Borrower will obtain all other such permits, approvals and findings as may be necessary for the foregoing and for such Loan and the proper application thereof; the Borrower has complied with or will comply with all applicable provisions of law requiring any notification, declaration, filing or registration with any agency or other governmental body or officer in connection with the acquisition or installation of the Project, including construction and renovation work necessary for such installation, financing or refinancing thereof or reimbursement of the Borrower therefor; and any such action, construction, installation, financing, refinancing or reimbursement contemplated in this Loan Agreement is consistent with, and does not violate or conflict with, the terms of any such agency or other governmental consent, order or other action which is applicable thereto. No further consent, approval or authorization of, or filing, registration or qualification with, any governmental authority is required on the part of the Borrower as a condition to the execution and delivery of this Loan Agreement, or to amounts becoming outstanding hereunder.

(5) The Borrower, by the Trustee's acceptance of the Indenture, covenants that the Borrower shall neither take any action nor fail to take any action or to the extent that it may do so, permit any other party to take any action which, if either taken or not taken, would adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

(i) Project. All items constituting the Project are permitted to be financed with the proceeds of the Bonds and the Loan pursuant to the Act.

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

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

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

During such time as the Loan is outstanding hereunder, the Borrower agrees that, as soon as practicable upon the issuance of debt by the Borrower which is secured by its Non-Ad Valorem Revenues, it shall deliver to the Council and the Bond Insurer a certificate setting forth the calculations of the financial ratios provided below and certifying that it is in compliance with the following: (i) Non-Ad Valorem Revenues (average of actual receipts over the prior two years) must cover projected maximum annual debt service on debt secured by and/or payable solely from such Non-Ad Valorem Revenues by at least 1.5x; and (ii) projected maximum

charge, levy or claim which is being contested in good faith and by appropriate proceedings, which shall operate to stay the enforcement thereof.

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

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

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

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

(k) Limited Obligations. Anything in this Loan Agreement to the contrary notwithstanding, it is understood and agreed that all obligations of the Borrower hereunder shall be payable only from Non-Ad Valorem Revenues budgeted and appropriated as provided for hereunder and nothing herein shall be deemed to pledge ad valorem taxation revenues or to permit or constitute a mortgage or lien upon any assets or property owned by the Borrower and no Bondholder or any other person, including the Council, the Trustee or the Bond Insurer, may compel the levy of ad valorem taxes on real or personal property within the boundaries of the Borrower. The obligations hereunder do not constitute an indebtedness of the Borrower within the meaning of any constitutional, statutory or charter provision or limitation, and neither the

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,

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 financing or refinancing the cost of, or receiving reimbursement for the equity in, the Projects in accordance with the provisions of this Loan Agreement.

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

Loan proceeds is permitted under the Act, the Indenture and the resolution authorizing this Loan Agreement and will not cause the interest on the Bonds to be included in gross income for purposes of federal income taxation or adversely affect the validity, due authorization for or legality of the Bonds; and

(g) Such other certificates, documents, opinions and information as the Council, the Bond Insurer, the Trustee or Bond Counsel may require, such requirement to be evidenced (in the case of parties other than the Trustee) by written notice of such party to the Trustee of such requirement.

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

ARTICLE IV

LOAN TERM AND LOAN CLOSING REQUIREMENTS

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

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

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

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

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

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

(d) A certificate signed by the Authorized Representative of the Borrower, in form and substance satisfactory to Bond Counsel, stating (i) the estimated dates and the amounts of projected expenditures for the Project and (ii) that it is reasonably anticipated by the Borrower that the Loan proceeds will be fully advanced therefor and expended by the Borrower prior to _____, 200____, and that the projected expenditures are based on the reasonable expectations of the Borrower having due regard for its capital needs and the revenues available for the repayment thereof.

(e) This executed Loan Agreement;

(f) An opinion (addressed to the Council, the Trustee, the Bond Insurer and the Borrower) of Bond Counsel to the effect that such financing, refinancing or reimbursement with

ARTICLE V

LOAN REPAYMENTS

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

(a) principal in the amounts and on the dates set forth in Exhibit D; plus

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

On the fifteenth (15th) day of the month immediately preceding each Interest Payment Date, the Trustee shall give Borrower notice in writing of the total amount of the next Basic Payment due. The Basic Payments shall be due on each _____ 20th and _____ 20th, or if such day is not a Business Day, the next preceding Business Day (a "Loan Repayment Date"), commencing _____ 20, 2004, and extending through _____ 20, 20____, unless the due date of the Basic Payments is accelerated pursuant to the terms of Section 8.03 hereof.

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

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

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

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

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

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

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

ARTICLE VI

DEFEASANCE

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

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

If the Borrower shall make advance payments to the Council in an amount sufficient to retire the Loan of the Borrower, including redemption premium and accrued interest to the next succeeding redemption date of the Bonds, all future obligations of the Borrower under this Loan Agreement shall cease, including the obligations under Section 5.03 hereof, except as provided in Section 4.02 hereof. However, prior to making such payments, the Borrower shall give at least 35 days' notice by certified or registered mail to the Council.

ARTICLE VII

ASSIGNMENT AND PAYMENT BY THIRD PARTIES

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

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

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

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

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

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

- (a) Failure by the Borrower to timely pay any Loan Repayment, when due, so long as the Bonds are outstanding;
(b) Failure by the Borrower to timely pay any other payment required to be paid hereunder on the date on which it is due and payable, provided the Borrower has prior written notice of any such payments being due;
(c) Failure by the Borrower to observe and perform any covenant, condition or agreement other than a failure under (a), on its part to be observed or performed under this Loan Agreement, for a period of thirty (30) days after notice of the failure, unless the Council, the Bond Insurer and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice can be wholly cured within a period of time not materially detrimental to the rights of the Council, the Bond Insurer or the Trustee, but cannot be cured within the applicable 30-day period, the Council, the Bond Insurer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the failure is corrected;
(d) Any warranty, representation or other statement by the Borrower or by an officer or agent of the Borrower contained in this Loan Agreement or in any instrument furnished in compliance with or in reference to this Loan Agreement, is false or misleading in any material respect when made;
(e) A petition is filed against the Borrower under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within 60 days of such filing;
(f) The Borrower files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law;
(g) The Borrower admits insolvency or bankruptcy or its inability to pay its debts as they become due or is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a custodian (including without limitation a receiver, liquidator or trustee) of the Borrower or any of its

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

SECTION 8.04. [Reserved].

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

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

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

(h) Default under any agreement to which Borrower is a party evidencing, securing or otherwise respecting any indebtedness of the Borrower outstanding in the amount of \$100,000 or more if, as a result thereof, such indebtedness may be declared immediately due and payable or other remedies may be exercised with respect thereto;

(i) Any material provision of this Loan Agreement shall at any time for any reason cease to be valid and binding on Borrower, or shall be declared to be null and void, or the validity or enforceability of this Loan Agreement shall be contested by Borrower or any governmental agency or authority, or if Borrower shall deny any further liability or obligation under this Loan Agreement; or

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

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

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

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

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, including but not limited to the investment of the Borrower's Project Loan Fund.

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

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

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

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

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

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

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

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

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Florida Municipal Loan Council has caused this Loan Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attested by its duly authorized officers and [Borrower], has caused this Loan Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attached by its duly authorized officers. All of the above occurred as of the date first above written.

(SEAL) FLORIDA MUNICIPAL LOAN COUNCIL
By: _____
Name: Raul Martinez
Title: Chairman

ATTEST:

By: _____
Name: Michael Sittig
Title: Executive Director

LOAN AGREEMENT

[BORROWER]

(SEAL)

By: _____
Name:
Title:

ATTESTED BY:

By: _____
Name:
Title:

Approved as to form and correctness
this ___ day of _____, 2003.

By: _____
Name:
Title:

EXHIBIT A

[BORROWER]
USE OF LOAN PROCEEDS

DESCRIPTION OF PROJECT TO BE ACQUIRED OR CONSTRUCTED

PROJECT

TOTAL AMOUNT
TO BE FINANCED

EXHIBIT B

CERTIFIED [ORDINANCE][RESOLUTION] OF THE BORROWER

See Document No. ____

EXHIBIT C

OPINION OF BORROWER'S COUNSEL

[Letterhead of Counsel to Borrower]

_____, 2003

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

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

Bryant Miller & Olive P.A.
One Tampa City Center
201 North Franklin Street, Suite 2700
Tampa, Florida 33602

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

MBIA Insurance Corporation
113 King Street
Armonk, New York 10504

Gentlemen:

We are counsel to [Name of Borrower], Florida (the "Borrower"), and have been requested by the Borrower to give this opinion in connection with the loan by the Florida Municipal Loan Council (the "Council") to the Borrower of funds to finance or refinance or reimburse the Borrower for all or a portion of the cost of a certain Project (the "Project") as defined in, and as described in Exhibit A of, the Loan Agreement, dated as of _____, 2003 (the "Loan Agreement"), between the Council and the Borrower.

In this connection, we have reviewed such records, certificates and other documents as we have considered necessary or appropriate for the purposes of this opinion, including applicable laws, and ordinances adopted by the [name of governing board] of the Borrower, the Loan Agreement, an Trust Indenture dated as of _____, 2003 (the "Indenture") between the Council and _____, as trustee (the "Trustee") and Ordinance No. _____ enacted by the Borrower on _____, 2003 (the "Ordinance"). Based on such review, and such other considerations of law and fact as we believe to be relevant, we are of the opinion that:

(a) The Borrower is a municipality duly organized and validly existing under the Constitution and laws of the State of Florida and under the provisions of the Constitution and

laws of the State of Florida. The Borrower has the legal right and all requisite power and authority to enter into the Loan Agreement, to enact the Ordinance and to consummate the transactions contemplated thereby and otherwise to carry on its activities and own its property.

(b) The Borrower has duly authorized, executed and delivered the Ordinance, the Loan Agreement, the Bond Purchase Contract and the Continuing Disclosure Agreement, and such instruments are legal and binding obligations of the Borrower enforceable against the Borrower in accordance with its terms, except to the extent that the enforceability hereof may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity, and to the sovereign police powers of the State of Florida and the constitutional powers of the United States of America.

(c) The execution and delivery of the Ordinance, the Continuing Disclosure Agreement, the Bond Purchase Contract and the Loan Agreement, the consummation of the transactions contemplated thereby, the purchase or construction of the Project or the reimbursement for costs of the acquisition or construction thereof or the refinancing of the indebtedness to be refinanced with the proceeds of the loan and the fulfillment of or compliance with the terms and conditions of the Loan Agreement, the Bond Purchase Contract and the Continuing Disclosure Agreement does not and will not conflict with or result in a material breach of or default under any of the terms, conditions or provisions of any agreement, contract or other instrument, or law, ordinance, regulation, or judicial or other governmental order, to which the Borrower is now a party or it or its properties is otherwise subject or bound, and the Borrower is not otherwise in violation of any of the foregoing in a manner material to the transactions contemplated by the Loan Agreement.

(d) There is no litigation or legal or governmental action, proceeding, inquiry or investigation pending or, to the best of our knowledge, threatened by governmental authorities or to which the Borrower is a party or of which any property of the Borrower is subject, which has not been disclosed in writing to the Council and the Bond Insurer and which, if determined adversely to the Borrower, would individually or in the aggregate materially and adversely affect the validity or the enforceability of the Loan Agreement, the Bond Purchase Contract or the Continuing Disclosure Agreement.

(e) Any indebtedness being refinanced, directly or indirectly, with the proceeds of the Loan was initially incurred by the Borrower, and the proceeds of such indebtedness have been fully expended, to finance the cost of the Project.

We are attorneys admitted to practice law only in the State of Florida and express no opinion as to the laws of any other state and further express no opinion as to the status of interest on the Bonds under either Federal laws or the laws of the State of Florida.

Very truly yours,

EXHIBIT D
DEBT SERVICE SCHEDULE

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

[TO COME]

EXHIBIT E TO LOAN AGREEMENT
FORM OF REQUISITION CERTIFICATE

TO: WACHOVIA BANK, NATIONAL ASSOCIATION, AS TRUSTEE
 FROM: [BORROWER] (THE "BORROWER")
 SUBJECT: LOAN AGREEMENT DATED AS OF THE 1ST DAY OF _____, 2003

This represents Requisition Certificate No. ___ in the total amount of \$ _____ for payment of those Costs of the Project detailed in the schedule attached.

The undersigned does certify that:

1. All of the expenditures for which monies are requested hereby represent proper Costs of the Project, have not been included in a previous Requisition Certificate and have been properly recorded on the Borrower's books as currently due and owing.
2. The monies requested thereby are not greater than those necessary to meet obligations due and payable or to reimburse the Borrower for funds actually advanced for Costs of the Project. The monies requested do not include retention or other monies not yet due or earned under construction contracts.
3. This requisition is in compliance with Section 5.03 of the Indenture.
4. After payment of monies hereby requested, to the knowledge of the undersigned, there will remain available to the Borrower sufficient funds to complete the Project substantially in accordance with the plans.
5. The Borrower is not in default under the Loan Agreement and nothing has occurred that would prevent the performance of its obligations under the Loan Agreement.

Executed this ____ day of _____, ____.

[BORROWER]

By: _____
 Name:
 Title:

APPENDIX E

FORM OF 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

\$46,805,000

FLORIDA MUNICIPAL LOAN COUNCIL
REVENUE BONDS, SERIES 2003B

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Florida Municipal Loan Council (the "Council") of its \$46,805,000 Florida Municipal Loan Council Revenue Bonds, Series 2003B (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 December 1, 2003, between the Council and Wachovia Bank, National Association, as Trustee (the "Indenture"). All capitalized terms used herein which are not otherwise defined herein shall have the meanings ascribed in the Indenture.

The proceeds of the Bonds will be loaned to the City of Apopka, Florida; Town of Bay Harbor Islands, City of Belle Isle, City of Deerfield Beach, Gadsden County and City of North Miami Beach (collectively, the "Borrowers") for the purpose of financing, refinancing or reimbursing the cost of qualified projects of such Borrowers, and to pay certain costs of issuing the Bonds pursuant to Loan Agreements between the Council and such Borrowers to be executed simultaneously with the issuance of the Bonds.

As to questions of fact material to our opinion, we have relied upon representations of the Council contained in the Indenture and of the Borrowers contained in the Loan Agreements and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material related to the Bonds. This opinion should not be construed as offering material relating to the Bonds, but should be considered only for the opinions expressed herein. Furthermore, we are not passing on the accuracy or sufficiency of any CUSIP numbers appearing on the Bonds. In addition, we have not been engaged to and, therefore, express no opinion as to compliance by the

Council or the underwriters with any federal or state statute, regulation or ruling with respect to the sale and distribution of the Bonds.

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

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

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

1. The Council is duly created and validly existing as a separate legal entity of the State of Florida with the power to execute the Indenture and perform the agreements on its part contained therein and to issue the Bonds.

2. The Indenture has been duly executed by the Council and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Council enforceable upon the Council in accordance with its terms.

3. The Bonds have been duly authorized, executed and delivered by the Council and are valid and special obligations of the Council enforceable in accordance with their terms, payable solely from the sources provided therefor in the Indenture.

4. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the Bonds to be included in federal gross income retroactive to the date of issuance of the Bonds, regardless of the date on which such non-compliance occurs or is ascertained. The Council has covenanted in the Indenture and the Borrowers have covenanted in their Loan Agreements to comply with such requirements in order to maintain the exclusion from federal gross income of the interest on the Bonds.

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

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

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

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

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

Very truly yours,

BRYANT MILLER & OLIVE P.A.

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APPENDIX F

SPECIMEN OF FINANCIAL GUARANTY INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

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

[PAR]

[LEGAL NAME OF ISSUE]

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

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

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

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

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

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

COUNTERSIGNED:

Resident Licensed Agent

City, State

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

STD-RCS-FL-6
4/95

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APPENDIX G

Financial Information Regarding City of Apopka

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CITY OF APOPKA, FLORIDA
 Combined Statement of Revenues Expenditures
 and Changes in Fund Balances
 All Governmental Fund types and Expendable Trust Funds
 For the Years Ended September 30,

	<u>2002</u>	<u>2001</u>	<u>2000</u>
REVENUES			
Taxes	\$9,794,616	\$8,970,494	\$7,677,073
Licenses and permits	828,925	680,461	696,681
Intergovernmental revenues	4,486,086	5,979,871	5,125,818
Charges for services	1,688,246	1,524,826	1,295,421
Fines and forfeitures	270,201	219,012	331,075
Impact fees	789,497	837,699	1,046,481
Interest	317,586	702,840	721,707
Miscellaneous Revenues	<u>1,191,254</u>	<u>449,304</u>	<u>1,072,690</u>
Total Revenues	<u>19,366,411</u>	<u>19,364,507</u>	<u>17,966,946</u>
EXPENDITURES			
Current:			
General government	2,805,051	3,089,888	2,399,152
Public safety	12,685,130	11,395,994	11,899,273
Transportation	1,633,518	1,374,971	1,580,643
Environmental	15,552	20,716	15,197
Culture/Recreation	1,733,759	1,199,817	1,269,188
Nondepartmental	218,190	174,674	125,073
Capital outlay	2,060,669	2,716,271	3,067,778
Debt Service:			
Principal retirement	626,914	672,427	1,049,270
Interest and fiscal charges	128,571	195,383	154,974
Grants and aids	<u>—</u>	<u>50,076</u>	<u>22,500</u>
Total expenditures	<u>21,907,354</u>	<u>20,890,217</u>	<u>21,058,413</u>
Excess (Deficit) of Revenues Other (Under) Expenditures	(2,540,943)	(1,525,710)	(3,091,467)
OTHER FINANCING SOURCES (USES)			
Operating Transfers in	3,001,035	3,918,990	1,300,000
Operating Transfers out	(401,349)	(948,868)	4,966,056
Note Proceeds	<u>25,000</u>	<u>—</u>	<u>(2,598,574)</u>
Total other financing sources	<u>2,624,686</u>	<u>2,970,122</u>	<u>3,667,482</u>
Excess (Deficit) of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	83,743	1,444,412	576,015
Fund Balances at Beginning of Year	<u>13,700,698</u>	<u>12,256,286</u>	<u>11,680,271</u>
Fund Balances at End of Year	<u>\$13,784,441</u>	<u>\$13,700,698</u>	<u>\$12,256,286</u>

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

Shumacker, Johnston & Ross, PA

Certified Public Accountants

J. Cecil Shumacker, CPA
Robert E. Johnston, CPA
W. Chet Ross, CPA

American Institute of
Certified Public Accountants

Florida Institute of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

February 3, 2003

Honorable Mayor and Members
of the City Council
City of Apopka, Florida

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DPC DATA-NRMSIR

We have audited the accompanying general-purpose financial statements and the combining and individual fund and account group financial statements of the City of Apopka, Florida as of September 30, 2002 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the City of Apopka'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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the City of Apopka, Florida as of September 30, 2002, 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 referred to in the first paragraph present fairly, in all material respects, the financial position of each of the individual funds and account groups of the City of Apopka, Florida, as of September 30, 2002, and the results of operations of such funds and the cash flows of individual proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

City of Apopka
Independent Auditor's Report
Page 2 of 2
February 3, 2003

In accordance with *Government Auditing Standards*, we have also issued a report dated February 3, 2003 on our consideration of the City of Apopka's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole and on the combining and individual fund and account group financial statements. The financial information listed as Schedule of Budgetary Compliance in the table of contents is presented for the purpose of reporting legal compliance with the City's budget resolutions and is not a required part of the financial statements of the City of Apopka, Florida. The information in this schedule has been subjected to the auditing procedures applied in the audit of the general-purpose, combining and individual fund and account group financial statements, and, in our opinion, is fairly presented in all material respects in relation to the financial statements of each of the respective individual funds and account groups taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole. The accompanying information listed under Statistical Section in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of the City of Apopka, Florida. Such information has not been subjected to the auditing procedures applied in the audit of the general-purpose, combining and individual fund and account group financial statements, and, accordingly, we express no opinion on it.



Shumacker, Johnston & Ross, PA

Shumacker, Johnston & Ross, PA

Certified Public Accountants

GENERAL-PURPOSE FINANCIAL STATEMENTS

(Combined Statements - Overview)

These basic financial statements provide a summary overview of the financial position of all funds and account groups as well as the operating results of all funds. They also serve as an introduction to the more detailed statements and schedules that follow in the next subsection.

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CITY OF APOPKA, FLORIDA
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
September 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS			
Cash and cash equivalents	\$ 5,462,639	\$ 4,304,657	\$ 343,063
Investments	2,222,232	1,777,768	-
Accounts receivable	581,409	3,649	-
Accrued interest receivable	-	4,390	-
Due from other funds	1,560	-	-
Due from other governments	315,238	105,892	-
Inventories	78,819	-	-
Prepaid items	22,363	-	-
Advances to other funds	36,000	-	-
Restricted Assets:			
Cash and cash equivalents	-	-	-
Property, plant and equipment - net	-	-	-
OTHER DEBITS			
Amount to be provided for retirement of general long-term debt	-	-	-
Total Assets and Other Debits	\$ 8,720,260	\$ 6,196,356	\$ 343,063
LIABILITIES			
Accounts payable	\$ 199,444	\$ 6,331	\$ -
Impact fees payable	452,480	-	-
Contracts payable	7,646	-	-
Retainage payable	-	180,639	-
Accrued Liabilities	83,523	1,088	-
Accrued interest payable	-	-	-
Due to other funds	363,041	5,683	-
Advances from other funds	-	-	-
Deposits	86,479	3,294	-
Payable from restricted assets:			
Customer utility deposits	-	-	-
Deposits	-	-	-
Current portion of notes payable	-	-	-
Bid bond	-	-	-
Notes payable	-	-	-
Capital leases payable	-	-	-
Bonds payable	-	-	-
Deferred revenues	773,268	-	-
Total Liabilities	1,965,881	197,035	-
EQUITY AND OTHER CREDITS			
Investment in general fixed assets	-	-	-
Contributed capital	-	-	-
Retained earnings:			
Reserved	-	-	-
Unreserved	-	-	-
Fund balances:			
Reserved	162,447	-	-
Unreserved:			
Designated	747,083	-	343,063
Undesignated	5,844,849	5,999,321	-
Total Equity and Other Credits	6,754,379	5,999,321	343,063
Total Liabilities, Equity and Other Credits	\$ 8,720,260	\$ 6,196,356	\$ 343,063

The accompanying notes are an integral part of the financial statements

Proprietary Fund Types	Fiduciary Fund Types Pension & Expendable Trust	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Debt	
Enterprise				
\$ 15,895,945	\$ 3,103,873	\$ -	\$ -	\$ 29,110,177
4,000,000	27,602,950	-	-	35,602,950
1,500,045	1,875	-	-	2,086,978
-	186,359	-	-	190,749
-	419,891	-	-	421,451
-	-	-	-	421,130
594,837	-	-	-	673,656
6,666	-	-	-	29,029
-	-	-	-	36,000
4,121,687	-	-	-	4,121,687
53,149,377	-	25,652,905	-	78,802,282
-	-	-	4,322,169	4,322,169
<u>\$ 79,268,557</u>	<u>\$ 31,314,948</u>	<u>\$ 25,652,905</u>	<u>\$ 4,322,169</u>	<u>\$ 155,818,258</u>
\$ 260,775	\$ 33,013	\$ -	\$ -	\$ 499,563
-	-	-	-	452,480
-	-	-	-	7,646
104,212	-	-	-	284,851
160,003	91	-	967,298	1,212,003
5,685	-	-	-	5,685
52,234	493	-	-	421,451
-	36,000	-	-	36,000
-	-	-	-	89,773
-	-	-	-	-
311,088	-	-	-	311,088
79,030	-	-	-	79,030
119,000	-	-	-	119,000
14,750	-	-	-	14,750
709,000	-	-	2,773,049	3,482,049
186,074	-	-	-	186,074
23,643,031	-	-	581,822	24,224,853
240	-	-	-	773,508
<u>25,645,122</u>	<u>69,597</u>	<u>-</u>	<u>4,322,169</u>	<u>32,199,804</u>
-	-	25,652,905	-	25,652,905
27,748,823	-	-	-	27,748,823
-	-	-	-	-
200,000	-	-	-	200,000
25,674,612	-	-	-	25,674,612
-	-	-	-	-
-	30,557,673	-	-	30,720,120
-	-	-	-	-
-	-	-	-	1,090,146
-	687,678	-	-	12,531,848
<u>53,623,435</u>	<u>31,245,351</u>	<u>25,652,905</u>	<u>-</u>	<u>123,618,454</u>
<u>\$ 79,268,557</u>	<u>\$ 31,314,948</u>	<u>\$ 25,652,905</u>	<u>\$ 4,322,169</u>	<u>\$ 155,818,258</u>

The accompanying notes are an integral part of the financial statements

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CITY OF AOPKA, FLORIDA
COMBINED STATEMENT OF REVENUES EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
For the Year Ended September 30, 2002

	Governmental Fund Types			Fiduciary Fund Types	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
REVENUES					
Taxes	\$ 8,603,236	\$ 1,056,581	\$ -	\$ 134,799	\$ 9,794,616
Licenses and permits	828,925	-	-	-	828,925
Intergovernmental revenues	4,102,958	33,128	-	350,000	4,486,086
Charges for services	1,372,501	315,745	-	-	1,688,246
Fines and forfeitures	264,918	5,283	-	-	270,201
Impact fees	33,867	755,630	-	-	789,497
Interest	164,054	138,768	7,306	7,458	317,586
Miscellaneous revenues	841,542	54,304	-	295,408	1,191,254
Total Revenues	16,212,001	2,359,439	7,306	787,665	19,366,411
EXPENDITURES					
Current:					
General government	2,773,593	-	-	31,458	2,805,051
Public safety	12,671,957	13,173	-	-	12,685,130
Transportation	385,297	1,248,221	-	-	1,633,518
Environmental	-	15,552	-	-	15,552
Culture/Recreation	1,732,559	1,200	-	-	1,733,759
Nondepartmental	218,190	-	-	-	218,190
Capital outlay	-	1,724,780	-	335,889	2,060,669
Debt service:					
Principal retirement	558,648	49,212	-	19,054	626,914
Interest and fiscal charges	120,240	7,795	-	536	128,571
Total Expenditures	18,460,484	3,059,933	-	386,937	21,907,354
Excess (Deficit) of Revenues Over (Under) Expenditures	(2,248,483)	(700,494)	7,306	400,728	(2,540,943)
OTHER FINANCING SOURCES (USES)					
Operating transfers in	2,746,082	254,953	-	-	3,001,035
Operating transfers out	(254,953)	(146,396)	-	-	(401,349)
Note Proceeds	-	-	-	25,000	25,000
Total Other Financing Sources (Uses)	2,491,129	108,557	-	25,000	2,624,686
Excess (Deficit) of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	242,646	(591,937)	7,306	425,728	83,743
Fund Balances at Beginning of Year	6,511,733	6,591,258	335,757	261,950	13,700,698
Fund Balances at End of Year	\$ 6,754,379	\$ 5,999,321	\$ 343,063	\$ 687,678	\$ 13,784,441

The accompanying notes are an integral part of the financial statements

CITY OF AOPKA, FLORIDA
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUND TYPES
For the Year Ended September 30, 2002

	<u>General</u>		Variance
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES			
Taxes	\$ 8,525,000	\$ 8,603,236	\$ 78,236
Licenses and permits	743,900	828,925	85,025
Intergovernmental revenues	4,726,035	4,102,958	(623,077)
Charges for services	1,257,160	1,372,501	115,341
Fines and forfeitures	314,200	264,918	(49,282)
Impact fees	42,000	33,867	(8,133)
Interest	400,000	164,054	(235,946)
Miscellaneous revenues	347,711	841,542	493,831
Total Revenues	<u>16,356,006</u>	<u>16,212,001</u>	<u>(144,005)</u>
EXPENDITURES			
Current:			
General government	3,466,000	2,773,593	692,407
Public safety	15,560,546	12,671,957	2,888,589
Transportation	408,000	385,297	22,703
Environmental	-	-	-
Culture/Recreation	1,967,260	1,732,559	234,701
Nondepartmental	168,926	218,190	(49,264)
Capital outlay	-	-	-
Debt service:			
Principal retirement	558,600	558,648	(48)
Interest and fiscal charges	181,500	120,240	61,260
Grants and aids	-	-	-
Total Expenditures	<u>22,310,832</u>	<u>18,460,484</u>	<u>3,850,348</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	<u>(5,954,826)</u>	<u>(2,248,483)</u>	<u>3,706,343</u>
OTHER FINANCING SOURCES (USES)			
Note proceeds	2,156,700	-	(2,156,700)
Operating transfers in	2,985,000	2,746,082	(238,918)
Operating transfers out	(300,000)	(254,953)	45,047
Total Other Financing Sources (Uses)	<u>4,841,700</u>	<u>2,491,129</u>	<u>(2,350,571)</u>
Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	<u>\$ (1,113,126)</u>	242,646	<u>\$ 1,355,772</u>
Fund Balances at Beginning of Year		<u>6,511,733</u>	
Fund Balances at End of Year		<u>\$ 6,754,379</u>	

The accompanying notes are an integral part of the financial statements.

Special Revenue		
Budget	Actual	Variance
		Favorable (Unfavorable)
\$ 1,000,000	\$ 1,056,581	\$ 56,581
-	-	-
1,568,200	33,128	(1,535,072)
315,000	315,745	745
5,900	5,283	(617)
900,000	755,630	(144,370)
345,100	138,737	(206,363)
41,400	54,304	12,904
<u>4,175,600</u>	<u>2,359,408</u>	<u>(1,816,192)</u>
-	-	-
10,980	13,173	(2,193)
1,363,745	1,248,221	115,524
35,700	15,552	20,148
1,200	1,200	-
-	-	-
6,361,955	1,724,780	4,637,175
49,200	49,212	(12)
7,800	7,795	5
1,000	-	1,000
<u>7,831,580</u>	<u>3,059,933</u>	<u>4,771,647</u>
<u>(3,655,980)</u>	<u>(700,525)</u>	<u>2,955,455</u>
-	-	-
300,000	254,953	(45,047)
(159,000)	(146,396)	12,604
<u>141,000</u>	<u>108,557</u>	<u>(32,443)</u>
<u>\$ (3,514,980)</u>	<u>(591,968)</u>	<u>\$ 2,923,012</u>
	<u>6,584,199</u>	
	<u>\$ 5,992,231</u>	

The accompanying notes are an integral part of the financial statements.

CITY OF AOPKA, FLORIDA
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
For the Year Ended September 30, 2002

	Enterprise
OPERATING REVENUES	
Water sales	\$ 3,550,695
Sewer sales	3,408,070
Reclaimed Water Sales	240,694
Impact fees	2,740,572
Sanitation fees	2,149,440
Miscellaneous revenues	591,026
Total Operating Revenues	12,680,497
OPERATING EXPENSES BEFORE DEPRECIATION	
Utility administration	378,316
Water plant	697,554
Wastewater treatment plant	1,212,652
Utility construction	589,788
Utility maintenance	564,086
Meter replacement	198,720
Wastewater maintenance	563,291
Operating charges	1,745,103
Design Engineering	452,967
Total Operating Expenses Before Depreciation	6,402,477
Operating Income Before Depreciation	6,278,020
DEPRECIATION	1,920,859
Operating Income	4,357,161
NON-OPERATING REVENUES (EXPENSES)	
Interest income	495,470
Grant income	4,172
Developers contributions	1,721,541
Gain (loss) on disposal of fixed assets	553,258
Interest expense	(1,161,793)
Taxes	53,067
Fines	4,475
Total Non-Operating Revenues (Expenses)	1,670,190
Income Before Operating Transfers	6,027,351
OPERATING TRANSFERS	
Operating transfers out	(2,599,686)
Total Operating Transfers	(2,599,686)
NET INCOME (LOSS)	3,427,665
Retained Earnings at Beginning of Year	22,446,947
Retained Earnings at End of Year	\$ 25,874,612

The accompanying notes are an integral part of the financial statements.

CITY OF AOPKA, FLORIDA
COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS
ALL PENSION TRUST FUNDS
For the Year Ended September 30, 2002

ADDITIONS

Contributions:	
Employee contributions	\$ 819,740
State contributions	366,995
City contributions	<u>1,695,492</u>
 Total Contributions	 <u>2,882,227</u>
Investment Income:	
Interest and dividend revenue	1,029,718
Net appreciation (depreciation) on investments	<u>(2,615,266)</u>
	(1,585,548)
Less investment (expense)	<u>(183,587)</u>
 Net Investment Income (Loss)	 <u>(1,769,135)</u>
Miscellaneous	<u>16,893</u>
 Total Additions	 <u>1,129,985</u>

DEDUCTIONS

Benefit payments	854,974
Termination payments	71,134
Administrative expense	<u>41,742</u>
 Total Deductions	 <u>967,850</u>

NET INCREASE

162,135

Net assets held in trust for pension benefits

Beginning of Year	<u>30,395,538</u>
 End of Year	 <u><u>\$ 30,557,673</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF APOPKA, FLORIDA
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES - ENTERPRISE
For the Year Ended September 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 12,684,320
Cash paid to suppliers for goods and services	(3,805,529)
Cash paid to employees for services	<u>(2,904,774)</u>
Net Cash Provided by Operating Activities	<u>5,974,017</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Grants received	4,172
Taxes	53,067
Fines	4,475
Operating transfers out	<u>(2,599,686)</u>
Net Cash (Used in) Noncapital Financing Activities	<u>(2,537,972)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition and construction of fixed assets	(2,334,222)
Bond and note payable interest payments	(1,050,685)
Bond and note payable principal payments	(609,256)
Proceeds from sales of fixed assets	1,092,219
Proceeds of revenue bonds	25,430,941
Bond issue costs	(271,440)
Bond discounts	(240,680)
Escrow deposit - refunded bonds	(12,431,248)
Receipt of bid bond	14,750
Net Cash Provided By Capital and Related Financing Activities	<u>9,600,379</u>

CASH FLOWS FROM INVESTMENT ACTIVITIES

Interest on cash and cash equivalents	495,470
Purchases of investments	<u>(4,000,000)</u>
Net Cash Used In Investment Activities	<u>(3,504,530)</u>

Net Increase in Cash and Cash Equivalents 9,531,894

Cash and Cash Equivalents at Beginning of Year 10,485,738

Cash and Cash Equivalents at End of Year \$ 20,017,632

Reconciliation to the Combined Balance Sheet:

Unrestricted Cash and Cash Equivalents	\$ 15,895,945
Restricted Cash and Cash Equivalents	<u>4,121,687</u>
	<u><u>\$ 20,017,632</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF APOPKA, FLORIDA
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES - ENTERPRISE - Continued
For the Year Ended September 30, 2002

**RECONCILIATION OF NET OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Income	<u>\$ 4,357,161</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	1,920,859
Changes in Assets and Liabilities:	
(Increase) Decrease In -	
Accounts receivable	(72,695)
Due from other governments	46,999
Inventories	(274,285)
Prepaid items	(6,666)
Increase (Decrease) In -	
Accounts payable	(132,023)
Retainage payable	55,942
Accrued liabilities	(3,028)
Due to other funds	52,234
Customer utility deposits	19,097
Deposits	11,300
Deferred revenues	<u>(878)</u>
Total Adjustments	<u>1,616,856</u>
Net Cash Provided by Operating Activities	<u><u>\$ 5,974,017</u></u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITES	
Contributions of water and sewer lines by developers	<u><u>\$ 1,721,541</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF APOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Apopka (the “City”) is a political subdivision of the State of Florida located in Orange County. The legislative branch of the City is composed of a four (4) member citywide elected Council and a citywide elected Mayor. The Mayor and City Council are governed by the City Charter and by state and local laws and regulations. The Mayor and City Council are responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Mayor.

The accounting policies of the City conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

A. The Reporting Entity

The accompanying financial statements present the financial position, results of operations and cash flows of the applicable fund types and account groups governed by the Mayor and City Council of the City of Apopka, Florida. The reporting entity for the City includes all functions of government for which the Mayor and City Council are considered to be financially accountable.

Based upon the application of the criteria as set forth in Government Accounting Standards Board Statement Number 14, *The Financial Reporting Entity*, there are no potential component units or related organizations of the City.

B. Fund Accounting

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The purpose of the City’s various funds and account groups are as follows:

Governmental Fund Types

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

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

Capital Projects Funds – The Capital Projects Funds are used to account for financial resources earmarked for the acquisition or construction of major capital facilities and other project oriented activities (other than those financed by proprietary funds).

Proprietary Fund Types

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

CITY OF APOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fiduciary Fund Types

Trust Funds – Trust Funds are used to account for assets held by the City in a trustee capacity. The City has three (3) Pension Trust Funds and two (2) Expendable Trust Funds.

Account Groups

General Fixed Assets – The General Fixed Assets Account Group is used to account for all fixed assets of the City, except fixed assets of the City's proprietary funds.

General Long-Term Debt – The General Long-Term Debt Account Group is used to account for all long-term liabilities expected to be financed from governmental funds.

C. Measurement Focus

Government Fund Types

General, Special Revenue, and Capital Projects Funds are accounted for on a spending or financial flow measurement focus. This means that only current assets and current liabilities are generally included on the balance sheets. Accordingly, the reported undesignated fund balances (net current assets) are considered measures of available, spendable or appropriable resources. Governmental Fund Type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Proprietary Fund Types

Enterprise Funds are accounted for on an income determination measurement focus. Accordingly, all assets and liabilities are included on their balance sheets, and the reported fund equity (total reported assets less total reported liabilities) provides an indication of the economic net worth of the fund. Operating statements for Proprietary Fund Types (on an income determination measurement focus) report increases (revenues) and decreases (expenses) in total economic net worth. Pursuant to the election option made available by Government Accounting Standards Board (GASB) Statement #20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989, have not been applied.

Fiduciary Fund Types

The Pension Trust Funds are accounted for in essentially the same manner as the Proprietary Funds, using the same measurement focus. The Expendable Trust Funds are accounted for like a governmental fund.

Account Groups

The General Long-Term Debt and General Fixed Assets Account Groups are concerned only with the measurement of financial position. They are not involved with the measurement of results of operations. Long-Term debts, which are not intended to be financed through Proprietary Funds, are accounted for in the General Long-Term Debt Account Group. Fixed assets, which are not used in Proprietary Fund operations, are accounted for in the General Fixed Assets Account Group.

D. Basis of Accounting

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

CITY OF AOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

D. Basis of Accounting - continued

All Governmental Funds and the Expendable Trust Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets. Revenues susceptible to accrual include intergovernmental revenues, charges for services and investment earnings. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All Proprietary and Pension Trust Funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

E. Budgets and Budgetary Accounting

The following procedures are used to establish the budgetary data reflected in the financial statements:

- 1) The Mayor submits a proposed operating budget to the City Council for the fiscal year beginning the following October 1.
- 2) Public hearings are held to obtain taxpayer comments.
- 3) Prior to October 1, the budget is legally enacted through passage of resolution.
- 4) Budgets are legally adopted and formal budgetary integration is employed as a management control device during the year for the General Fund, the Special Revenue Funds (except for the Local Law Enforcement Juvenile Grant Fund, and the Economic Development Fund, and the Capital Projects Funds). The budget adopted for the Enterprise Funds are to comply with bond covenants. The Pension Trust Funds, Expendable Trust Funds, and the Capital Projects Fund which adopts project – length budgets, are not budgeted.
- 5) Budgets for the governmental fund types are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for proprietary fund types are adopted on a non-GAAP basis to reflect budget versus actual information related to “operations and maintenance” as defined in bond covenants.
- 6) The Mayor of Apopka is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total revenues, reserves, or expenditures of any fund must be approved by a majority vote on the City Council. During the fiscal year ended, various appropriations were approved in accordance with this policy. Budgeted amounts shown in the financial statements are as originally adopted and as further amended. However, amendments were nominal and did not significantly change the originally adopted budget.
- 7) Appropriations are authorized by resolutions generally at the fund level with the exception of Capital Projects Funds, which are appropriated at the project level. These are the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets.
- 8) Appropriations lapse at the close of the fiscal year.

F. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

CITY OF AOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

G. Investments

The City implemented GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" during fiscal year 1997. Under this statement, the City elected to present all investments at fair value with the exception of investments in the Florida Local Government Surplus Funds Trust Fund (SBA), an external 2a7-like investment pool which is presented at share price. All fair valuations are based on quoted market prices; SBA pool shares are based on amortized cost, which approximates fair value of the SBA's underlying portfolio. Investments include the City's Pension Trust Funds, which are recorded at fair value.

H. Receivables

Property Taxes Receivable

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 laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10 mills. The City's current millage is 3.7619 mills.

All real and tangible personal property taxes are due and payable on the levy date of November 1 of each year or as soon thereafter as the assessment roll is certified by the Orange County Property Appraiser (levy date). Orange County mails to each property owner on the assessment roll a notice of the taxes due and the County also collects the taxes for the City. Taxes may be paid upon receipt of such notice from the County, with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January, and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount and all unpaid taxes on real and tangible property become delinquent on April 1 (the lien date) of the year following the year in which taxes were assessed. Procedures for collecting delinquent taxes, including applicable tax certificate sales are provided for by the Laws of Florida.

Accounts Receivable

Utility System Enterprise Fund operating revenues are generally recognized on the basis of cycle billings rendered monthly. Revenues for services delivered during the last month of the fiscal year that have not been read September 30 are accrued based on meter readings for the applicable consumption taken at the beginning of October and billed in October.

I. Inventories

Inventories in the General Fund are stated at cost (determined on the "weighted average" method), and the Utility System Fund (Enterprise) inventories are stated at the lower of cost or market (determined on the "weighted average" method). Inventories are accounted for by the consumption method, wherein inventories are charged as expenditures/expenses when used. Inventories of the General Fund consist of fuel and garage supplies. Inventories of the Utility System Fund consist primarily of meters, meter boxes, pipes and maintenance supplies held for use in maintaining and expanding the system. Obsolete and unusable items have been reduced to estimated salvage values.

J. Prepays

Prepays represent payments made to vendors for services that will benefit beyond September 30, 2002.

K. Restricted Assets

The use of certain assets of the Utility System Enterprise Fund are restricted by specific provisions of bond resolutions and other agreements. Assets so designated are identified as restricted assets on the balance sheet.

CITY OF AOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

L. Property, Plant and Equipment

Property, plant and equipment purchased in the Governmental Fund Types are recorded as expenditures at time of purchase. Such assets are capitalized at cost in the General Fixed Assets Account Group, except for certain improvements other than buildings that includes roads, bridges, sidewalks and lighting systems. Gifts or contributions are recorded in the General Fixed Assets Account Group at fair market value at the time received. No depreciation has been provided on general fixed assets.

Property, plant and equipment purchased in the Proprietary Fund Types are recorded at cost when purchased. Contributed fixed assets are recorded at fair market value at the date received. Depreciation is provided using the straight-line method. The estimated useful lives of the various classes of depreciable assets are as follows:

<u>Assets</u>	<u>Years</u>
Water and Sewer Systems	20-50
Buildings and Improvements	10-30
Machinery and Equipment	5-20
Automotive Equipment	3-10

M. Impact Fees

The City's water and sewer capital facility fee ordinance requires restriction of all monies collected as impact fees. These fees represent a capacity charge for the proportionate share of the cost of expanding, oversizing, separating or constructing new additions to the Water and Wastewater Systems. The City is obligated to expend these funds only to provide expanded capacity to the system and is permitted to pay applicable debt service on one or more series of bonds for the purposes as described in Note 8. Impact Fees received which reserve capacity in the City's future facilities are recorded as operating revenue upon receipt. Gross revenues over expenditures for expanded capacity and debt service referred to above are closed out to contributed capital at the end of each fiscal year.

N. Amortization of Bond Discount and Issuance Costs

In the Enterprise Funds, bond discount and issuance costs are amortized over the life of the bonds using the effective interest method. In the governmental funds, these costs are charged to current expenditures when bonds are issued.

O. Compensated absences

It is the City's policy to grant employees vacation leave based upon the number of weeks of employment. Vacation leave accrues to all full-time employees at a rate of .93 hours per week within the first year of continuous employment service, then at a rate of 1.85 hours per week thereafter. Vacation leave may be used or accumulated up to a limit of three times current annual accrual hours for general employees. Accrued vacation leave in excess shall be transferred to sick leave with City council approval.

Sick leave accrues to all full-time employees who have completed one month of continuous service at a rate of ½ workday per month within the first year of service then at a rate of 1 workday per month thereafter. Upon retirement of a minimum of 10 years of full-time service with the City, provided the employee remains qualified to receive pension benefits, an employee will receive a cash payment based on the employee's current wage rate for each hour over 840 hours up to and including 1,300 hours based on employee type. However, the payment shall not exceed \$3,000. In addition, the employee shall be paid cash based on 50% of the employee's current wage rate for each hour over 1,300 hours. This payment shall not exceed \$3,000.

The City records compensated absences in its Governmental Fund Types as an expenditure for the amount accrued during the year that would normally be liquidated with expendable, available financial resources. The remainder of the liability is reported in the General Long-Term Debt Account Group. Proprietary Fund Types accrue compensated absences in the period they are earned.

CITY OF AOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

P. Deferred Revenues

Deferred revenues include amounts collected before the revenue recognition criteria are met and receivables, which, under the modified accrual basis of accounting, are measurable but not yet available. The deferred revenues will be recognized as revenue in the fiscal year they are earned or become available. The deferred items consist primarily of license and permit revenues collected in advance and grant revenues.

Q. Contributed Capital

Contributed capital consists primarily of water and sewer capital facilities fees charged to customers for initial hookup to the Utility System's water and sewer lines, federal and state aid programs, and developer dedications.

R. Encumbrances

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

S. Reserved Retained Earnings

Reserved retained earnings is defined as total restricted assets provided from operations for debt service and contingencies net of current liabilities payable from these restricted assets.

T. Grants

Grants received or used for purposes normally financed through governmental fund types are accounted for within the City's existing governmental funds. Revenues received or used from grants for governmental fund types are recognized as intergovernmental revenues when they become susceptible to accrual, that is both measurable and available (modified accrual basis).

U. Total Columns on Combined Statements

Total columns on the combined statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

The City's deposits consist of demand accounts (interest and non-interest bearing). The deposits of the Pension Trust Funds are held separately from those of other City funds.

At year-end, the carrying amount of the City's deposits was \$23,189,030 and the bank balance was \$23,818,696. Of the bank balance, \$21,439,085, was covered by Federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida, and \$2,379,611 was uninsured and uncollateralized. The uninsured and uncollateralized deposits are held by the Pension Trust Funds.

CITY OF APOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 2 – DEPOSITS AND INVESTMENTS - continued

Investments

Florida Statutes, the City's Charter and Investment/Portfolio Policy, and City Ordinance No. 873, authorize the investment of funds in certificates of deposit or savings accounts of financial institutions approved by the State Treasurer, obligations of the United States Government, instruments guaranteed by the United States Government, and money market funds registered with the Securities and Exchange Commission. Investments may also include repurchase agreements collateralized by U. S. Treasury Securities and Marked-To-Market, and deposits with the State Board of Administration pool, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act. The City is further authorized to invest in securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, 15 United States Code. Revenue bond covenants also restrict the type and maturities of investments in bond-related funds.

Assets of the General Employee's Pension Trust Fund, Police Officers' Pension Trust Fund and Firefighters' Pension Trust Fund, may be invested in accordance with Florida Statutes as previously described or held in bonds, stocks, commingled funds administered by National or State Banks, or other evidence of indebtedness issued or guaranteed by a corporation under the laws of the United States provided the corporation is traded on a nationally recognized exchange and meets certain rating criteria. Investments may also include annuity and life insurance contracts of life insurance companies.

Certain City investments, such as investment pools managed by other governments, cannot be categorized because the City's investments are not evidenced by specific, identifiable investment securities. Section 218.407, Florida Statutes, authorizes the City to participate in the State Board of Administration ("SBA") investment pool located in Tallahassee, Florida. The State Board of Administration deposits are maintained in an investment pool that invests primarily in commercial paper, repurchase agreements, bankers' acceptance notes and U. S. Government obligations. The SBA's Local Government Surplus Funds Trust Fund Investment Pool (the "pool") is a 2a – 7 like pool, and therefore the pool account balance (amortized cost) is used as fair value for financial reporting purposes.

Regulatory Oversight of the pool is provided by the Florida Administrative Code and the Office of the State Auditor General. The Local Government Surplus Funds Trust Fund is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the State 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.

Sections 163.01 and 218.415, Florida Statutes authorize the City to participate in the Florida Municipal Investment Trust (the "Trust") investment pool located in Tallahassee, Florida. The Trust's deposits are maintained in an investment pool that invests primarily in government and high quality securities. The City's fair value of its position in the Trust is the same as the value of its' pool shares.

The Trust is not a registrant with the Securities and Exchange Commission (SEC), and there is no regulatory oversight of the Trust. The Trust, however, does have an annual independent audit in accordance with generally accepted auditing standards. Bond fund ratings are assigned by an independent rating firm. Investment performance and compliance are monitored by an independent agency. The Trust is governed by a Board of Trustees. In addition, an Investment Advisory Committee assists the Trust Administrator with developing and maintaining the investment guidelines and policies of the Trust.

Levels of credit risk assigned to the investments and their level of risk exposure at September 30, 2002 were typical of these items held during the fiscal year then ended.

CITY OF APOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 2 – DEPOSITS AND INVESTMENTS – continued

Investments (continued)

The City's investments at September 30, 2002 are summarized below by type and level of risk assumed. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its Agent in the City's name. Category 2 includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name. Throughout the fiscal year the City invested only in types of investments as listed below:

<u>Investment Description</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Category Value</u>
Pension Trust Fund Investments:				
Corporate Stocks	\$ -	\$ 15,578,881	\$ -	\$ 15,578,881
Corporate Bonds	-	3,612,896	-	3,612,896
U.S. Treasury Notes, Bills & Bonds	-	2,823,367	-	2,823,367
U.S. Government Agency Notes & Securities	-	2,765,329	-	2,765,329
	<u>-</u>	<u>2,822,477</u>	<u>-</u>	<u>2,822,477</u>
Subtotal	<u>\$ -</u>	<u>\$ 27,602,950</u>	<u>\$ -</u>	27,602,950
Local Government Surplus Funds Trust Fund				17,932,636
Investment in Florida Municipal Investment Trust				<u>108,638</u>
Total Investments				<u>\$ 45,644,224</u>
Carrying Amount of Deposits				\$ 23,189,030
Carrying Amount of Investments (Above)				<u>45,644,224</u>
Total				<u>\$ 68,833,254</u>
Shown in the accompanying combined balance sheet as:				
Investments				\$ 35,602,950
Cash				29,108,617
Restricted Assets:				
Cash				<u>4,121,687</u>
Total				<u>\$ 68,833,254</u>

The City maintains an Employee Deferred Compensation Plan as a benefit to employees. Investments in the Deferred Compensation Plan are held separately from those of other city funds. As prescribed by the plan documents, the plan administrator is authorized to invest plan assets in obligations of the U. S. government and various mutual and money market funds, which are held by the plan administrator and not in the City's name. At September 30, 2002 and during the year, deferred compensation plan assets were invested in various mutual funds under a custodial account. The City has no fiduciary responsibility for these accounts. The cash and investments of the deferred compensation plan at September 30, 2002 amounted to \$1,414,570.

CITY OF AOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 3 – RECEIVABLES

The following is a detail listing of accounts receivable by type and Fund at September 30, 2002:

	General	Special Revenue	Enterprise	Pension Trust	Total
Receivables:					
Utility Accounts Billed	\$ -	\$ -	\$ 1,186,153	\$ -	\$ 1,186,153
Utility Unbilled Receivables	-	-	350,392	-	350,392
Other Miscellaneous	581,409	3,649	-	1,875	586,933
Gross Receivables	581,409	3,649	1,536,545	1,875	2,123,478
Less Allowance for Uncollectibles	-	-	36,500	-	36,500
Net Total Receivables	<u>\$ 581,409</u>	<u>\$ 3,649</u>	<u>\$ 1,500,045</u>	<u>\$ 1,875</u>	<u>\$ 2,086,978</u>

NOTE 4 – INTERFUND ACCOUNTS

Individual interfund receivable and payable balances at September 30, 2002 are:

	Due From Other Funds	Due To Other Funds
Due From/Due To:		
General Fund	\$ 1,560	\$ 363,041
Pension Trust Fund:		
General Employees'	203,833	-
Police Officers'	102,457	-
Firefighters'	113,601	-
Enterprise Funds:		
Utility System	-	41,704
Sanitation	-	10,530
Special Revenue:		
Local Option Gas Tax	-	5,683
Expendable Trust:		
Community Redevelopment	-	493
Total	<u>\$ 421,451</u>	<u>\$ 421,451</u>
Advance To/Advance From:		
General Fund	\$ 36,000	\$ -
Community Redevelopment Expendable Trust Fund	-	36,000
Total	<u>\$ 36,000</u>	<u>\$ 36,000</u>

CITY OF APOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 5 – RESTRICTED ASSETS

The use of certain Utility System Fund assets is restricted by specific provisions of the bond resolution authorizing the issuance of the \$25,415,000 Utility System Improvement and Refunding Revenue Bonds, Series 2001. In addition, the City restricts funds available for repayment of deposits as well as funds required by ordinance to be placed in special construction accounts. Restricted assets at September 30, 2002, are as follows:

Bid bond	\$	14,750
Deposits		79,030
Renewal, replacement and improvement		200,000
Customer utility deposits		311,088
Capital facility fees		<u>3,516,819</u>
 Total Restricted Assets	 \$	 <u>4,121,687</u>

NOTE 6 – PROPERTY, PLANT AND EQUIPMENT

Changes in General Fixed Assets

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance October 1, 2001	Additions	Deletions And Transfers	Balance September 30, 2002
Land	\$ 4,371,489	\$ 177,795	\$ 36,619	\$ 4,512,665
Buildings	4,531,909	195,355	-	4,727,264
Improvements Other Than Building	861,550	2,705,308	-	3,566,858
Machinery & Equipment	4,765,907	308,100	32,009	5,041,998
Automotive Equipment	4,128,652	925,436	207,900	4,846,188
Construction In Progress	<u>4,156,404</u>	<u>1,517,739</u>	<u>2,716,211</u>	<u>2,957,932</u>
 Total	 <u>\$ 22,815,912</u>	 <u>\$ 5,829,732</u>	 <u>\$ 2,992,739</u>	 <u>\$ 26,652,905</u>

Proprietary Fund Fixed Assets

Proprietary fund type fixed assets at September 30, 2002 consist of the following:

	Utility System Fund	Sanitation Fund	Total
Land	\$ 3,336,877	\$ -	\$ 3,336,877
Buildings	13,869,328	-	13,869,328
Improvements Other Than Building	46,376,876	-	46,376,876
Machinery & Equipment	1,753,760	3,538	1,757,298
Vehicles	1,324,592	1,431,041	2,755,633
Construction In Progress	<u>2,731,266</u>	<u>-</u>	<u>2,731,266</u>
	69,392,699	1,434,579	70,827,278
Less: Accumulated Depreciation	<u>16,700,710</u>	<u>977,191</u>	<u>17,677,901</u>
 Total	 <u>\$ 52,691,989</u>	 <u>\$ 457,388</u>	 <u>\$ 53,149,377</u>

CITY OF APOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 7 – GENERAL LONG-TERM DEBT

A. Changes in General Long-Term Debt

During the year ended September 30, 2002, the following changes occurred in liabilities reported in the General Long-Term Debt Account Group:

	Balance October 1, 2001	Additions	Deletions And Transfers	Balance September 30, 2002
Capital Lease Obligations	\$ 31,042	\$ -	\$ 31,042	\$ -
Revenue Note, Series 1999	835,666	-	253,844	581,822
Notes Payable	<u>3,146,278</u>	<u>25,000</u>	<u>398,229</u>	<u>2,773,049</u>
Subtotal	4,012,986	25,000	683,115	3,354,871
Compensated Absences	<u>904,916</u>	<u>62,382</u>	-	<u>967,298</u>
Total	<u>\$ 4,917,902</u>	<u>\$ 87,382</u>	<u>\$ 683,115</u>	<u>\$ 4,322,169</u>

B. Summary of Bond Resolution

The following is a summary of bond resolutions pertaining to the debt reflected in the September 30, 2002 balance sheet.

\$1,468,435 Capital Improvement Revenue Notes, Series 1999A, Series 1999B, and Series 1999C

Type: General Government Revenue Notes
Date: April 26, 1999
Final Maturities: Series 1999A - January 29, 2019
Series 1999B - January 21, 2003
Series 1999C - April 26, 2002
Principal Payment Dates: Series 1999A - January 29
Series 1999B - January 21
Series 1999C - January 26, April 26, July 26, and October 26
Interest Payment Dates: Series 1999A - January 29
Series 1999B - January 21
Series 1999C - January 26, April 26, July 26, and October 26
Interest Rates: Series 1999A - 4.870% subject to those certain adjustments as provided in the Loan Agreement.
Series 1999B - 5.000% subject to those certain adjustments as provided in the Loan Agreement.
Series 1999C - 3.900% subject to those certain adjustments as provided in the Loan Agreement.
Revenue Pledged: Those monies budgeted and appropriated pursuant to the Loan Agreement.

Purpose: To refund certain outstanding obligations of the City and to finance a part of the cost of certain capital projects in and for the City including the acquisition of new vehicles and fuel dispensing equipment.

CITY OF APOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 7 – GENERAL LONG-TERM DEBT – continued

B. Summary of Bond Resolution - continued

The following represents the debt service requirement to maturity for this bonded indebtedness as of September 30, 2002:

<u>Fiscal Year Ending September 30</u>	<u>Series 1999A</u>	<u>Series 1999B</u>	<u>Total</u>
2003	\$ 56,208	\$ 62,026	\$ 118,234
2004	54,710	-	54,710
2005	53,213	-	53,213
2006	51,715	-	51,715
2007	50,218	-	50,218
2008	48,720	-	48,720
2009	47,223	-	47,223
2010	45,725	-	45,725
2011	44,228	-	44,228
2012	42,730	-	42,730
2013	41,233	-	41,233
2014	39,735	-	39,735
2015	38,238	-	38,238
2016	36,740	-	36,740
2017	35,243	-	35,243
2018	33,745	-	33,745
2019	<u>32,247</u>	<u>-</u>	<u>32,247</u>
	751,871	62,026	813,897
Less: amount representing interest	<u>229,121</u>	<u>2,954</u>	<u>232,075</u>
	<u>\$ 522,750</u>	<u>\$ 59,072</u>	<u>\$ 581,822</u>

C. Notes Payable

Notes payable at September 30, 2002 consisted of the following:

Note payable to SunTrust Bank collateralized by pledge of all legally available revenues and taxes (other than ad valorem taxes) due in quarterly principal installments of \$87,500 through October 1, 2010. Interest is variable on an annual basis. The interest rate for fiscal year ended September 30, 2002 was 2.00%.

General Long-Term Debt Account Group	\$ 1,622,000
Utility System Fund	<u>828,000</u>

\$ 2,450,000

Note payable to First Union National Bank of Florida collateralized by recreational impact fees, due in quarterly installments of \$10,600 including interest at 6.5% through November 4, 2005. 88,034

Note payable to First National Bank of Florida, unsecured, due in Monthly installments of \$733 including interest at 3.5% through June 19, 2005. 23,015

CITY OF AOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 7 – GENERAL LONG TERM DEBT - continued

C. Notes Payable - continued

Note payable to Colonial Bank collateralized communications equipment, due in annual principal installments of \$130,000 plus interest at 4.75% through October 19, 2009	1,040,000
Total Notes Payable	3,601,049
Less: Amount included in Utility System Fund	828,000
	\$ 2,773,049

The following represents the debt service requirements to maturity for all notes payable as of September 30, 2002:

Fiscal Year Ending September 30	First National Bank of Florida	Colonial Bank	Sun Trust (Principal Only)	First Union	Total
2003	\$ 8,798	\$ 179,400	\$ 350,000	\$ 42,402	\$ 580,600
2004	8,798	173,225	350,000	42,402	574,425
2005	6,598	167,050	350,000	10,601	534,249
2006	-	160,875	350,000	-	510,875
2007	-	154,700	350,000	-	504,700
2008	-	148,525	350,000	-	498,525
2009	-	142,350	350,000	-	492,350
2010	-	136,175	-	-	136,175
	24,194	1,262,300	2,450,000	95,405	3,831,899
Less: amount representing interest	1,179	222,300	-	7,371	230,850
Less: amount included in Utility System Fund	-	-	828,000	-	828,000
	\$ 23,015	\$ 1,040,000	\$ 1,622,000	\$ 88,034	\$ 2,773,049

NOTE 8 – UTILITY REVENUE BONDS PAYABLE

A. Summary of Bond Resolution

The following is a summary of the bond resolution pertaining to the bonds payable reflected on the September 30, 2002 balance sheet.

\$25,415,000 Utility System Improvement and Refunding Revenue Bonds, Series 2001

Type:	Enterprise Fund Revenue Bonds
Dated:	November 15, 2001
Final Maturity:	October 1, 2031
Principal Payment Date:	October 1 st
Interest Payment Dates:	April 1 st and October 1 st
Interest Rates:	3.250% to 4.750%

CITY OF AOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 8 – UTILITY REVENUE BONDS PAYABLE – continued

A. Summary of Bond Resolution - continued

Purpose: (i) Advance refund and defease the City’s \$15,040,000 Utility System Revenue Bonds, Series 1992; (ii) finance the acquisition and construction of various capital improvements to the City’s water, sewer, and reuse systems, and (iii) finance the costs of issuance of the Series 2001 Bonds.

Pledged: The Series 2001 Bonds are secured by a pledge and are payable solely from the Pledged Revenues consisting of (i) the Net Revenues of the System, (ii) the Sewer System Development Charges, (iii) the Water System Development Charges, (iv) the Reuse System Development Charges, and (v) the monies on deposit in various funds and accounts created pursuant to the Series 2001 Bond Resolution.

Reserve Equipment: The City has elected to purchase municipal bond insurance coverage to satisfy the Utility System bond reserve requirement.

The following represents the debt service requirements to maturity for the Utility System Improvement and Refunding Revenue Bonds, Series 2001 as of September 30, 2002:

<u>Fiscal Year Ending September 30</u>	<u>Total Principal and Interest Due</u>
2003	\$ 566,071
2004	1,578,043
2005	1,576,305
2006	1,573,967
2007	1,574,168
2008	1,574,880
2009	1,574,792
2010	1,571,180
2011	1,575,080
2012	1,572,743
2013	1,570,892
2014	1,574,155
2015	1,570,618
2016	1,570,222
2017	1,567,808
2018	1,568,200
2019	1,566,222
2020	1,567,123
2021	1,565,500
2022	1,561,325
2023	1,560,131
2024	1,561,681
2025	1,560,856
2026	1,557,656
2027	1,556,963
2028	1,558,538
2029	1,552,381
2030	1,553,375
2031	1,551,281
2032	<u>1,550,981</u>
	45,983,137

CITY OF AOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 8 – UTILITY REVENUE BONDS PAYABLE – continued

A. Summary of Bond Resolution – continued

Less:	
Amount representing interest	20,958,137
Current principal portion	-
Unamortized bond costs	<u>504,259</u>
Long-term bonds payable	<u>\$ 24,520,741</u>

B. Summary of Defeased Debt Outstanding

The amount of defeased debt still outstanding and not reported on the balance sheet as of September 30, 2002 is as follows:

	<u>Year Defeased</u>	<u>Original Bond Amount</u>	<u>Defeased Amount Outstanding</u>
Water and Sewer Refunding Revenue Bonds, Series 1978	1986	\$ 3,040,000	\$ 1,375,000
Water and Sewer Revenue Bonds, Series 1986-A	1992	<u>2,460,000</u>	<u>670,000</u>
Total Defeased Debt		<u>\$ 5,500,000</u>	<u>\$ 2,045,000</u>

NOTE 9 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City operates two enterprise funds that provide water, sewer, and sanitation services. Segment information for the year ended September 30, 2002 is as follows:

	<u>Utility System Fund</u>	<u>Sanitation Fund</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$ 10,484,549	\$ 2,195,948	\$ 12,680,497
Depreciation Expense	1,737,956	182,903	1,920,859
Operating Income	4,086,919	270,242	4,357,161
Operating Grants	-	4,172	4,172
Operating Transfers:			
In	-	-	-
(Out)	(2,329,686)	(270,000)	(2,599,686)
Net Income (Loss)	3,371,305	56,360	3,427,665
Current Capital Contributions	-	-	-
Plant Property & Equipment			
Additions	4,055,763	-	4,055,763
Deletions, net of accumulated depreciation	556,669	-	556,669
Total Assets	78,428,602	839,955	79,268,557
Net Working Capital	21,130,843	214,521	21,345,364
Long-Term Liabilities Payable	24,374,627	94,498	24,469,125
Total Fund Equity	53,046,024	577,411	53,623,435

CITY OF APOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS

The City maintains a single-employer defined benefit pension plan which covers substantially all of the City's full-time employees (General Employees' Retirement Plan), a single-employer defined benefit plan which covers all of its full-time certified police officers (Municipal Police Officers' Retirement Plan) and a single-employer defined benefit plan which covers all of its full-time certified firefighters (Municipal Firefighters' Retirement Plan). Each of the retirement plans is administered by its Board of Trustees, subject, however, and in any event to the authority and power of the Apopka City Council. Although the assets of the retirement plans are co-mingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan, in accordance with the terms of the plan. None of the aforementioned retirement plans issues a stand-alone financial report, nor are they included in the report of a Public Employee Retirement System, or any other entity.

A. Plan Description

1. General Employees' Retirement Plan

The General Employees' Retirement Plan ("Plan") was established on October 16, 1976 for all regular, full-time employees not covered by the Municipal Police Officer's Retirement Plan or the Municipal firefighters' Retirement Plan.

All full-time employees who have attained the age of 57 are entitled to annual benefits of 2.75% of the average of the five (5) best years of salary, times years of credited service, subject to a maximum of 100% of average final compensation in the form of a life annuity, ceasing upon death. Early retirement is available for employees attaining the age of 47 with ten (10) years of service. The early retirement benefit is in the form of a life annuity (options available). A delayed retirement may be elected where the employee remains actively employed and benefits continue to accrue after the normal retirement date. In the event of pre-retirement death and the employee is eligible for normal or early retirement, a beneficiary is eligible to receive a benefit as if the member retired on the date of death. If the employee is not eligible for normal or early retirement at the time of pre-retirement death, the Plan provides for a refund of any employee contributions.

Vesting in the Plan is as follows:

- with less than ten years of service, a refund of accumulated contributions
- with ten years or more of continuous service, an accrued pension payable at either early or normal retirement age, or a refund of employee contributions.

2. Municipal Police Officers' Retirement Plan

The Municipal Police Officers' Retirement Plan ("Plan") was established to conform to provisions of the State Statutes of the State of Florida for all sworn Police Officers.

Employees attaining the age of 45 who have completed 10 or more years of credited service, or 20 years of credited service regardless of age are entitled to monthly benefits of 3.3% of their average final compensation times years of credited service for the first 10 years of credited service and 4% for each year in excess of 10 years. Average final compensation is the average salary for the best 3 of the 5 last years immediately preceding retirement or termination. The Plan permits early retirement at the completion of 10 years of contributed service and attaining the age of 40.

Active employees who retire disabled with a disability that occurred in the line of duty shall receive the greater of 42% of average final compensation or 3.3% per month of average final compensation multiplied by years of credited service not exceeding a maximum of 93% of average final compensation. For a non-service incurred disability, a member with 10 years of credited service shall receive the same as an active employee but not less than 25% of average final compensation.

CITY OF AOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS - continued

A. Plan Description - continued

Disability benefits are paid for ten years certain or life or until recovery from disability. If an active employee dies, his or her beneficiary receives a refund of the police officer's contributions to the Plan if the officer dies before retirement eligibility. If the officer dies prior to retirement but has at least 10 years of credited service, his beneficiary is entitled to either early or normal retirement benefits.

If an employee terminates his or her employment with the police department and is not eligible for any other benefits under the Plan, the employee is entitled to the following:

- with less than 10 years of continuous service, a refund of accumulated contributions.
- with 10 or more years of continuous service, the pension accrued to the date of termination, payable commencing at his or her 45th birth date.

3. The Municipal Firefighters' Retirement Plan

The Municipal Firefighters' Retirement Plan ("Plan") was established to conform to provisions of the State of Florida for all sworn firefighters. All of the City's full-time firefighters participate in the Plan.

Employees attaining the age of 55 who have completed 10 or more credited years of service or with 22 years of credited service are entitled to annual benefits of 3.0% of their average final compensation for the best 5 of the last 10 years times years of credited service. The Plan permits early retirement at the completion of 10 years of credited service and attaining the age of 50 years.

Active employees who retire disabled with disability that occurred in the line of duty shall receive the greater of monthly benefits of 2.5% of their average final compensation times years of credited service or 42% of average final compensation. For non-service incurred disability, a member with 10 years of credited service shall receive the greater of 2.5% of average final compensation or the accrued benefit actuarially reduced but not less than 25% of average final compensation. Disability benefits are paid for ten years certain or life or until recovery from disability that can be provided by the single sum value of the deferred monthly retirement income beginning at normal retirement date, which has accrued to his date of disability.

If an active employee dies, his or her beneficiary receives a refund of the firefighter's contributions to the Plan if the firefighter dies before retirement eligibility. If a firefighter dies prior to retirement but has at least 10 years of credited service, his beneficiary is entitled to early or normal retirement benefits.

If an employee terminates his or her employment with the fire department and is not eligible for any other benefits under the Plan, the employee is entitled to the following:

- with less than 10 years of continuous service, a refund of accumulated member contributions.
- with 10 or more years of continuous service, the pension accrued to the date of termination, payable commencing at his or her 55th birth date.

CITY OF APOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

As of October 1, 2002 the date of the latest actuarial valuation, membership in the Plans consisted of the following:

	<u>General Employees'</u>	<u>Police Officers'</u>	<u>Firefighters'</u>	<u>Total</u>
Retirees and beneficiaries currently receiving benefits	34	9	8	51
Terminated employees entitled to benefits, but not yet receiving them	9	-	1	10
Beneficiaries	1	1	-	2
Participants on disability	-	2	3	5
Delayed retirement option	3	-	4	7
Active employees	<u>195</u>	<u>71</u>	<u>59</u>	<u>325</u>
Totals	<u>242</u>	<u>83</u>	<u>75</u>	<u>400</u>

The total payroll for the City of Apopka was \$ 12,548,373 for the fiscal year ended September 30, 2002 Payroll expenditures for employees covered by the General employees Retirement Plan; Municipal Police Officers' Retirement Plan; and Municipal Firefighters' Retirement Plan were \$6,581,552; \$3,265,444; and \$2,701,377, respectively.

C. Funding Policy

1. General Employees' Retirement Plan

Contributions are established by local ordinance. Employees are required to contribute 4.9% of their annual salary to the Plan. The City is required to contribute the amount necessary to meet normal (current year's) costs and to fund the actuarial accrued (past service) liability, if any, over 29 years, subject to a minimum of 1.4% of the total salary of Plan members.

2. Municipal Police Officers' Retirement Plan

Contributions are established by local ordinance and include a 2% premium tax on all casualty insurance policies issued in the city limits. Employees are required to contribute 7% of their annual salary to the Plan. The City is required to contribute an actuarially determined rate that includes the state contribution; the current rate is 13.0% of annual covered payroll.

3. Municipal Firefighters' Retirement Plan

Contributions are established by local ordinance and include a 1.85% excise tax from policyholders on all premiums collected on property fire insurance covering property within the City limits. Employees are required to contribute 8.3% of their salary to the Plan. The City is required to contribute an actuarially determined rate that includes the state contribution; the current rate is 16.0% of annual covered payroll.

Municipalities that have established pension plans complying with the provisions of Chapters 175 and 185, Florida Statutes, and that have enacted appropriate taxing legislation are eligible to receive revenues generated from excise taxes on gross receipts of certain insurance premiums from policyholders covering property within the City limits. These are the Firefighters' Pension Fund Excise Tax imposed on the gross receipts of property insurance policy premiums and the Police Officers' Pension Fund Excise Tax imposed on the gross receipts of casualty insurance policy premiums. These revenues are \$134,727 and \$182,403, respectively, for the year ended September 30, 2002.

CITY OF APOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

D. Annual Pension Cost

The Board of Trustees of each Plan establishes, and may amend the contribution requirements of plan members and the City. The City's annual pension cost for the current year and related information for each plan is shown below:

	<u>General Employees'</u>	<u>Police Officers'</u>	<u>Firefighters'</u>
Contribution rates:			
Employer	12.1%	13.0%	16.0%
Employee	4.9%	7.0%	8.3%
Annual pension cost	<u>\$ 796,122</u>	<u>\$ 376,799</u>	<u>\$ 424,322</u>
City Contributions made:			
City	\$ 856,709	\$ 392,037	\$ 446,746
Employees	321,139	225,284	273,317
State Premium Tax Refund	<u>-</u>	<u>182,403</u>	<u>134,727</u>
 Total	 <u>\$ 1,177,848</u>	 <u>\$ 799,724</u>	 <u>\$ 854,790</u>

Actuarial valuation date	10/1/00	10/1/00	10/1/00
Actuarial cost method	Frozen Entry Age	Aggregate (b)	Frozen Entry Age
Amortization method	Level % of Pay Closed	N/A	Level % of Pay Closed
Remaining amortization period	29	N/A	28
Asset valuation method	Market Value	Market Value	Market Value
Actuarial assumptions:			
Investment rate of return (a)	8.0%	8.0%	8.0%
Projected salary increases (a)	7.5%	7.5%	7.5%
(a) includes inflation at	3.0%	3.0%	3.0%
cost-of-living adjustments	0.0%	0.0%	0.0%
(b) does not identify or separately			
amortize unfounded actuarial liabilities			

E. 3-Year Trend Information

Three year trend information for the plans follows:

<u>Plan</u>	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation</u>
General Employees'	9/30/02	\$ 742,766	100%	\$ (426,007)
	9/30/01	695,386	100%	(312,064)
	9/30/00	606,344	113%	(264,309)
Police Officers'	9/30/02	\$ 376,799	100%	\$ -
	9/30/01	340,570	100%	-
	9/30/00	255,196	100%	-
Firefighters'	9/30/02	\$ 424,322	105%	\$ (151,004)
	9/30/01	389,283	101%	(128,580)
	9/30/00	309,933	101%	(119,462)

CITY OF AOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

F. Funding Progress

A six year schedule of funding progress follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAAL) c = (b-a)	Funded Ratio d = (a/b)	Covered Payroll (e)	UAAAL as a % of Covered Payroll f = [(b-a)/e]
General Employees'						
9/30/02	\$ 12,423,383	\$ 13,689,895	\$ 1,266,512	90.75%	\$ 6,581,552	19.24%
9/30/01	11,352,878	12,765,161	1,412,283	88.94%	5,894,567	23.96%
9/30/00	10,039,737	12,530,346	2,490,609	80.12%	5,539,901	44.96%
9/30/99	8,418,831	9,729,622	1,310,791	86.53%	4,893,326	26.79%
9/30/98	7,309,140	8,453,713	1,344,094	84.10%	4,687,247	28.68%
9/30/97	6,144,414	7,532,671	1,388,257	81.57%	4,321,699	32.12%
(1) Does not include State of Florida DROP Plan benefits.						
Police Officers'						
9/30/02	\$ 11,910,743	\$ 11,910,743	\$ -	100%	\$ 3,265,444	0.00%
9/30/01	11,029,418	11,029,418	-	100%	2,892,959	0.00%
9/30/00	9,968,782	9,968,782	-	100%	2,702,838	0.00%
9/30/99	8,578,021	8,578,021	-	100%	2,397,234	0.00%
9/30/98	7,309,140	7,309,140	-	100%	2,341,670	0.00%
9/30/97	6,430,872	6,430,872	-	100%	1,944,230	0.00%
Firefighters'						
9/30/02	\$ 11,428,046	\$ 10,996,634	\$ (431,412)	103.92%	\$ 2,701,377	(15.97)%
9/30/01	10,685,206	10,367,910	(317,296)	103.06%	2,474,448	(12.82)%
9/30/00	9,729,518	10,501,751	772,233	92.65%	2,236,146	33.20%
9/30/99	8,558,732	9,329,344	770,612	91.74%	2,091,383	36.85%
9/30/98	7,275,234	7,966,860	691,626	91.32%	2,118,368	32.65%
9/30/97	6,251,555	6,967,360	715,805	89.73%	2,034,907	35.18%
(2) Does not include State of Florida DROP Plan benefits.						

G. Contributions – Employer and Other

A six-year schedule of contributions from the employer and other contributing entities follows:

Year Ended September 30	Annual Required Contribution	City's Contribution	State's Contribution	Percentage Contributed
General Employees				
2002	\$ 796,122	\$ 856,709	\$ -	107.61%
2001	740,578	743,141	-	100.35%
2000	577,342	716,671	-	124.13%
1999	508,333	550,888	-	108.37%
1998	421,176	516,333	-	122.59%
1997	393,398	467,849	-	118.93%
Police Officers'				
2002	\$ 559,202	\$ 392,037	\$ 182,403	102.72%
2001	520,188	341,283	179,618	100.14%
2000	432,765	271,804	177,569	103.84%
1999	473,878	294,945	178,933	100.00%
1998	353,329	247,808	179,618	120.97%
1997	352,254	205,737	165,947	105.52%

CITY OF AOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS – continued

G. Contributions – Employer and Other - continued

Firefighters'				
2002	\$ 557,637	\$ 446,746	\$ 134,727	104.27%
2001	518,732	398,401	126,954	101.28%
2000	430,300	310,859	121,668	100.52%
1999	371,033	305,212	116,507	113.66%
1998	337,264	278,914	126,954	120.34%
1997	327,632	233,792	113,828	106.10%

H. Development of Net Pension Obligation (NPO)

Three year trend information follows:

General Employees' Plan

This municipal Defined Benefit Plan has been subject to the minimum funding standards since the adoption of the "Florida Protection of Public Employee Retirement Benefits Act" (Part VII of Chapter 112, Florida Statutes) in 1980. Accordingly, the sponsor has funded the actuarially determined required contributions for all years from October 1, 1987, through the transition date, October 1, 1997. Thus, the NPO on October 1, 1997, is zero.

The development of the Net Pension Obligation through September 30, 2002 is as follows:

	<u>9/30/00</u>	<u>9/30/01</u>	<u>9/30/02</u>
Actuarially Determined Contribution (A)	\$ 632,672	\$ 740,578	\$ 796,122
Interest on NPO	(12,319)	(21,145)	(24,965)
Adjustment to (A)	<u>(14,009)</u>	<u>(24,047)</u>	<u>(28,391)</u>
Annual Pension Cost	606,344	695,386	742,766
Contributions Made	<u>716,671</u>	<u>743,141</u>	<u>856,709</u>
Increase in NPO	(110,327)	(47,755)	(113,943)
NPO, Beginning of Year	<u>(153,982)</u>	<u>(264,309)</u>	<u>(312,064)</u>
NPO, End of Year	<u>\$ (264,309)</u>	<u>\$ (312,064)</u>	<u>\$ (426,007)</u>

Police Officers' Plan

The Municipal Police Officers Retirement Plan has no Net Pension Obligation for the fiscal years ended 9/30/00, 9/30/01, and 9/30/02.

Firefighters' Plan

This municipal Defined Benefit Plan has been subject to the minimum funding standards since the adoption of the "Florida Protection of Public Employee Retirement Benefits Act" (Part VII of Chapter 112, Florida Statutes) in 1980. Accordingly, the sponsor has funded the actuarially determined required contributions for all years from October 1, 1987, through the transition date, October 1, 1997. Thus, the NPO on October 1, 1997, is zero.

CITY OF APOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS – continued

H. Development of Net Pension Obligation (NPO) - continued

The development of the Net Pension Obligation through September 30, 2002. is as follows:

	<u>9/30/00</u>	<u>9/30/01</u>	<u>9/30/02</u>
Actuarially Determined Contribution (A)	\$ 308,632	\$ 387,971	\$ 422,910
Interest on NPO	(9,483)	(9,557)	(10,286)
Adjustment to (A)	<u>10,784</u>	<u>10,869</u>	<u>11,698</u>
Annual Pension Cost	309,933	389,283	424,322
Contributions Made	<u>310,859</u>	<u>398,401</u>	<u>446,746</u>
Increase in NPO	(926)	(9,118)	(22,424)
NPO, Beginning of Year	<u>(118,536)</u>	<u>(119,462)</u>	<u>(128,580)</u>
NPO, End of Year	<u>\$ (119,462)</u>	<u>\$ (128,580)</u>	<u>\$ (151,004)</u>

NOTE 11 – CONTRIBUTED CAPITAL

During the year, contributed capital of the Enterprise Funds had no reported changes.

NOTE 12 – RESERVES AND DESIGNATIONS OF FUND BALANCES/RETAINED EARNINGS

Government Fund Types

The City has established certain reserves and designations within the fund equity section of the Governmental Fund Types. Reserves and designations of fund balances at September 30, 2002, consist of the following:

General Fund:

Reserved for:

Law Enforcement Trust	\$ 2,732
Police Training	22,224
Inventories, Prepays and Advances	<u>137,491</u>
	<u>\$ 162,447</u>

Designated for:

Equipment Renewal and Replacement	\$ 134,293
Fire Department	28,991
Mausoleum Maintenance	2,717
Historical Society Building	5,000
Senior Recreation	13,134
Insurance	200,000
Park Beautification	2,874
Tree Bank	172,921
Recreation Department	20,232
Police Programs	6,243
Storage Retention	80,039
Civic Center	<u>80,639</u>
	<u>\$ 747,083</u>

Capital Projects Fund:

Designated for Capital Projects	<u>\$ 343,063</u>
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CITY OF AOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 12 – RESERVES AND DESIGNATIONS OF FUND BALANCES/RETAINED EARNING - continued

Proprietary Fund Types

The City has established certain reserves for restricted assets provided from operations for debt service and contingencies net of current liabilities payable from these restricted assets. Reserved retained earnings for the Utility System Enterprise Fund at September 30, 2002 consists of the following:

Reserved for Renewal and Replacement	<u>\$ 200,000</u>
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Fiduciary Fund Types

The City has established certain reserves within the fund equity section of the Fiduciary Fund Types. Reserved fund balances at September 30, 2002, consists of the following:

Reserved for Employees' Pension Benefits:	
General Employees' Pension Trust Fund	\$ 10,599,604
Police Officers' Pension Trust Fund	9,900,820
Firefighters' Pension Trust Fund	<u>10,057,249</u>
	<u>\$ 30,557,673</u>

NOTE 13 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for all types of claims with nominal deductible amounts. The following is a summary of the City's significant insurance coverage and limitations:

Type of Coverage	Amount of Coverage	Limitations
Property	\$ 34,203,413	<ul style="list-style-type: none"> - Buildings and Personal Property - Additional at City Hall - All other locations - Signs - Flood per occurrence - Money and securities
Automobile (Includes liability uninsured motorists protection, personal injury protection, and automobile physical damage)	50,000 100,000 300,000 5,000,000	<ul style="list-style-type: none"> - Property - Bodily Injury – Each person - Bodily Injury – Each occurrence - Combined single limits per occurrence
Inland Marine	25,000 5,000 5,000 680,546 307,794	<ul style="list-style-type: none"> - Papers at City Hall - Papers at all other locations - A/R per location - Equipment per occurrence - Electronic data processing
Public Employee Dishonesty Position Bond	250,000	- Each police employee
Faithful Performance Blanket Position Bond	250,000	- Each employee

CITY OF APOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 13 – RISK MANAGEMENT – continued

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Limitations</u>
General Liability (Includes Medical Attendants/Medical Directors', Malpractice, Broad Form)	10,000 5,000,000	- Each person - Combined single limits per occurrence
Property Damage and Premises Medical	5,000,000	- Combined single limits per occurrence
Public Employee Position Bond	100,000	
Boiler and Machinery	2,500,000	- Per accident
Public Officials Liability	1,000,000	- Each loss/annual aggregate
Law Enforcement Officers Liability	1,000,000	- Each person, wrongful act, annual aggregate
Statutory Death Benefit (Police & Fire)	75,000 / 25,000	- Per covered person
Special Events	1,000,000 2,000,000	- Combined single limits per occurrence - General aggregate
Fiduciary Responsibility	1,000,000	- Annual aggregate
Pollution Liability	1,000,000	- Each incident and aggregate
Workers Compensation	Statutory	
Workers Compensation/Employer's Liability	1,000,000	- Each accident, each disease, aggregate by disease

There have been no significant reductions in insurance coverage during fiscal year 2002. Settled claims have not exceeded the commercial excess coverages in any of the past three years.

NOTE 14– OTHER DISCLOSURES

A. Excess of Operating Expenses Over Budgeted Operating Expenses in Individual Funds

Excess of operating expenses over appropriations in individual funds are as follows at September 30, 2002:

	<u>Budget</u>	<u>Actual</u>	<u>Operating Expenses in Excess of Budgeted Operating Expenses</u>
Sanitation Fund	\$ <u>1,864,900</u>	\$ <u>1,934,489</u>	\$ <u>69,589</u>
Recreation Impact Fees	\$ <u>104,600</u>	\$ <u>110,465</u>	\$ <u>5,865</u>

B. Deficit retained earnings/fund balances of individual funds at September 30, 2002: None.

CITY OF APOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 15 – BUDGETARY BASIS OF ACCOUNTING

The City Council adopts budget resolutions for all governmental and proprietary fund types. The budgets for the Enterprise Funds (Utility System and Sanitation) were adopted on an accounting basis other than in accordance with generally accepted accounting principles. Adjustments necessary to convert the results of operations for the year ended September 30, 2002 from the GAAP basis to the budget basis are as follows:

UTILITY SYSTEM

Net Income, GAAP Basis	\$ 3,371,305
(Decrease) due to payment of debt principal	(529,899)
(Decrease) due to equipment purchases	<u>(4,055,763)</u>
 (Deficit) of Revenue (Under) Expenses Budget Basis	 <u>\$ (1,214,357)</u>

SANITATION

Net Income, GAAP Basis	\$ 56,360
(Decrease) due to payment of debt principal	<u>(79,357)</u>
 (Deficit) of Revenue (Under) Expenses Budget Basis	 <u>\$ (22,997)</u>

NOTE 16– COMMITMENTS AND CONTINGENCIES

Intergovernmental Grants

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

Construction and other Significant Commitments

Committed Construction: As of September 30, 2002 there was an uncompleted construction contract.

<u>Vendors</u>	<u>Project Title</u>	<u>Remaining Construction Commitment</u>
Ryan Eastern	Rock Springs Road Widening	\$ 2,017,010

Other Significant Commitments: As of September 30, 2002 the City had the following commitments.

The City has entered into interlocal agreements to perform dispatch services for other nearby cities.

CITY OF AOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

**NOTE 17 – EXTRAORDINARY ITEM – LOSS RECOGNIZED ON ADVANCE
REFUNDING OF BONDS**

In the fiscal year ended September 30, 2002, the City refunded in a complete defeasance the Series 1999 Utility System Revenue Bonds which had a total principal amount outstanding at the refunding date of \$11,935,000. The City recognized a loss on the refunding in the amount of the difference between the net amount (Bond principal outstanding, less unamortized discounts and issue costs of the bonds outstanding) and the monies deposited into an irrevocable escrow account in an amount to fully service the principal and interest of the refunded bonds as follows:

Utility System Revenue Bonds, Series 1992 Outstanding at date of refunding:	
Serial Bonds	\$ 4,635,000
Term Bonds	<u>7,300,000</u>
	11,935,000
Less unamortized discount and issue costs	<u>310,459</u>
Carrying amount of bonds refunded	11,624,541
Deposit to escrow account for Refunded bonds	<u>(12,431,248)</u>
Loss recognized	<u>\$ 806,707</u>

The loss (\$806,707) is being amortized over the remaining term of the Utility System Revenue Bonds, Series 1992.

NOTE 18– SUBSEQUENT EVENTS

On October 22, 2003, the City entered into three (3) separate capital leases with Banc of America Leasing and Capital, LLC as follows:

	Sanitation Truck and Recycling Truck	Aerosol Fire Truck and Pumper Fire Truck	Ambulance	Total
Total Minimum Lease Payments	\$ 326,410	\$ 1,178,633	\$ 94,056	\$ 1,599,099
Less: amount representing interest	<u>26,410</u>	<u>206,238</u>	<u>6,556</u>	<u>239,204</u>
Present value of future minimum lease payments as of 10/22/03	<u>\$ 300,000</u>	<u>\$ 972,395</u>	<u>\$ 87,500</u>	<u>\$ 1,359,895</u>

CITY OF APOPKA, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2002

NOTE 18 – SUBSEQUENT EVENTS - continued

The following represents the debt service requirements to maturity for these capital leases:

Fiscal Year Ending September 30	Sanitation Trucks (2)	Fire Trucks (2)	Ambulance (1)	Totals
2003	\$ 65,282	\$ 98,219	\$ 15,676	\$ 179,177
2004	65,282	117,863	18,811	201,956
2005	65,282	117,863	18,811	201,956
2006	65,282	117,863	18,811	201,956
2007	65,282	117,863	18,811	201,956
2008	-	117,863	3,136	120,999
2009	-	117,863	-	117,863
2010	-	117,863	-	117,863
2011	-	117,863	-	117,863
2012	-	117,863	-	117,863
2013	-	19,647	-	19,647
	326,410	1,178,633	94,056	1,599,099
Less amount representing interest	26,410	206,238	6,556	239,204
	<u>\$ 300,000</u>	<u>\$ 972,395</u>	<u>\$ 87,500</u>	<u>\$ 1,359,895</u>

CITY OF APOPKA, FLORIDA
TABLE 1
GENERAL GOVERNMENTAL REVENUES BY SOURCE
 Last Ten Fiscal Years

(Dollar Amounts are Expressed in Thousands)

Fiscal Year	Taxes	Licenses and Permits	Intergovernmental Revenues	Charges for Services	Fines & Forfeitures	Impact Fees	Interest	Miscellaneous Revenues	Total
2002	\$ 9,795	\$ 829	\$ 4,486	\$ 1,688	\$ 270	\$ 789	\$ 318	\$ 1,191	\$ 19,366
2001	8,970	680	5,980	1,525	219	838	703	449	19,364
2000	7,677	697	5,126	1,295	331	1,046	722	1,073	17,967
1999	6,904	599	3,965	916	433	941	335	493	14,586
1998	6,436	665	3,544	923	292	1,341	914	700	14,815
1997	5,417	396	3,157	1,375	346	568	560	501	12,320
1996	4,887	451	3,045	1,691	260	379	443	324	11,480
1995	4,296	367	2,771	1,598	190	841	(A)	750	10,813
1994	4,008	435	2,472	1,691	175	651	(A)	527	9,959
1993	3,440	447	3,389	466	152	655	(A)	526	9,075

Includes the Governmental Fund Types: General Fund, all Special Revenue Funds, all Debt Service Funds and the Capital Projects Fund for Fiscal years 1998 thru 2002, but excludes the Capital Projects Fund for Fiscal Years 1993-1995. Also includes the Fiduciary Fund Type: Expendable Trust.

Source: City of Apopka Finance Department

(A) Information not available for these years

CITY OF APOPKA, FLORIDA
TABLE 2
GENERAL GOVERNMENT EXPENDITURES BY FUNCTION
Last Ten Fiscal Years

(Dollar Amounts are Expressed in Thousands)

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Physical Environment</u>	<u>Trans- portation</u>	<u>Environ- mental</u>	<u>Culture/ Recreation</u>	<u>Non- depart- mental</u>	<u>Human Services</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Grants and Aids</u>	<u>Total</u>
2002	\$ 2,805	\$ 12,685	\$ -	\$ 1,634	\$ 16	\$ 1,734	\$ 218	\$ -	\$ 2,061	\$ 755	\$ -	\$ 21,908
2001	3,090	11,396	-	1,374	21	1,200	175	-	2,716	868	50	20,890
2000	2,399	11,899	-	1,580	15	1,269	125	-	3,068	679	23	21,058
1999	3,107	9,632	-	1,420	41	1,405	175	-	813	1,526	(A)	18,119
1998	2,760	9,295	-	1,357	17	1,147	213	-	1,659	1,248	(A)	17,696
1997	1,769	7,887	-	1,201	-	1,087	173	-	713	818	(A)	13,648
1996	1,672	6,642	-	999	-	1,007	144	-	862	716	(A)	12,042
1995	1,553	6,480	-	2,691	-	-	-	-	144	662	(A)	11,530
1994	1,453	6,162	-	2,459	-	-	-	11	156	621	(A)	10,862
1993	1,359	5,439	-	2,170	-	-	-	-	75	622	(A)	9,665

Includes the Governmental Fund Types: General Fund, all Special Revenue Funds, all Debt Service Funds and the Capital Projects Fund for Fiscal years 1998 thru 2002, but excludes the Capital Projects Fund for Fiscal Years 1993-1995. Also includes the Fiduciary Fund Type: Expendable Trust.

Source: City of Apopka Finance Department

CITY OF APOPKA, FLORIDA
TABLE 3
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Collections</u>	<u>Collections as a Percent of Current Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as a Percent of Current Levy</u>
2002	\$ 4,124,150	\$ 3,953,029	95.85%	\$ 45,061	\$ 3,998,090	96.94%
2001	3,653,800	3,462,751	94.77%	26,306	3,489,057	95.49%
2000	3,320,575	3,145,843	94.74%	43,067	3,188,910	96.03%
1999	3,078,187	2,940,207	95.52%	5,066	2,945,273	95.68%
1998	2,860,702	2,718,098	95.02%	12,110	2,730,208	95.44%
1997	2,429,840	2,318,438	95.42%	2,947	2,321,385	95.54%
1996	2,295,309	2,200,944	95.89%	2,337	2,203,281	95.99%
1995	1,963,170	1,888,477	96.20%	6,382	1,894,859	96.52%
1994	1,843,330	1,772,040	96.13%	740	1,772,780	96.17%
1993	1,671,191	1,616,362	96.72%	1,479	1,617,841	96.81%

Source: Orange County Tax Collector's Office

CITY OF APOPKA, FLORIDA
TABLE 4
ASSESSED AND NET ASSESSED VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years

(Dollar Amounts are Expressed in Thousands)

Fiscal Year	Real Property		Personal Property		Centrally Assessed		Total		Ratio of Total Taxable Assessed Value to Total Net Assessed Value
	Taxable Assessed Value	Net Assessed Value	Taxable Assessed Value	Net Assessed Value	Taxable Assessed Value	Net Assessed Value	Taxable Assessed Value	Net Assessed Value	
2002	\$977,715	\$ 1,167,638	\$ 118,438	\$118,440	\$ 141	\$ 141	\$ 1,096,294	\$ 1,286,219	85.23%
2001	866,693	1,033,897	103,314	103,316	134	134	970,141	1,137,347	85.30%
2000	785,970	939,586	96,585	96,587	131	131	882,686	1,036,304	85.18%
1999	732,339	878,597	85,790	85,793	124	124	818,253	964,514	84.84%
1998	674,884	813,624	85,455	85,458	102	102	760,441	899,184	84.57%
1997	594,805	725,474	51,108	51,022	85	85	645,998	776,581	83.17%
1996	562,879	684,435	47,174	47,174	96	96	610,149	731,705	83.39%
1995	521,594	628,466	42,635	42,635	81	81	564,310	671,182	84.08%
1994	492,328	589,034	36,201	36,201	77	77	528,606	625,312	84.53%
1993	436,174	436,174	36,262	36,262	(A)	(A)	472,436	472,436	100.00%

Estimated actual value includes various exemptions (i.e. Government, Disability, Institutional, Homestead, etc.). The fiscal year represents a calendar year assessment. Revenues derived from each year's assessment are recorded in the fiscal year ending on the following September 30.

Source: Orange County Property Appraiser's Office

CITY OF APOPKA, FLORIDA
TABLE 5
PROPERTY TAX RATES
ALL DIRECT AND OVERLAPPING GOVERNMENTS
Last Ten Fiscal Years

(Per \$1,000 of Assessed Taxable Value)

<u>Fiscal Year</u>	<u>City of Apopka</u>	<u>Orange County</u>	<u>Orange County School Board</u>	<u>Water Management District</u>	<u>Library</u>	<u>Total</u>
2002	3.7619	5.1639	7.8780	0.4620	0.4371	17.7029
2001	3.7619	5.1639	8.4320	0.4620	0.4383	18.2581
2000	3.7619	5.1639	8.5770	0.4720	0.4412	18.4160
1999	3.7619	5.2889	9.0420	0.4820	0.4412	19.0160
1998	3.7619	5.2889	9.1770	0.4820	0.4412	19.1510
1997	3.7619	5.2889	9.1770	0.4820	0.4412	19.1510
1996	3.7619	5.2889	9.3750	0.4820	0.4532	19.3610
1995	3.4789	5.2889	9.3750	0.4820	0.4532	19.0780
1994	3.4853	5.2889	8.3000	0.4700	0.4596	18.0038
1993	3.5359	5.2889	9.0030	0.3580	0.4597	18.6455

Source: Orange County Office of Management and Budget

CITY OF APOPKA, FLORIDA
TABLE 6
GENERAL OBLIGATION BONDS
COMPUTATION OF OVERLAPPING DEBT
September 30, 2002

<u>Taxing District</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable To City Taxpayers (1)</u>	<u>Amount Applicable To City Taxpayers</u>
Orange County Library:			
Bonds	\$ 4,505,000	3.11%	\$ 140,077
Bank Loan	<u>2,853,623</u>	<u>3.11%</u>	<u>88,730</u>
Total	<u>\$ 7,358,623</u>	<u>3.11%</u>	<u>\$ 228,807</u>

Source: Orange County Library

The City of Apopka has no ordinance which limits general obligation debt to a percentage of assessed property values.

(1) The percentage applicable to the City of Apopka is based upon City/County population ratio.

CITY OF APOPKA, FLORIDA
TABLE 7
UTILITY SYSTEM REVENUE BOND COVERAGE
Last Ten Fiscal Years

Fiscal Year	Gross Pledged Revenues (1)(2)	Direct Operating Expenses (3)	Net Available For Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2002	\$ 10,976,832	\$ 4,659,674	\$ 6,317,858	\$ 390,000	\$ 1,007,463	\$ 1,397,463	4.52
2001	9,502,763	3,922,228	5,580,535	455,000	705,792	1,160,792	4.81
2000	9,507,037	3,428,113	6,078,924	435,000	728,284	1,163,284	5.23
1999	8,039,671	2,981,337	5,058,334	415,000	749,155	1,164,155	4.35
1998	9,854,540	2,737,477	7,117,063	395,000	768,195	1,163,195	6.12
1997	6,912,209	2,729,809	4,182,400	380,000	786,348	1,166,348	3.59
1996	6,476,558	2,514,491	3,962,067	360,000	809,319	1,169,319	3.39
1995	5,055,737	2,317,712	2,738,025	345,000	820,303	1,165,303	2.35
1994	4,544,920	2,162,279	2,382,641	320,000	836,067	1,156,067	2.06
1993	4,271,846	2,186,389	2,085,457	60,000	850,048	910,048	2.29

(1) For 2002, Gross Pledged Revenues include operating revenues, connections fees, impact fees, and investment income. Contributions from developers and gains on disposal of fixed assets are not included.

(2) For 1993 thru 2001, Gross Pledged Revenues include operating revenues, earned interest, and the City's share of the Half-Cent Gas Tax.

(3) Direct operating expenses include all expenses of operating the system except depreciation and interest expense.

Source: City of Apopka Finance Department.

CITY OF AOPKA, FLORIDA
TABLE 8
CAPITAL IMPROVEMENT REVENUE NOTES
SERIES 1999A, 1999B, AND 1999C
REVENUE BOND COVERAGE
Last Three Years (6)

<u>Fiscal Year</u>	<u>Total Revenues (1)</u>	<u>Total Expenditures (2)</u>	<u>Undesignated/ Unreserved Fund Balance (3)</u>	<u>Debt Service Expenditures (4)</u>	<u>Coverage (5)</u>
2002	\$ 18,958,083	\$ 17,781,596	\$ 5,844,849	\$ 678,888	10.34
2001	18,075,027	16,176,816	5,721,329	787,615	9.67
2000	17,132,532	16,295,174	3,327,428	599,414	7.18

- (1) Total revenues includes total revenues of the General Fund, plus operating transfers in.
- (2) Total expenditures includes the General Fund's total expenditures net of debt service paid from the General Fund, less operating transfers out.
- (3) The undesignated/unreserved fund balance of the General Fund as of 09-30-02.
- (4) Debt service expenditures paid from the General Fund during the year.
- (5) Coverage = (1) - (2) + (3), divided by (4).
- (6) The Capital Improvement Revenue Notes, Series 1999A, 1999B, and 1999C were issued in the fiscal year ending September 30, 2000.

CITY OF APOPKA, FLORIDA
TABLE 9
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENT EXPENDITURES (2)
Last Ten Fiscal Years
(Dollar Amounts are Expressed in Thousands)

Fiscal Year	Principal	Interest	Total	Total General Expenditures (1)	Ratio of Debt Service to Total General Expenditures
2002	\$ 290	\$ 36	\$ 326	\$ 21,907	1.45%
2001	297	49	346	20,890	1.66%
2000	280	51	331	21,058	1.57%
1999	106	8	114	18,119	0.63%
1998	50	3	53	17,696	0.30%
1997	45	7	52	13,648	0.37%
1996	40	9	49	12,042	0.41%
1995	40	12	52	11,530	0.45%
1994	40	14	54	10,862	0.50%
1993	40	16	56	9,665	0.58%

(1) Total general expenditures are expenditures of the Governmental General Fund Types and the Fiduciary Fund Type: Expendable Trusts.

(2) Public Improvement Certificates Bonds thru 1999. Capital Improvement Revenue Notes, Series 1999A, 1999B, and 1999C, 1999 thru 2002.

Source: City of Apopka Finance Department.

CITY OF APOPKA, FLORIDA
TABLE 10
DEMOGRAPHIC STATISTICS
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>City's Population (1)</u>	<u>School Enrollment (2)</u>	<u>Orlando Area Unemployment Rate (3)</u>
2002	29,710	11,850	5.1%
2001	28,485	11,649	2.5%
2000	26,642	11,382	2.7%
1999	22,724	11,041	3.2%
1998	21,165	10,738	3.0%
1997	20,273	10,067	3.6%
1996	19,255	9,988	4.1%
1995	18,449	8,510	4.6%
1994	17,424	9,443	5.9%
1993	16,307	7,895	5.9%

- Source:
- (1) U.S. Census 1990 and estimated for remainder of years, and University of Florida.
 - (2) Public schools are under the jurisdiction of Orange County School Board. The enrollment figures include Orange County students obtained from Orange County School Board.
 - (3) Florida Department of Labor - The unemployment rate is expressed as a percentage of the total employed population in the Orlando, Florida trade area.

CITY OF APOPKA, FLORIDA
TABLE 11
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
Last Ten Fiscal Years

Fiscal Year	Value of Total Taxable Property (1)	Commercial Construction (2)		Residential Construction (2)		Bank Deposits (3) (in thousands)
		Number of Units	Value	Number of Units	Value	
2002	\$1,096,294,537	164	\$ 12,645,572	495	\$ 46,800,525	\$ 12,476,822
2001	971,264,520	255	7,872,618	1267	44,619,261	10,902,928
2000	882,685,636	297	12,207,040	1530	47,000,877	9,587,190
1999	818,253,206	221	8,204,191	1178	37,194,799	9,098,398
1998	760,440,731	269	18,315,587	868	40,559,646	8,312,094
1997	645,907,560	253	9,117,656	796	18,533,387	7,128,190
1996	610,146,225	226	8,448,972	930	22,050,275	6,463,102
1995	564,307,677	255	7,625,216	841	20,789,003	5,982,678
1994	528,602,790	36	4,318,886	387	21,587,981	5,874,598
1993	472,436,367	36	2,586,914	503	26,935,018	5,763,071

Source: (1) Orange County Property Appraiser's Office - Form DR-420

(2) Building Division, City of Apopka

(3) Florida Bankers Association figures for Orange County

CITY OF APOPKA, FLORIDA

TABLE 12

PRINCIPAL TAXPAYERS

September 30, 2002

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation (1)</u>	<u>Percent of Total Taxable Value</u>
United Telephone of Florida	Communications	\$ 18,178,655	1.67%
Colonial Realty Ltd. Partnership	Real Estate	16,867,118	1.55%
TWC Ninety-one Ltd.	Communications	14,745,616	1.35%
Wal-Mart Stores East, Inc.	Retail	10,459,311	0.96%
Lakewood At Peidmont LP	Real Estate	10,107,150	0.93%
QRS 10-18 (FL) Inc.	Real Estate	10,075,471	0.92%
ZR Apopka LLC	Real Estate	9,542,376	0.88%
P O's Apollo Florida LP	Real Estate	7,131,910	0.65%
ARC 4 FL, LLC	Real Estate	6,612,249	0.61%
Mid Florida Freezer Warehouses Ltd	Warehouse	<u>6,134,155</u>	<u>0.56%</u>
		<u>\$ 109,854,011</u>	<u>10.08%</u>
Total Taxpayer's Taxable Assessed Value		<u>\$ 1,089,591,080</u>	

Source: Orange County Property Appraiser's Office

(1) The fiscal year ended September 30, 2002 tax levy is based on the 2001 taxable year.

CITY OF APOPKA, FLORIDA
TABLE 13
MISCELLANEOUS STATISTICS
September 30, 2002

Date of Incorporation	1882
Form of Government	City Council - Mayor
Area	24.8278 Square Miles
Building Permits Issued - Fiscal year 2002	659
Value of Permits Issued	\$59,446,097
Miles of Streets	
Paved	133.67
Unpaved	3.16 Miles
City Sewer System:	
Gravity Lines	99.05 Miles
Force Mains	37.04 Miles
Equivalent Connections	9,201
Lift Stations	59
Wastewater Plants	1
Reclaimed Water Mains	23.41 Miles
City Water System:	
Mains	158.96 Miles
Equivalent Connections	13,644
Fire Hydrants	985
Water Plants	4
Police Protection:	
Number of Police Stations	1
Number of Sworn Officers	71
Fire Protection:	
Number of Fire Stations	4
Number of Firefighters and Officers	64
Total City Employees	333
Recreation and Culture:	
Park Area	119.5 Acres
Number of Playgrounds	7
Number of Baseball and Softball Diamonds	15
Number of Tennis and Racketball Courts	4
Number of Basketball Courts	2
Number of Soccer/Multi-Purpose Fields	11
Number of Recreation Centers	4
Number of Beach Volleyball Courts	5
Number of Horseshoe Pits	2
Number of Shuffleboard Courts	2

Source: City of Apopka personnel, Engineering, Parks and Recreation, and Building Depts.

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APPENDIX H

Financial Information Regarding Town of Bay Harbor Islands

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TOWN OF BAY HARBOR ISLANDS
Statement of Revenues, Expenditures
and Changes in Fund Balance
Budget and Actual - General Fund
Years Ended September 30

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Revenues:			
Taxes	\$2,643,228	\$2,400,539	\$2,247,150
Licenses and permits	345,651	227,564	159,621
Intergovernmental	433,382	406,958	539,825
Charges for services	12,371	12,780	10,982
Fines and forfeitures	162,179	112,288	77,556
Miscellaneous	<u>264,751</u>	<u>398,118</u>	<u>409,974</u>
	<u>3,861,562</u>	<u>3,558,247</u>	<u>3,445,108</u>
Expenditures:			
Current:			
General government	\$ 712,573	\$ 508,826	\$479,947
Public buildings	119,201	110,671	96,330
Law enforcement	1,223,291	1,158,794	1,189,961
Protective inspections	163,731	171,107	152,637
Other public safety	32,426	29,279	27,888
Streets and parkways	602,094	604,824	563,621
Public transportation	77,542	75,990	73,327
Public library	64,819	63,958	62,718
Recreation	31,951	29,833	34,683
Capital outlay	<u>157,277</u>	<u>352,126</u>	<u>423,676</u>
	<u>3,184,905</u>	<u>3,105,408</u>	<u>3,104,788</u>
Excess (deficiency) of revenues over expenditures	<u>676,657</u>	<u>452,839</u>	<u>340,320</u>
Other financing sources (uses):			
Operating transfers in	276,233	345,522	1,536,309
Operating transfers out	<u>(40,000)</u>	<u>(60,000)</u>	<u>(353,617)</u>
	<u>236,233</u>	<u>285,522</u>	<u>1,182,692</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>912,890</u>	<u>738,361</u>	<u>1,523,012</u>
Fund balance, beginning	<u>4,893,341</u>	<u>4,154,980</u>	<u>6,176,422</u>
Fund balance, ending	<u>\$5,806,231</u>	<u>\$4,893,341</u>	<u>\$7,699,434</u>

The obligation of the Town of Bay Harbor Islands to pay the Loan Payments is limited to the Pledged Funds, as described in the Official Statement. Certain of the above revenues are not legally available to make, nor are any of the above revenues (except for the Pledged 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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Jeffrey L. Lefcourt
Robert A. Billig
Steven L. Tiktin
Jack I. Yesner
Sidney Lefcourt (Retired)

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Independent Auditors' Report

Honorable Mayor and Members of Council
Town of Bay Harbor Islands, Florida

We have audited the accompanying general purpose financial statements and the combining financial statements of the Town of Bay Harbor Islands, Florida, as of and for the year ended September 30, 2002 as listed in the table of contents. These financial statements are the responsibility of the Town'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 *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 Town of Bay Harbor Islands, Florida as of September 30, 2002, and the results of its operations and 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 financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the Town of Bay Harbor Islands, Florida as of September 30, 2002 and the results of operations of such funds and the cash flows of individual proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and Members of Council
Town of Bay Harbor Islands, Florida

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2002 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an intergral 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.

The accompanying financial information listed as schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Town of Bay Harbor Islands, Florida. Such information has been subjected to the auditing procedures applied in the audit of the general purpose and combining financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose and combining financial statements, respectively, taken as a whole.

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

LeFranc, Bellig, Tubbs & Yessner P.A.

December 20, 2002

LIABILITIES, EQUITY AND OTHER CREDITS	Governmental fund type		Proprietary fund type	Fiduciary fund type	Account groups		Totals
	General	Capital projects	Enterprise	Pension trust	General fixed assets	General long- term obligations	(Memorandum only)
Liabilities:							
Accounts payable and accrued liabilities	\$ 200,275	\$ 65,130	\$ 354,307	\$ 2,940			\$ 622,652
Due to other funds		12,605	637,458				650,063
Due to other governments			133,919				133,919
Taxes collected in advance	30,550						30,550
Revenue collected in advance	2,251		239,946				242,197
Deposits	73,600		288,392				361,992
Loan payable			601,136				601,136
Note payable			1,440,284				1,440,284
Revenue bonds payable			2,482,266				2,482,266
Liabilities for certain claims						\$ 11,311	11,311
Total liabilities	<u>306,676</u>	<u>77,735</u>	<u>6,177,708</u>	<u>2,940</u>		<u>11,311</u>	<u>6,576,370</u>
Equity and other credits:							
Investment in general fixed assets					\$ 6,212,436		6,212,436
Contributed capital			1,798,922				1,798,922
Retained earnings:							
Reserved			1,412,987				1,412,987
Unreserved			10,423,665				10,423,665
Fund balances:							
Reserved for:							
Prepaid items	3,220						3,220
Employees' retirement benefits				4,669,571			4,669,571
Unreserved:							
Designated for future expenditures		3,064,371					3,064,371
Undesignated	5,803,011						5,803,011
Total equity and other credits	<u>5,806,231</u>	<u>3,064,371</u>	<u>13,635,574</u>	<u>4,669,571</u>	<u>6,212,436</u>		<u>33,388,183</u>
	<u>\$ 6,112,907</u>	<u>\$ 3,142,106</u>	<u>\$ 19,813,282</u>	<u>\$ 4,672,511</u>	<u>\$ 6,212,436</u>	<u>\$ 11,311</u>	<u>\$ 39,964,553</u>

See notes to financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

COMBINED STATEMENT OF REVENUES AND EXPENDITURES

AND CHANGES IN FUND BALANCES

ALL GOVERNMENTAL FUND TYPES

YEAR ENDED SEPTEMBER 30, 2002

	<u>Governmental fund types</u>		<u>Totals</u>
	<u>General</u>	<u>Capital projects</u>	<u>(Memorandum only)</u>
Revenues:			
Taxes	\$ 2,643,228		\$ 2,643,228
Licenses and permits	345,651		345,651
Intergovernmental	433,382		433,382
Charges for services	12,371		12,371
Fines and forfeitures	162,179		162,179
Miscellaneous	264,751	\$ 164,332	429,083
	<u>3,861,562</u>	<u>164,332</u>	<u>4,025,894</u>
Expenditures:			
Current:			
General government	712,573		712,573
Public buildings	119,201		119,201
Law enforcement	1,223,291		1,223,291
Protective inspections	163,731		163,731
Other public safety	32,426		32,426
Streets and parkways	602,094		602,094
Public transportation	77,542		77,542
Public library	64,819		64,819
Recreation	31,951		31,951
Capital outlay	157,277	126,990	284,267
	<u>3,184,905</u>	<u>126,990</u>	<u>3,311,895</u>
Excess of revenues over expenditures	<u>676,657</u>	<u>37,342</u>	<u>713,999</u>
Other financing sources (uses):			
Operating transfers in	276,233	40,000	316,233
Operating transfers out	(40,000)	(276,233)	(316,233)
	<u>236,233</u>	<u>(236,233)</u>	<u>0</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	912,890	(198,891)	713,999
Fund balances, beginning	<u>4,893,341</u>	<u>3,263,262</u>	<u>8,156,603</u>
Fund balances, ending	<u>\$ 5,806,231</u>	<u>\$ 3,064,371</u>	<u>\$ 8,870,602</u>

See notes to financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2002

	Budget	Actual	Variance favorable (unfavorable)
Revenues:			
Taxes	\$ 2,509,076	\$ 2,643,228	\$ 134,152
Licenses and permits	145,300	345,651	200,351
Intergovernmental	376,600	433,382	56,782
Charges for services	13,020	12,371	(649)
Fines and forfeitures	54,000	162,179	108,179
Miscellaneous	234,700	264,751	30,051
	3,332,696	3,861,562	528,866
Expenditures:			
Current:			
General government	694,792	712,573	(17,781)
Public buildings	110,452	119,201	(8,749)
Law enforcement	1,312,354	1,223,291	89,063
Protective inspections	319,099	163,731	155,368
Other public safety	38,770	32,426	6,344
Streets and parkways	660,396	602,094	58,302
Public transportation	77,600	77,542	58
Public library	68,600	64,819	3,781
Recreation	37,500	31,951	5,549
Contingencies	50,000		50,000
Capital outlay	373,475	157,277	216,198
	3,743,038	3,184,905	558,133
Excess (deficiency) of revenues over expenditures	(410,342)	676,657	1,086,999
Other financing sources (uses):			
Operating transfers in	276,233	276,233	0
Operating transfers out	(40,000)	(40,000)	0
	236,233	236,233	0
Excess (deficiency) of revenues and other sources over expenditures and other uses	(174,109)	912,890	1,086,999
Fund balance, beginning	4,893,341	4,893,341	0
Fund balance, ending	\$ 4,719,232	\$ 5,806,231	\$ 1,086,999

See notes to financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

COMBINED STATEMENT OF REVENUES, EXPENSES

AND CHANGES IN RETAINED EARNINGS

ALL PROPRIETARY FUND TYPES

YEAR ENDED SEPTEMBER 30, 2002

	<u>Proprietary fund type Enterprise</u>
Operating revenues:	
Charges for services	<u>\$ 6,500,868</u>
Operating expenses:	
Personal services	2,864,820
Water purchases	372,426
Sewage treatment charges	676,666
Materials, supplies and other services	1,228,688
Depreciation	<u>508,024</u>
	<u>5,650,624</u>
Operating income	<u>850,244</u>
Nonoperating revenues (expenses):	
Investment income	341,242
Rental income	60,659
Other income	31,090
Interest expense	(224,415)
Amortization of debt issuance costs and bond discount	<u>(8,018)</u>
	<u>200,558</u>
Net income	1,050,802
Retained earnings, beginning	<u>10,785,850</u>
Retained earnings, ending	<u><u>\$ 11,836,652</u></u>

See notes to financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

STATEMENT OF CHANGES IN PLAN NET ASSETS

PENSION TRUST FUND

YEAR ENDED SEPTEMBER 30, 2002

	<u>Fiduciary fund type Pension trust</u>
Additions:	
Contributions:	
Town	\$ 162,980
Employees	180,009
State of Florida	<u>20,934</u>
Total contributions	<u>363,923</u>
Investment income (loss):	
Net depreciation in fair value of investments	(556,551)
Interest	153,988
Dividends	<u>30,675</u>
	<u>(371,888)</u>
Less investment expense	<u>34,155</u>
Net investment loss	<u>(406,043)</u>
Total additions	<u>(42,120)</u>
Deductions:	
Benefits and refunds	(855,461)
Administrative expense	<u>(19,642)</u>
Total deductions	<u>(875,103)</u>
Net decrease	(917,223)
Net assets held in trust for pension benefits:	
Beginning of year	<u>5,586,794</u>
End of year	<u>\$ 4,669,571</u>

See notes to financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

COMBINED STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUND TYPES

YEAR ENDED SEPTEMBER 30, 2002

	<u>Proprietary fund type Enterprise</u>
Cash flows from operating activities:	
Cash received from customers	\$ 6,676,025
Cash payments to employees for goods and services	(2,858,055)
Cash payments to suppliers for goods and services	(2,094,600)
Rental income received	60,659
Other income received	31,090
Net cash provided by operating activities	<u>1,815,119</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(945,585)
Principal paid on revenue bonds	(100,000)
Principal paid on note payable	(214,599)
Principal paid on loan payable	(22,007)
Interest paid on revenue bonds	(135,879)
Interest paid on note payable	(71,304)
Interest paid on loan payable	(19,137)
Loan fees paid	(19,965)
Net cash used in capital and related financing activities	<u>(1,528,476)</u>
Cash flows from investing activities:	
Sales and maturities of investments	1,253,436
Purchases of investments	(1,984,520)
Investment income	243,419
Net cash provided by investing activities	<u>(487,665)</u>
Net decrease in cash and cash equivalents	(201,022)
Cash and cash equivalents, beginning	<u>7,420,757</u>
Cash and cash equivalents, ending	<u>\$ 7,219,735</u>
Reconciliation of cash and cash equivalents to the balance sheet:	
Cash and cash equivalents	\$ 5,529,186
Restricted cash and cash equivalents	<u>1,690,549</u>
	<u>\$ 7,219,735</u>

(continued)

TOWN OF BAY HARBOR ISLANDS, FLORIDA

COMBINED STATEMENT OF CASH FLOWS (CONTINUED)

ALL PROPRIETARY FUND TYPES

YEAR ENDED SEPTEMBER 30, 2002

	<u>Proprietary fund type Enterprise</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 850,244
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	508,024
Rental income	60,659
Other income	31,090
Changes in assets and liabilities:	
Accounts receivable	862
Due from other funds	27,951
Inventory of supplies	(873)
Prepaid expenses	18,951
Net pension asset	6,765
Accounts payable and accrued liabilities	196,479
Due to other governments	1,550
Due to other funds	(3,743)
Deposits	44,964
Revenue collected in advance	72,196
Total adjustments	964,875
Net cash provided by operating activities	<u>\$ 1,815,119</u>
Non-cash investing, capital, and financing activities:	
Net increase in fair value of investments	<u>\$ 62,031</u>

See notes to financial statements.

TOWN OF BAY HARBOR ISLANDS, FLORIDA
INDEX TO NOTES TO COMBINED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2002

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TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO COMBINED FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2002

Note 1. Summary of significant accounting policies:

The combined financial statements of the Town of Bay Harbor, Islands, Florida (the "Town") have been prepared in conformity with U.S. generally accepted accounting principles as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

Reporting entity:

The Town is a municipal corporation which was incorporated in 1947 and adopted its first charter June 15, 1953, under the provisions of the Laws of Florida Acts of 1953, Chapter 28899. The Town operates under a "Council-Manager" form of government with the Town's Mayor serving as the head of the Town government and the Town's Manager serving as the administration official.

The Town provides the following services: public safety (police, building and zoning), transportation and maintenance of roads and streets, recreation facilities, operation and maintenance of a causeway, water and sewer utilities, physical environment (refuse collection), parking facilities, and general government and administrative services. Fire protection, education, and welfare services are provided by units of other local governments whose activities are not included in the accompanying financial statements.

Since there are no potential component units which are financially accountable or fiscally dependent upon the Town, the accompanying financial statements include only the funds and account groups of the primary government.

Fund accounting:

The Town 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 available financial resources.

(continued)

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2002

Note 1. Summary of significant accounting policies (continued):

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

The various funds are grouped into these broad fund categories and generic fund types as follows:

Governmental funds:

General Fund:

The General Fund is used to account for all activities of a general governmental nature which are controlled by approved budgets and any other revenues and expenditures not accounted for in some other fund.

Capital Projects Fund:

The Capital Projects Fund is used to account for financial resources segregated for the acquisition or construction of major capital facilities not financed by proprietary funds.

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. The intent of the Town's governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Pursuant to the election option made available by GASB Statement No. 20, pronouncements of the Financial Accounting Standards Board issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary fund types.

The Town maintains the following enterprise funds:

- Causeway Fund
- Sewer Fund
- Water Fund
- Parking Fund
- Solid Waste Fund
- Stormwater Fund

(continued)

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2002

Note 1. Summary of significant accounting policies (continued):

Fiduciary funds:

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. The Town's only fiduciary fund is a pension trust fund used to account for assets held in trust for employee retirement benefits.

Account groups:

The account groups are used to establish accounting control and accountability for the Town's general fixed assets and general long-term obligations. An account group is not considered a fund, since it is concerned only with the measurement of financial position and is not involved with the measurement of results of operations.

The Town maintains the following account groups:

General Fixed Assets - used to account for the general fixed assets of the Town other than those of the enterprise funds.

General Long-term Obligations - used to account for the long-term obligations of the Town, not being financed by enterprise funds.

Basis of accounting:

The modified accrual basis of accounting is used by all governmental fund types. Governmental fund types use the flow of current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Dade County is the billing agent for real and personal property taxes. Millage rates are subject to maximums imposed by the State of Florida. Licenses and permits, and fines and forfeitures are recorded as revenue when received except for occupational licenses, which are included as revenue in the fiscal year for which they are issued. Intergovernmental revenues, consisting primarily of federal and state shared revenue are recognized in the period of entitlement. Interest revenue is recorded when earned. Expenditures of governmental funds are recorded when the related fund liabilities are incurred.

(continued)

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2002

Note 1. Summary of significant accounting policies (continued):

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

Inventories and prepaid items:

Inventories are recorded at cost, using the first-in/first-out method. The costs of governmental fund-type inventories (primarily supplies) are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

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. Public domain ("infrastructure") general fixed assets including roads, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are capitalized along with other general fixed assets. No depreciation has been provided on such assets. No interest has been capitalized on general fixed assets.

Fixed assets in the proprietary funds are recorded at cost. Depreciation of buildings, equipment and vehicles in the proprietary funds is computed over the estimated useful lives of the assets using the straight-line method. 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. Interest expense that relates to the cost of acquiring or constructing fixed assets in the proprietary funds is capitalized. No interest has been capitalized this year.

(continued)

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2002

Note 1. Summary of significant accounting policies (continued):

Property taxes:

The key dates in the property tax cycle are as follows:

Lien date	January 1
Levy date	October 1
Due date	March 31
Installment payments:	
First installment	June 30
Second installment	September 30
Third installment	December 31
Fourth installment	March 31
Regular payments:	
Discount period	November - February
No discount period	March
Delinquent date	April 1
Tax certificates sold	On or before June 1

Cash equivalents:

The Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents include overnight repurchase agreements of securities held by banks.

Investments:

Investments are reported at fair value.

Debt issuance costs:

Debt issuance costs for proprietary fund types are capitalized and amortized over the terms of the debt.

Interfund transactions:

Interfund 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. Budgeted reimbursements are classified in a manner consistent with the financial reporting presentation.

(continued)

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2002

Note 1. Summary of significant accounting policies (continued):

All other interfund transactions, except as noted above, 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.

Interfund receivables/payables:

During the course of operations, numerous transactions occur between individual funds for goods or services provided. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Compensated absences:

Employees are granted vacation leave in varying amounts based upon length of service. Sick leave is granted as needed at the discretion of the Town Manager. All vacation leave must be used within each employment year. Expenditures and expenses for vacation leave are recorded when earned and for sick leave when used.

Long-term obligations:

The portion of the estimated liability for claims and judgments which will not be liquidated with expendable available financial resources is reported in the General Long-term Obligations Account Group. The remaining portion is reported in the General Fund.

The Causeway Fund and Sewer Fund report long-term debt to be repaid with their resources.

Use of estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Budgets and budgetary accounting:

Budgets are adopted on a basis consistent with generally accepted accounting principles except that payments on long-term debt and capital outlays in the enterprise funds are budgeted as expenses. In fiscal 2002 payments on long term debt in the enterprise funds were \$336,606 (\$337,890 budgeted). Capital outlay in the enterprise funds was \$945,585 (\$1,735,262 budgeted). Annual appropriated budgets are adopted for the General Fund and the enterprise funds. All annual appropriations lapse at fiscal year end. Encumbrance accounting is not utilized in the governmental funds.

(continued)

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2002

Note 1. Summary of significant accounting policies (continued):

Budget amounts reflected in the accompanying financial statements represent "revised" budgetary data; i.e. the effects of budget amendments have been applied to "original" budgetary data.

The Town Manager may transfer appropriation balances within a department or office at any time. The legal level of control (at which expenditures may not exceed budget) is the department or office.

The Town's procedures in establishing the budgetary data reflected in the financial statements generally are as follows:

- A) During the last three months of the fiscal year, the Town's Manager submits to the Town Council a proposed budget for the fiscal year beginning the following October 1. The budget includes proposed expenditures and the related financing sources. Informal budget workshops are held to discuss proposed expenditures and the means of financing them.
- B) Two public hearings are conducted by the Town Council to obtain taxpayer and citizen comments.
- C) Prior to September 30, the budget is legally enacted through passage of an ordinance.
- D) At the request of the Town Manager, and within the last three months of the budget year, the Town Council may, by resolution, transfer any appropriation balance from one office or department to another. Also, at any time, the Council may make emergency appropriations so long as the total of such appropriations does not exceed 10% of the total operating appropriations for the year.
- E) The County Property Appraiser is advised as to the final Town millage, prepares the final tax rolls and turns them over to the Dade County Tax Collector for collection, usually in late October.
- F) Budget appropriations lapse at the end of the fiscal year.

(continued)

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2002

Note 1. Summary of significant accounting policies (continued):

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 U.S. generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

New accounting pronouncements:

The Town implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* in fiscal year ended September 30, 2001. This statement requires governmental entities that use proprietary fund accounting to recognize capital contributions and grants as revenues, not contributed capital or direct additions to equity. This statement had no current year effect on the Town's financial statements. However, governments are not allowed to restate contributed capital arising from periods prior to implementation of Statement No. 33 until implementation of GASB Statement No. 34.

The GASB has issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement is a change in the reporting model for governmental entities. It will require a "dual perspective" approach along with management discussion and analysis and reporting of infrastructure assets and depreciation. Due to the significance of the changes, the GASB has allowed an extended implementation period depending on the entity's revenues. The Town will implement this standard no later than fiscal year ending September 30, 2004.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2002

Note 2. Cash, cash equivalents and investments:

At September 30, 2002, the Town's deposits, including restricted cash and cash equivalents, were held in accounts insured by the FDIC, the assessable collateral pool administered by the State of Florida Bureau of Collateral Securities, the Securities Investor Protection Corporation, and/or additional insurance.

Florida Statutes and Town resolutions and ordinances authorize the Town's officers to invest in United States Treasury bills and notes, United States agency issues, securities guaranteed by United States agency issues, certificates of deposit and other time deposits, bankers' acceptances, repurchase agreements, prime commercial paper, money market mutual funds comprised of the above securities, and State of Florida Local Government Surplus Funds Trust Fund. In addition, the Retirement System is authorized to invest in certain corporate stocks and bonds and money market mutual funds primarily invested in high quality debt.

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

The fair value of the Town's investments is as follows at September 30, 2002 all of which are classified as Category 1 credit risk:

	<u>Fair value</u>
U.S. Government securities	\$ 4,640,970
Federal Agency securities	2,794,464
Corporate bonds	2,482,725
Stocks	1,648,302
Total investments	<u>\$ 11,566,461</u>

At September 30, 2002, the Town has repurchase agreements totalling \$8,361,137 included in cash and cash equivalents and restricted assets and considered Category 1 investments.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2002

Note 3. Restricted assets:

Restricted assets at September 30, 2002, consisted of cash and cash equivalents reserved for the following:

Debt service	\$	295,243
Deposits		10,306
Renewal and replacement		985,000
Operations and maintenance		400,000
		<u>\$ 1,690,549</u>

Note 4. Fixed assets:

The changes in general fixed assets for the year ended September 30, 2002 are summarized below:

	Balance, September 30, 2001	Additions	Deletions	Balance, September 30, 2002
Land	\$ 83,326			\$ 83,326
Building	1,668,349	\$ 69,759	\$ 39,049	1,699,059
Improvements other than buildings	2,876,135		31,733	2,844,402
Equipment	1,158,121	89,798	65,344	1,182,575
Construction in progress	284,764	124,710	6,400	403,074
	<u>\$ 6,070,695</u>	<u>\$ 284,267</u>	<u>\$ 142,526</u>	<u>\$ 6,212,436</u>

Fixed assets of the enterprise funds at September 30, 2002, consisted of the following:

	Estimated useful life	Cost	Accumulated depreciation	Net
Causeway Fund:				
Causeway system	50 years	\$ 2,617,123	\$ 2,563,422	\$ 53,701
Toll collection system	10 years	1,707,540	199,213	1,508,327
Equipment	2-10 years	168,785	127,106	41,679
Improvements to causeway	10-25 years	4,625,197	1,804,369	2,820,828
Construction in progress		74,217		74,217
		<u>9,192,862</u>	<u>4,694,110</u>	<u>4,498,752</u>
Sewer Fund:				
Sewer system	10-50 years	2,460,748	905,583	1,555,165
Tools and equipment	5 years	143,117	112,803	30,314
Construction in progress		32,300		32,300
		<u>2,636,165</u>	<u>1,018,386</u>	<u>1,617,779</u>

(continued)

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2002

Note 4. Fixed assets (continued):

Fixed assets of the enterprise funds at September 30, 2002, consisted of the following (continued):

	<u>Estimated useful life</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>
Water Fund:				
Water system	50 years	1,979,829	777,361	1,202,468
Equipment	5 years	<u>17,937</u>	<u>16,297</u>	<u>1,640</u>
		<u>1,997,766</u>	<u>793,658</u>	<u>1,204,108</u>
Parking Fund:				
Land		671,273		671,273
Improvements other than buildings	5-10 years	65,309	55,216	10,093
Equipment	5 years	<u>98,090</u>	<u>70,157</u>	<u>27,933</u>
		<u>834,672</u>	<u>125,373</u>	<u>709,299</u>
Stormwater Fund:				
Improvements other than buildings	25 years	65,914	12,794	53,120
Equipment	5 years	<u>38,000</u>	<u>38,000</u>	<u>0</u>
		<u>103,914</u>	<u>50,794</u>	<u>53,120</u>
		<u>\$ 14,765,379</u>	<u>\$ 6,682,321</u>	<u>\$ 8,083,058</u>

Note 5. Long-term debt:

Revenue bonds payable:

During the year ended September 30, 1993, the Town issued \$3,305,000 of Broad Causeway Revenue Refunding Bonds, Series 1993 (the "1993 Bonds"). The 1993 Bonds were issued to provide funds to advance refund, through a defeasance, Broad Causeway Revenue Bonds, Series 1988 (the "1988 Bonds") in their full amount of \$2,810,000. The funds provided by the 1993 Bonds, along with certain other funds, were invested through a trust in direct obligations of the U.S. Government. In October 1998, the 1988 Bonds were called and fully repaid.

The 1993 Bonds, including the payment of interest, are secured by the gross revenues from the operation of the causeway, including investment income derived from the moneys on deposits in the funds and accounts established by the bond resolution. Principal is due in various annual installments through October 1, 2018. Interest ranges from 2.6% to 5.4% per annum, payable semi-annually on April 1 and October 1. At September 30, 2002, the amounts required by the bond indenture were available in the bond redemption, service and reserve restricted cash accounts.

(continued)

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2002

Note 5. Long-term debt (continued):

The following is a schedule of maturities of the 1993 Bonds as of September 30, 2002:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 105,000	\$ 131,379	\$ 236,379
2005	110,000	126,549	236,549
2006	115,000	121,379	236,379
2007	125,000	115,859	240,859
2008	125,000	109,734	234,734
2009-2013	745,000	443,388	1,188,388
2014-2018	960,000	221,626	1,181,626
2019	225,000	12,150	237,150
	2,510,000	\$ 1,282,064	\$ 3,792,064
Less unamortized discount	(27,734)		
	\$ 2,482,266		

Loan payable:

In April 1998, the Town entered into a revolving loan agreement with the State of Florida Department of Environmental Protection. Through September 30, 2002 the Town has borrowed \$623,142 under the agreement to finance the planning and design of a sewer rehabilitation and replacement project. The combined interest and grant allocation rate ("interest") ranges from 3.07% to 3.08%, depending upon the date the funds were approved. Principal and interest payments of \$39,135 are due semiannually for a period of 20 years. The semiannual payment is calculated based upon the full amount of principal approved. In February 2002, the Town requested and was granted authorization for an additional \$513,000, bringing the total approved loan to approximately \$1,150,000. Utilization of any additional revolving loan funding beyond the presently approved amount will be at the then current interest and grant allocation rate as determined by the Department of Environmental Protection.

Due to the additional loan amounts which were authorized during the year and the resulting changes in the scheduled payments, the amounts required by the loan agreement to be in the debt service and reserve restricted cash account increased. As a result, the monthly deposits to that account were not sufficient to maintain the required balance. When this was discovered by management in November 2002, funds were immediately transferred into the restricted cash account in order to provide the required balance and the monthly deposits were increased to the appropriate amount.

(continued)

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2002

Note 5. Long-term debt (continued):

Note payable:

In July 2001, the Town replaced the existing leased toll collection system with a new toll management and collection system costing approximately \$1,707,540 and financed through a leasing company. Payments of principal and interest at 4.5268% totaling \$71,476, are due quarterly beginning July 2002. The note matures in April 2008 and is secured by the toll management and collection system.

The following is a schedule of maturities of the loan payable and note payable as of September 30, 2002:

Year ending September 30,	Loan payable	Note payable
2003	\$ 60,126	\$ 224,479
2004	62,002	234,815
2005	63,935	245,626
2006	65,929	256,935
2007	67,985	268,765
2008-2012	281,159	209,664
	\$ 601,136	\$ 1,440,284

Note 6. Interfund balances:

Interfund balances at September 30, 2002, consisted of the following:

	Due from other funds	Due to other funds
General Fund	\$ 102,319	
Capital Projects Fund		\$ 12,605
Enterprise funds:		
Causeway Fund		32,965
Sewer Fund		26,302
Water Fund		452,306
Parking Fund	59,503	
Solid Waste Fund		125,885
Stormwater Fund	488,241	
	547,744	637,458
	\$ 650,063	\$ 650,063

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2002

Note 7. Fund equity reservations and designations:

In the accompanying balance sheet, the term "reserved" is used to indicate that a portion of the reported fund equity is: (1) legally restricted to a specific future use; or (2) not available for appropriation or expenditure.

The term "designated" represents management's tentative future spending plans of a portion of the fund balance. Such designations are distinguished from reserved amounts, since managerial plans are subject to change and may never become legally authorized or result in actual expenditures.

The Town's bond covenants require certain reservations of the Causeway Fund's retained earnings. In addition, the loan agreement with the Department of Environmental Protection requires certain reservations of the Sewer Fund's retained earnings. At September 30, 2002, the reservations were as follows:

Causeway Fund:		
Reserved for renewal and replacement	\$	985,000
Reserved for operations and maintenance		400,000
Sewer Fund:		
Reserved for debt service		<u>27,987</u>
Total reserved retained earnings	\$	<u><u>1,412,987</u></u>

Fund balance of the Capital Projects Fund in the amount of \$3,064,371 has been designated for capital improvements.

Note 8. General long-term obligations:

The changes in general long-term obligations for the year ended September 30, 2002, are summarized below:

	Balance, September 30, 2001	Additions	Deletions	Balance, September 30, 2002
Workers' compensation claims	\$ 184,223	\$ 25,850	\$ 198,762	\$ 11,311

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2002

Note 9. Employees' Retirement System Fund (the "System"):

General:

The Town has a single-employer defined benefit pension plan covering all full time general employees and police officers with one year of service and certain firefighters who elected to remain in the System rather than join the Florida Retirement System.

Chapter 16 of the Town's Code assigns the authority to establish and amend the benefit provisions of the plan to the Town Council. The Town issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by contacting the Town Manager.

General employees are entitled to a normal retirement pension according to a certain schedule of benefits at the earlier of age 52 with twenty years of credited service, age 55 with ten years of credited service or at age 65 regardless of time of service.

Police officers are entitled to a normal retirement pension at the earlier of age 50 with twenty years of credited service, age 55 with ten years of credited service or at age 65 regardless of time of service. Under special circumstances, the System also provides for delayed retirement benefits and disability retirement benefits.

Employees are required to contribute 2% of their compensation. Voluntary additional contributions up to 10% may be elected by each employee. The Town is required to contribute at an actuarially determined rate; the current rate is 6.8% of covered payroll. The State of Florida distributes money to local governments meeting certain eligibility requirements which is intended to encourage additional pension benefits for police officers. When received, those distributions count toward the actuarially required contribution. In the current year, \$20,934 was received and recorded as a contribution in the pension trust fund.

Annual pension cost and net pension obligation:

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

Annual required contributions	\$ 174,044
Interest on net pension obligation (asset)	(22,076)
Adjustment to annual required contribution	43,317
Annual pension cost	<u>195,285</u>
Contributions made	<u>(183,913)</u>
Increase in net pension obligation	11,372
Net pension obligation (asset), beginning of year	(294,345)
Net pension obligation (asset), end of year	<u>\$ (282,973)</u>

(continued)

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2002

Note 9. Employees' Retirement System Fund (the "System") (continued):

The annual required contribution for the current year was determined as part of the October 1, 2001 actuarial valuation using the aggregate cost method. The actuarial assumption included (a) 7.5% investment rate of return, (b) projected salary increase of 5.5% per year and (c) 4% per year inflation rate. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

Trend information:

Fiscal year ended	Annual Pension Cost (APC)	Percentage of APC contributed	Net pension obligation (asset)
September 30, 2002	\$ 195,285	94.2%	\$ (282,973)
September 30, 2001	195,650	88.2	(294,345)
September 30, 2000	261,246	93.6	(317,497)

Note 10. Risk management:

The Town is exposed to various risks of loss related to torts; theft of, or damage to and destruction of assets; errors and omissions; and natural disasters for which the Town transfers risk via commercial insurance. There have been no significant reductions in coverage, nor have settlements exceeded coverage in any of the past three fiscal years. As discussed below, there have been settlements and claims payments on certain risks for which the Town is not insured.

For workers' compensation losses, the Town transfers risk via commercial insurance for claims occurring subsequent to September 30, 1994. The Town is self-insured for workers' compensation claims that occurred prior to October 1, 1994, and has engaged an independent claims servicing company to administer such claims. The total of the open claims approximates \$11,500. Of the total, the amount of \$157 will be liquidated with available expendable resources and is accrued in the General Fund and enterprise funds. The remainder is recorded in the General Long-term Obligations Account Group. An analysis of the claims activity related to these self-insured risks is presented below:

Year ending September 30,	Beginning balances	Changes in estimates	Actual payments	Ending balances
2001	\$ 200,179	\$ 109,700	\$ 123,056	\$ 186,828
2002	186,828	25,850	201,210	11,468

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2002

Note 11. Loss contingency:

A developer has filed two lawsuits against the Town because the developer has not been able to commence construction of a multi-family residential structure. The allegations of the complaints address issues relating to the Town's Comprehensive Plan pursuant to Chapter 163 of the Florida Statutes. The Town had adopted a resolution approving an application submitted by the developer for the development of the project. One action alleges violations of the developer's constitutional rights and the other seeks to require the Town to issue the necessary building permits. A third claim will likely be filed under the Harris Act which provides redress for landowners whose property has been "inordinately burdened" by governmental action.

Prior to filing under the Harris Act, the developer has stated its damages to be \$2,120,000. Additional potential liability exists for the payments of the developer's costs and attorney fees should they be successful. The Town is unable to evaluate the potential for an unfavorable outcome in this case. The parties are exploring avenues for possible settlement, with or without paying any damages.

There are four other projects that are in the same or similar position and these developers are most likely waiting to see what happens with the above actions before making a demand. The exact nature and amount of damages suffered by the other developers is unknown but it will likely be significant given the damages sought above. The Town's insurance policy has \$3,000,000 of aggregate coverage and \$1,000,000 per occurrence. The insurance company has stated that some or all of the claims may not be covered by the policy.

Due to the uncertainty related to these matters, no provision has been made in the accompanying financial statements for these potential losses.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED SEPTEMBER 30, 2002

Note 12. Segment information for enterprise funds:

Segment information for the enterprise funds as of and for the year ended September 30, 2002, is as follows:

	Causeway Fund	Sewer Fund	Water Fund	Parking Fund	Solid Waste Fund	Stormwater Fund	Total
Operating revenues	\$ 3,466,752	\$ 1,060,022	\$ 730,383	\$ 334,559	\$ 699,506	\$ 209,646	\$ 6,500,868
Depreciation	362,692	84,716	41,927	16,052		2,637	508,024
Operating income (loss)	279,406	(66,388)	133,430	246,166	80,959	176,671	850,244
Net income (loss)	326,708	(74,453)	270,824	263,978	87,074	176,671	1,050,802
Fixed asset additions	896,562	49,023					945,585
Working capital	2,463,024	227,296	3,078,347	1,451,615	421,607	488,241	8,130,130
Total assets	9,468,075	2,145,826	4,914,208	2,194,349	548,488	542,336	19,813,282
Revenue bonds payable	2,482,266						2,482,266
Total equity	5,107,804	1,245,497	4,191,552	2,162,599	385,786	542,336	13,635,574

STATISTICAL SECTION

TOWN OF BAY HARBOR ISLANDS, FLORIDA

GENERAL FUND EXPENDITURES AND OTHER USES BY FUNCTION LAST TEN FISCAL YEARS

<u>Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Physical Environment</u>	<u>Transportation</u>	<u>Culture and Recreation</u>	<u>Debt Service</u>	<u>Transfers</u>	<u>Total</u>
1993	\$507,899	\$1,016,867	\$0	\$360,266	\$152,806	\$0	\$518,370	\$2,556,208
1994	563,789	1,010,109	0	424,479	132,193	0	499,083	2,629,653
1995	609,037	1,289,635	0	508,226	102,065	0	377,871	2,886,834
1996	570,668	921,571	0	695,491	62,954	0	214,800	2,465,484
1997	537,363	1,156,720	0	735,668	74,516	0	60,000	2,564,267
1998	532,330	1,205,446	0	548,433	86,433	0	60,000	2,432,642
1999	548,577	1,311,452	0	598,229	176,540	0	60,000	2,694,798
2000	637,837	1,413,410	0	931,026	99,650	0	90,000	3,171,923
2001	786,284	1,435,851	0	726,222	157,051	0	60,000	3,165,408
2002	934,843	1,472,849	0	680,443	96,770	0	40,000	3,224,905

SOURCE: TBHI Finance

TOWN OF BAY HARBOR ISLANDS, FLORIDA

GENERAL FUND REVENUES AND OTHER SOURCES LAST TEN FISCAL YEARS

<u>Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Intergovernmental</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Miscellaneous</u>	<u>Transfers</u>	<u>Total</u>
1993	\$1,766,874	\$55,565	\$497,194	\$28,583	\$20,274	\$78,916	\$400,000	\$2,847,406
1994	1,775,674	69,223	346,188	29,502	22,797	29,651	400,000	2,673,035
1995	1,867,472	68,710	368,668	25,428	35,556	124,005	400,000	2,889,839
1996	1,954,702	91,980	389,416	20,565	40,712	123,604	411,000	3,031,979
1997	2,073,516	104,008	365,427	19,296	54,183	184,037	320,968	3,121,435
1998	2,108,389	93,437	401,605	25,588	32,926	270,314	132,109	3,064,368
1999	2,207,139	122,998	449,879	13,186	58,609	109,862	106,372	3,068,045
2000	2,247,150	159,621	539,825	10,982	77,556	264,751	196,309	3,496,194
2001	2,400,539	227,564	406,958	12,780	112,288	398,118	345,522	3,903,769
2002	2,643,228	345,651	433,382	12,371	162,179	264,751	276,233	4,137,795

SOURCE: TBHI Finance

TOWN OF BAY HARBOR ISLANDS, FLORIDA

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

<u>Year (1)</u>	<u>Total Levy</u>	<u>Total Collections (2)</u>	<u>Percent of Levy Collected</u>
1993	\$1,213,031	\$1,157,248	95.4%
1994	1,190,391	1,153,504	96.9%
1995	1,232,762	1,184,320	96.1%
1996	1,288,117	1,237,676	96.1%
1997	1,338,158	1,283,401	95.9%
1998	1,334,678	1,279,520	95.9%
1999	1,340,121	1,273,521	95.0%
2000	1,334,505	1,289,055	96.6%
2001	1,482,935	1,427,222	96.2%
2002	1,639,764	1,587,239	96.8%

(1) Assessments as of January 1 of the previous year determine the levy.

(2) Collections reflect timely payment discounts of up to 4%.

SOURCE: Dade County Property Appraiser's Office and TBHI Finance

TOWN OF BAY HARBOR ISLANDS, FLORIDA

ASSESSED PROPERTY VALUES LAST TEN FISCAL YEARS

<u>Year*</u>	<u>Real</u>	<u>Personal</u>	<u>Exemptions</u>		<u>Net Taxable</u>
	<u>Property</u>	<u>Property</u>	<u>Real</u>	<u>Personal</u>	
1993	\$276,670,696	\$8,274,347	\$47,348,068	\$4,315	\$237,592,660
1994	270,636,353	8,706,390	45,915,836	11,415	233,415,492
1995	288,678,440	9,116,186	45,031,416	17,190	252,746,020
1996	306,380,432	8,395,523	49,097,044	33,070	265,645,841
1997	309,513,643	9,497,589	51,347,821	31,816	267,631,595
1998	319,655,893	9,806,515	54,929,172	60,612	274,472,624
1999	328,272,445	9,908,765	58,002,375	52,199	280,126,636
2000	333,918,636	10,783,686	58,032,253	44,786	286,625,283
2001	346,202,305	10,531,079	60,958,216	514,904	295,260,264
2002	393,162,401	11,476,575	76,237,917	473,618	327,927,441

*Year refers to the fiscal year which is funded by taxes levied upon the listed assessments. Each fiscal year's tax roll is as of January 1 of the previous year. Values through 1998 are the July 1 certifications by the appraiser. Thereafter, the final tax roll is cited.

SOURCE: Dade County Property Appraiser's Office

TOWN OF BAY HARBOR ISLANDS, FLORIDA

PROPERTY TAX RATES (PER \$1,000) DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN FISCAL YEARS

<u>Year**</u>	<u>Bay Harbor Islands</u>	<u>Dade County</u>	<u>Dade County Schools</u>	<u>County Districts*</u>	<u>State Special Districts</u>		<u>Total</u>
					<u>Florida Inland Navigation</u>	<u>South Florida Water Management</u>	
1993	5.0000	8.4440	9.5280	3.0940 (2)	0.0520	0.5470	24.6650
1994	5.0050	8.1350	9.9230	3.0940 (2)	0.0510	0.5970	24.8050
1995	4.8270	8.0700	10.3450	2.4130	0.0490	0.5970	26.3010
1996	4.8490	7.6170	10.3890	2.5580	0.0400	0.6470	26.1000
1997	5.0000	7.2430	10.3660	2.7450	0.0380	0.6720	26.0640
1998	4.8627	6.9520	10.4620	2.7250	0.0500	0.6970	25.7487
1999	4.7229	6.8600	10.1600	2.8640	0.0470	0.6970	25.3509
2000	4.6537	6.6250	9.6440	2.7520	0.0440	0.6970	24.4157
2001	5.0000	6.4030	9.6170	2.7520	0.0410	0.6970	24.5100
2002	5.0000	6.2650	9.3760	2.7520	0.0385	0.6970	24.1285

SOURCE: Dade County Property Appraiser's Office

* Fire and Rescue, and as noted in footnotes (1) and (2)

(1) Includes voted millage of .75 for environmentally endangered land project.

(2) Includes voted millage of .75 for Miami-Dade Community College.

**Year refers to the fiscal year which is funded by taxes levied upon properties as assessed effective January 1 of the previous year.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

PRINCIPAL TAXPAYERS REAL ESTATE AD VALOREM TAXES

<u>Name</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation*</u>
Lancebay Limited Partnership	\$15,662,990	5.49%
T & C Associates Ltd.	6,514,773	2.28%
1108 Concourse LLC	2,490,324	0.87%
1177 Kane Concourse Partnership, Ltd.	2,422,655	0.85%
Gator Crestview Partners Ltd.	2,308,309	0.81%
TSB Real Estate Enterprises	2,296,430	0.81%
Ocean Cadillac	2,159,137	0.76%
Regal Star LLC	1,927,517	0.68%
LASA Inc.	1,904,173	0.67%
Grec Conversions II, Ltd.	1,800,000	0.63%
	<u>\$39,486,308</u>	<u>13.85%</u>

*Excludes personal property

SOURCE: Dade County Property Appraiser's Office
January 1, 2001 assessment roll.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

PRINCIPAL TAXPAYERS PERSONAL PROPERTY AD VALOREM TAXES

<u>Name</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation*</u>
Florida Power & Light Company	\$2,787,131	27.83%
BellSouth Telecommunications, Inc.	545,835	5.45%
Gold Coast Cablevision	516,952	5.16%
Peoples' Gas/Tampa Electric	497,090	4.96%
Sprint Spectrum LP	449,904	4.49%
Island Café	374,539	3.74%
Diane Walder	291,473	2.91%
Harbor Fitness, Inc.	250,000	2.50%
Ocean Cadillac	232,670	2.32%
Bank of America	153,628	1.53%
	<u>\$6,099,222</u>	<u>60.89%</u>

*Excludes real property

SOURCE: Dade County Property Appraiser's Office,
January 1, 2001 assessment roll.

TOWN OF BAY HARBOR ISLANDS, FLORIDA

COMPUTATION OF LEGAL DEBT MARGIN SEPTEMBER 30, 2002

Assessed values:	
Taxable value of real property	\$316,924,484
Add: exempt real property	<u>76,237,917</u>
Total assessed value of real property	<u><u>\$393,162,401</u></u>
Legal debt margin:	
Debt limitation (25% of assessed real property)	\$98,290,600
Total bonded debt	<u>2,482,266</u>
	<u><u>\$95,808,334</u></u>

The Town may incur bonded debt up to 25% of the assessed valuation of real estate within its boundaries per section 45 of the Town Charter.

SOURCE: Dade County Property Appraiser's Office and TBHI Finance

TOWN OF BAY HARBOR ISLANDS, FLORIDA

REVENUE BONDS COVERAGE LAST TEN FISCAL YEARS

<u>Year</u>	<u>Gross Revenues</u>	<u>Operating Expenses</u>	<u>Net Revenue Available for Debt Service</u>	<u>Maximum Scheduled Debt Service</u>	<u>Coverage</u>
1993	\$3,206,988	\$1,970,787	\$1,236,201	\$248,829	4.97
1994	3,065,050	2,015,932	1,049,118	248,829	4.22
1995	3,338,828	2,148,653	1,190,175	248,829	4.78
1996	3,443,009	2,372,834	1,070,175	248,829	4.30
1997	3,481,525	2,412,830	1,068,695	248,829	4.29
1998	3,580,191	2,412,673	1,167,518	248,829	4.69
1999	3,484,349	2,417,578	1,066,771	248,829	4.29
2000	3,878,854	2,675,230	1,203,624	248,829	4.84
2001	4,250,006	2,694,342	1,555,664	248,829	6.25
2002	3,726,404	2,824,654	901,750	248,829	3.62

The 1988 bond issue was refunded during 1993. Both issues require coverage of 1.25 times maximum debt service. Depreciation is excluded from expenses.

SOURCE: TBHI Finance

APPENDIX I

Financial Information Regarding City of Belle Isle

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

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Revenues:			
Taxes	\$1,165,267	\$ 1,023,827	\$ 975,991
Licenses and permits	9,209	7,538	7,053
Intergovernmental revenues	1,105,704	1,248,728	1,190,895
Fines and forfeitures	15,575	22,711	19,126
Investment income	124,591	218,675	202,913
Miscellaneous	<u>7,669</u>	<u>16,030</u>	<u>4,283</u>
Total Revenues	<u>2,428,015</u>	<u>2,537,509</u>	<u>2,400,261</u>
 Expenditures:			
Current:			774,433
General government	603,549	725,708	980,394
Public safety	1,102,273	1,012,536	<u>666,629</u>
Physical environment	882,515	<u>743,606</u>	<u>2,421,456</u>
Debt Service:			
Principal	1,657	---	---
Interest	<u>421</u>	<u>---</u>	<u>---</u>
Total Expenditures	<u>2,590,415</u>	<u>2,481,850</u>	<u>---</u>
 Excess (Deficit) of revenues over expenditures	(162,400)	55,659	(21,195)
 Other Financing Sources:			
Capital lease proceeds	<u>109,272</u>	<u>---</u>	<u>---</u>
Net change in fund balances	(53,128)	---	---
 Fund Balances – Beginning of Year	<u>3,187,421</u>	<u>3,131,762</u>	<u>3,152,957</u>
 Fund Balances – End of Year	<u>\$3,134,293</u>	<u>\$3,187,421</u>	<u>\$3,131,762</u>

The obligation of the City of Belle Isle to pay the Loan Payments is limited to the Pledged Funds, as described in the Official Statement. Certain of the above revenues are not legally available to make, nor are any of the above revenues (except for the Pledged 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 AUDITOR'S REPORT

Honorable Mayor and City Commissioners
City of Belle Isle, Florida

We have audited the accompanying financial statements of the governmental activities and the major fund of the *City of Belle Isle, Florida*, as of and for the year ended September 30, 2002, 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 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 opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the *City of Belle Isle, Florida*, as of September 30, 2002, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 8, 2002 on our consideration of the *City of Belle Isle, Florida's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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

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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Belle Isle's basic financial statements. The introductory section, schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 section and the statistical section 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.

McDirmit Davis Puckett & Company, LLC

McDIRMIT DAVIS PUCKETT, & COMPANY, LLC

November 8, 2002

CITY OF BELLE ISLE, FLORIDA

STATEMENT OF NET ASSETS

September 30, 2002

	Governmental Activities
Assets:	
Cash	\$ 1,895,647
Investments	1,238,164
Due from other governments	100,637
Capital assets:	
Non-depreciable	64,476
Depreciable, net	947,944
Total assets	<u>4,246,868</u>
Liabilities:	
Accounts payable	76,114
Accrued liabilities	19,041
Deposits	5,000
Noncurrent liabilities:	
Due within one year	19,665
Due in more than one year	87,951
Total liabilities	<u>207,771</u>
Net Assets:	
Invested in capital assets, net of related debt	904,804
Restricted for partition buffer	50,000
Unrestricted	3,084,293
Total net assets	<u>\$ 4,039,097</u>

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

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CITY OF BELLE ISLE, FLORIDA

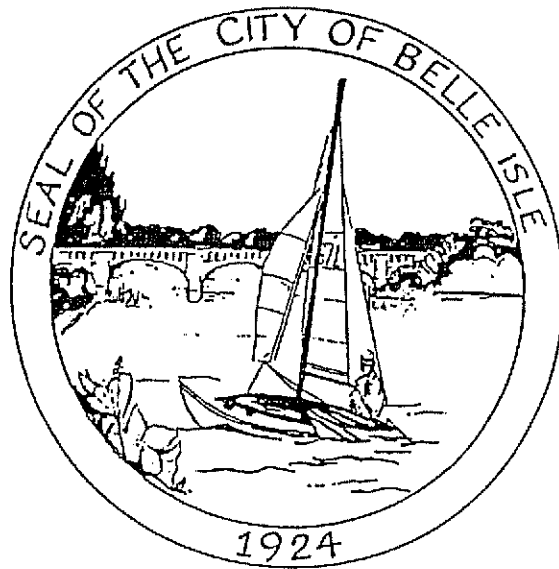
STATEMENT OF ACTIVITIES

For The Year Ended September 30, 2002

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
Governmental activities:			
General government	\$ 602,601	\$ -	\$ (602,601)
Public safety	1,102,273	15,575	(1,086,698)
Physical environment	808,376	9,209	(799,167)
Interest on long-term debt	421		(421)
Total governmental activities	<u>\$ 2,513,671</u>	<u>\$ 24,784</u>	<u>(2,488,887)</u>
General revenues:			
Property taxes			923,947
Franchise and utility taxes			241,320
Intergovernmental			1,105,704
Investment income and miscellaneous			<u>130,923</u>
Total general revenues			<u>2,401,894</u>
Change in net assets			(86,993)
Net assets, beginning			<u>4,126,090</u>
Net assets, ending			<u>\$ 4,039,097</u>

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

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CITY OF BELLE ISLE, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUND

September 30, 2002

	General Fund
Assets:	
Cash	\$ 1,895,647
Investments	1,238,164
Due from other governments	100,637
Total assets	<u>\$ 3,234,448</u>
Liabilities and Fund Balances:	
Liabilities:	
Accounts payable	\$ 76,114
Accrued liabilities	19,041
Deposits	5,000
Total liabilities	<u>100,155</u>
Fund balances:	
Reserved for:	
Partition buffer	50,000
Unreserved:	
Designated for subsequent year's expenditures	2,300,000
Undesignated	784,293
Total fund balances	<u>3,134,293</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	1,012,420
Long-term liabilities are not due and payable in the	
current period and therefore are not reported in the funds	<u>(107,616)</u>
Net Assets of Governmental Activities	<u>\$ 4,039,097</u>

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

CITY OF BELLE ISLE, FLORIDA

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

For The Year Ended September 30, 2002

	<u>General Fund</u>
Revenues:	
Taxes:	
Property	\$ 923,947
Franchise and utility	241,320
Licenses and permits	9,209
Intergovernmental revenues	1,105,704
Fines and forfeitures	15,575
Investment Income	124,591
Miscellaneous	7,669
Total revenues	<u>2,428,015</u>
Expenditures:	
Current:	
General government	603,549
Public safety	1,102,273
Physical environment	882,515
Debt Service:	
Principal	1,657
Interest	421
Total expenditures	<u>2,590,415</u>
Excess(Deficiency) of Revenues Over Expenditures	(162,400)
Other Financing Sources:	
Capital lease proceeds	<u>109,272</u>
Net change in fund balance	(53,128)
Fund Balance - Beginning of Year	<u>3,187,421</u>
Fund Balance - End of Year	<u><u>\$ 3,134,293</u></u>

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

CITY OF BELLE ISLE, FLORIDA

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

For The Year Ended September 30, 2002

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

Net change in fund balances – total governmental funds \$ (53,128)

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

Expenditures for capital assets	128,885	
Less current year depreciation	<u>(53,797)</u>	75,088

The net effect of disposition of capital assets is to decrease net assets (1,337)

The issuance of long-term debt (e.g., leases) provides current financial resources to governmental funds, while repayment of the principal consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. (107,616)

Change in net assets of governmental activities \$ (86,993)

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

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CITY OF BELLE ISLE, FLORIDA

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

For The Year Ended September 30, 2002

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes:				
Ad Valorem	\$ 930,678	\$ 930,678	\$ 923,947	\$ (6,731)
Franchise fees and utility taxes	158,652	158,652	241,320	82,668
Licenses and permits	4,750	4,750	9,209	4,459
Intergovernmental	1,281,604	1,281,604	1,105,704	(175,900)
Fines and forfeitures	18,000	18,000	15,575	(2,425)
Investment income	185,000	185,000	124,591	(60,409)
Miscellaneous	1,100	1,100	7,669	6,569
Total revenues	<u>2,579,784</u>	<u>2,579,784</u>	<u>2,428,015</u>	<u>(151,769)</u>
Expenditures:				
Current:				
General government:				
Legislative	35,500	44,250	25,811	18,439
Executive	10,660	10,660	6,164	4,496
Finance and administrative	341,771	341,771	325,422	16,349
Other general government	3,027,462	3,018,712	246,152	2,772,560
	<u>3,415,393</u>	<u>3,415,393</u>	<u>603,549</u>	<u>2,811,844</u>
Public safety:				
Law enforcement	341,635	341,635	241,307	100,328
Fire control	821,714	821,714	860,966	(39,252)
	<u>1,163,349</u>	<u>1,163,349</u>	<u>1,102,273</u>	<u>61,076</u>
Physical environment:				
Roads and streets	629,634	629,634	459,815	169,819
Solid waste disposal	286,550	286,550	262,795	23,755
Other physical environment	54,858	54,858	50,633	4,225
	<u>971,042</u>	<u>971,042</u>	<u>773,243</u>	<u>197,799</u>
Debt service:				
Principal	-	-	1,657	(1,657)
Interest	-	-	421	(421)
	-	-	2,078	(2,078)
Total expenditures	<u>5,549,784</u>	<u>5,549,784</u>	<u>2,481,143</u>	<u>3,068,641</u>
Excess(Deficit) of Revenues				
Over Expenditures	(2,970,000)	(2,970,000)	(53,128)	2,916,872
Fund Balance - Beginning of Year	<u>2,970,000</u>	<u>2,970,000</u>	<u>3,187,421</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,134,293</u>	<u>\$ 2,916,872</u>

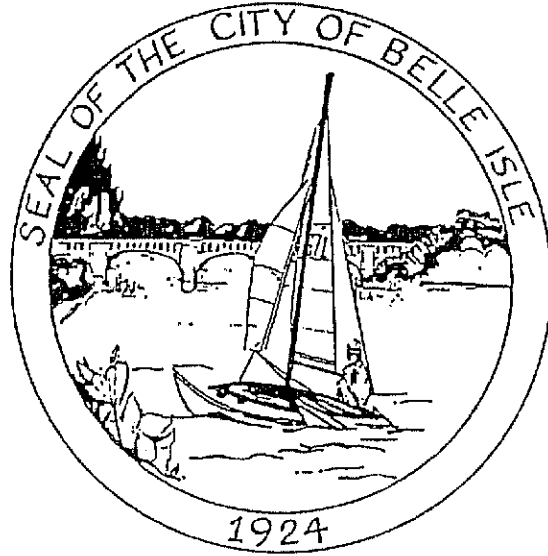
The accompanying Notes to Financial Statements are an integral part of this statement.

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NOTES TO FINANCIAL STATEMENTS

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CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS

Year Ended September 30, 2002

Note 1 – Summary of Significant Accounting Policies:

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

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2002

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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

The government reports the following major governmental fund:

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

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

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

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

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

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2002

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

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

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

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

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

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

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

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

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2002

Note 2 – Stewardship, Compliance and Accountability:

Compliance with Finance-Related Legal and Contractual Provision - The City has no material violations of finance-related legal and contractual provisions.

Budgetary Information - The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the first Council meeting in August, the Mayor submits 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 for the City's General Fund.
2. Public hearings are conducted at the City Hall to obtain taxpayer comments. Prior to September 30, the budget is legally enacted through passage of a resolution.
3. The City cannot legally exceed the budget; however, the Mayor is authorized to transfer budgeted amounts within a department. Any revisions that change the total expenditures of any department must be approved by the City Commission. The legal level of budgetary control is the department level.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund.
5. Budgeted amounts presented in the accompanying financial statements have been adjusted for legally authorized revisions of the annual budget during the year. Encumbrance accounting is not employed. Unexpended and unencumbered appropriations lapse at the end of the fiscal year and are reappropriated in the ensuing year.
6. The budget for the General Fund is adopted on a budgetary basis. The City does not budget for capital outlay expenditures and other financing sources related to the acquisition of assets through capital leases. For the 2002 fiscal year, the following adjustments were necessary to convert General Fund expenditures on the GAAP basis to the budgetary basis:

	<u>Expenditures</u>	<u>Other Financing Sources (Uses)</u>
GAAP Basis	\$2,590,415	\$ 109,272
Nonbudgeted capital lease transactions	(109,272)	(109,272)
Budgetary Basis	<u>\$2,481,143</u>	<u>\$ -</u>

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2002

Note 3 – Cash and Investments:

Following are the components of the City's cash and investments at September 30, 2002:

Cash & Cash Equivalents	\$1,895,647
Investments	<u>1,238,164</u>
	<u>\$3,133,811</u>

Deposits - At year-end, the carrying amount of the City's deposits was \$33,133 and the bank balance was \$66,302. All bank deposits were fully covered by federal depository insurance or by collateral held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law. Florida Statutes provide for collateral pooling by banks and savings and loans. This limits local government deposits to "authorized depositories".

Investments - The City's investment policies are governed by State Statutes and City ordinances. City ordinance allows investments in any financial institution that is a qualified public depository of the State of Florida as identified by the State Treasurer, in accordance with Chapter 280 of the Florida Statutes. Authorized investments are:

1. The State Board of Administration Local Government Investment Pool (SBA);
2. Securities and Exchange Commission Registered Money Market Funds;
3. Savings accounts and certificates of deposit in state-certified qualified public depositories;
4. The Florida Municipal Investment Trust, administered by the Florida League of Cities, Inc.
5. U.S. Government Agency Securities and U.S. Treasury Bills, Notes and Bonds
6. Overnight bank sweep accounts.

The SBA 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. Therefore, the pool account balance can be used as fair value for financial reporting.

The Florida Municipal Investment Trust (FMIT) consists of corporate bonds and stocks and cash equivalents. The fund is stated at fair value, and investment earnings are allocated to participants in the fund based on their equity participation.

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2002

Note 3 – Cash and Investments (Continued):

Investments made by the City of Belle Isle at September 30, 2002 are summarized below. In accordance with GASB 31, investments are reported at fair value. The City's investments are categorized to give an indication of the level of credit risk assumed by the City.

	<u>Category</u>			<u>Total Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Repurchase agreements	\$ -	\$ -	\$136,947	\$ 136,947
	<u>\$ -</u>	<u>\$ -</u>	<u>\$136,947</u>	
Investments not subject to categorization:				
Florida Municipal Investment Trust Fund				1,238,164
State Board of Administration Local Government Investment Pool				<u>1,725,567</u>
Total investments				<u>\$3,100,678</u>

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

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

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

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

Investments in the State Board of Administration Local Government Investment Pool and the Florida Municipal Investment Trust Fund are not required to be categorized since these investments are in pooled investment funds and therefore not evidenced by securities that exist in physical or book entry form. The fair value of the City's position is the same as the value of the pool shares.

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2002

Note 4 – Property Tax:

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

The City is permitted by the Municipal Finance Law of the State to levy taxes up to \$10 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended September 30, 2002, was \$2.6655 per \$1,000 which means the City has a tax margin of \$7.3345 per \$1,000 and could raise up to \$2,707,607 before discount, additional a year from the present assessed valuation of \$369,160,392 before the limit is reached.

Note 5 – Receivables:

Receivables consist of the following at September 30, 2002:

	<u>General Fund</u>
Due From Other Governments:	
Half-Cent Sales Tax	\$ 62,625
Local Option Gas Tax	18,761
Other	<u>19,251</u>
Total	<u>\$100,637</u>

Note 6 – Subsequent Event:

On November 1, 2002, the loan amount of \$955,000 was deposited into the Florida Municipal Loan Council (FMLC) Revenue Bonds Series 2002 C, account for the City of Belle Isle. The FMLC is a separate legal entity created by the Florida League of Cities to enable small cities to join together to borrow money for capital projects. The loan repayment obligation of the City of Belle Isle is payable from and secured by a pledge of and lien upon the half-cent sales tax revenue of the City.

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2002

Note 7 – Capital Assets:

Capital asset activity for the year ended September 30, 2002 was as follows:

	Balance October 1, 2001	Increases	Decreases	Balance Sept. 30, 2002
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:	\$ 64,476	\$ -	\$ -	\$ 64,476
Land				
Capital assets, being depreciated -				
Buildings	590,306	-	-	590,306
Improvements	24,447	-	-	24,447
Equipment & machinery	336,489	128,885	9,906	455,468
Infrastructure	<u>284,867</u>	<u>-</u>	<u>-</u>	<u>284,867</u>
Total capital assets being depreciated	<u>1,236,109</u>	<u>128,885</u>	<u>9,906</u>	<u>1,355,088</u>
Less accumulated depreciated for -				
Buildings	(94,209)	(14,832)	-	(109,041)
Improvements	(6,855)	(1,976)	-	(8,831)
Equipment & machinery	(259,355)	(28,594)	(8,569)	(279,380)
Infrastructure	<u>(1,497)</u>	<u>(8,395)</u>	<u>-</u>	<u>(9,892)</u>
Total accumulated depreciated	<u>(361,916)</u>	<u>(53,797)</u>	<u>(8,569)</u>	<u>(407,144)</u>
Total capital assets being depreciated, net	<u>874,193</u>	<u>75,088</u>	<u>1,337</u>	<u>947,944</u>
Governmental activities capital assets, net	<u>\$ 938,669</u>	<u>\$ 75,088</u>	<u>\$ 1,337</u>	<u>\$1,012,420</u>

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

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

Governmental activities -	
General government	\$18,664
Physical environment	<u>35,133</u>
	<u>\$53,797</u>

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2002

Note 8 – Retirement Plans:

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

During the year ended September 30, 2002, the City's total payroll was \$484,521 and the current year's covered payroll for retirement plan purposes was approximately \$298,000. The City contributed \$18,061 to the plan. Total contributed is approximately 6% of the current year's covered payroll. The City has no unfunded liability under this plan.

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

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

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

Note 9 – Long-Term Debt:

Long-term debt activity for the year ended September 30, 2002 was as follows:

	Beginning			Ending	Due Within
	Balance	Additions	Deductions	Balance	One Year
Capital Lease	\$ -	\$109,272	\$1,656	\$107,616	\$19,665

CITY OF BELLE ISLE, FLORIDA

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year Ended September 30, 2002

Note 9 – Long-Term Debt (Continued):

Capital Lease – The City has entered into a lease agreement as lessee for financing the acquisition of a street sweeper. This lease agreement qualifies as a capital lease for accounting purposes, and therefore has been recorded at the present value of the minimum lease payments of the inception date. A summary of equipment acquired through capital lease is as follows:

	Governmental Activities
Equipment	\$109,272
Less: Accumulated depreciation	<u>(1,821)</u>
	<u>\$107,451</u>

The future minimum lease obligations of the minimum lease payments at September 30, 2002 are as follows:

Year Ending <u>September 30,</u>	Governmental Activities
2003	\$ 24,935
2004	24,935
2005	24,935
2006	24,935
2007	<u>22,857</u>
Total minimum lease payments	122,597
Less: amount representing interest	<u>(14,981)</u>
Present value of minimum lease payments	<u>\$107,616</u>

Note 10 - Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters. Risk of loss from the above is transferred by the City to various commercial insurers through the purchase of insurance. There has been no significant reduction in insurance coverage from the previous year. There have been no settlements in excess of insurance coverage in any of the prior three fiscal years.

Note 11- Contingencies:

During the ordinary course of its operations, the City is a party to various claims, legal actions, and complaints. In addition, although the outcome of these lawsuits is not presently determinable, in the opinion of the City's management and legal counsel, these matters are not anticipated to have a material financial impact on the City.

STATISTICAL SECTION

LIST OF SCHEDULES

General Governmental Expenditures by Function

General Governmental Revenues by Source

Property Tax Levies and Collections

Assessed and Estimated Value of Taxable Property

Property Tax Rates - Direct and Overlapping Governments

Special Assessment Collections

Computation of Legal Debt Margin

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total
General Governmental Expenditures

Computation of Direct and Overlapping Debt

Revenue Bond Coverage

Demographic Statistics

Property Values and Construction Permits

Schedule of Principal Taxpayers

Miscellaneous Statistical Data

CITY OF BELLE ISLE, FLORIDA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Physical Environment</u>	<u>Parks and Recreation (2)</u>	<u>Debt Service (3)</u>	<u>Total</u>
1993	\$ 254,284	\$ 702,712	\$ 434,188	\$ 34,219	\$ -	\$ 1,425,403
1994	220,248	719,006	543,211	47,629	-	1,530,094
1995	256,700	723,964	567,912	30,910	-	1,579,486
1996	276,816	730,620	667,241	56,118	-	1,730,795
1997	299,108	762,636	553,100	46,402	-	1,661,246
1998	280,000	895,645	937,639	45,562	-	2,158,846
1999	596,200	943,256	521,421	-	-	2,060,877
2000	774,433	980,394	666,629	-	-	2,421,456
2001	725,708	1,012,536	743,606	-	-	2,481,850
2002	603,549	1,102,273	882,515	-	2,078	2,590,415

(1) Includes General Fund only.

(2) Starting in 1999, parks and recreation is not budgeted as a separate function, but is included in general government

(3) There was no debt service in years prior to 2002.

CITY OF BELLE ISLE, FLORIDA

GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter- governmental Revenues</u>	<u>Fines and Forfeitures</u>	<u>Miscellaneous (2)</u>	<u>Total</u>
1993	\$ 910,451	\$ 3,592	\$ 657,571	\$ 26,676	\$ 63,139	\$ 1,661,429
1994	916,075	3,000	826,129	16,491	82,717	1,844,412
1995	852,327	2,811	870,712	14,858	123,419	1,864,127
1996	894,955	3,347	927,566	26,326	139,968	1,992,162
1997	890,636	3,895	970,249	22,578	156,229	2,043,587
1998	917,657	3,952	1,084,574	24,248	191,544	2,221,975
1999	969,995	5,638	1,111,423	22,935	143,015	2,253,006
2000	975,991	7,053	1,190,895	19,126	207,196	2,400,261
2001	1,023,827	7,538	1,248,728	22,711	234,705	2,537,509
2002	1,165,267	9,209	1,105,704	15,575	132,260	2,428,015

(1) Includes General Fund only.

(2) Includes Investment Income

CITY OF BELLE ISLE, FLORIDA

PROPERTY TAX LEVIES AND COLLECTIONS

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Total Tax Levy(1)</u>	<u>Total Tax Collections</u>	<u>Percentage of Total Collections To Tax Levy</u>
1993	\$ 831,870	\$ 811,709	97.6%
1994	824,793	798,156	96.8%
1995	797,745	727,690	91.2%
1996	789,788	764,343	96.8%
1997	782,872	764,270	97.6%
1998	800,138	774,023	96.7%
1999	847,017	821,493	97.0%
2000	857,833	823,937	96.0%
2001	879,006	849,832	96.7%
2002	983,997	923,947	93.9%

(1) Gross taxes before discounts of 1% - 4%, depending on month paid

CITY OF BELLE ISLE, FLORIDA

ASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTY (1)

Last Ten Fiscal Years

Fiscal Year	Real Property	Personal Property	Total
1993	\$ 237,976,906	\$ 5,473,446	\$ 243,450,352
1994	240,958,713	5,690,021	246,648,734
1995	241,763,695	7,539,517	249,303,212
1996	239,408,417	7,408,182	246,816,599
1997	243,942,166	8,817,188	252,759,354
1998	257,720,436	8,992,310	266,712,746
1999	273,812,875	8,526,264	282,339,139
2000	288,534,515	7,678,542	296,213,057
2001	304,274,080	7,209,170	311,483,250
2002	359,891,587	9,268,805	369,160,392

(1) Florida State Law requires all property to be assessed at estimated fair market value

Source:

Orange County Property Appraiser

CITY OF BELLE ISLE, FLORIDA

PROPERTY TAX RATES -
DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Fiscal Years

Millage Rates (\$1 per \$1,000 of taxable value)

<u>Fiscal Year</u>	<u>City of Belle Isle</u>	<u>Orange County</u>	<u>School Board</u>	<u>Total (a)</u>
1993	3.4170	5.2889	8.9300	17.6359
1994	3.3440	5.2889	8.9300	17.5629
1995	3.1999	5.2889	9.3240	17.8128
1996	3.1999	5.2889	9.3750	17.8638
1997	3.0973	5.2889	9.1770	17.5632
1998	3.0000	5.2889	9.0770	17.3659
1999	3.0000	5.2889	9.0420	17.3309
2000	2.8960	5.2264	8.6120	16.7344
2001	2.8220	5.1639	8.5770	16.5629
2002	2.6655	5.1639	8.4320	16.2614

CITY OF BELLE ISLE, FLORIDA

SPECIAL ASSESSMENT COLLECTIONS

Last Ten Fiscal Years

The *City of Belle Isle, Florida* did not have any material special assessment collections in the last ten fiscal years.

CITY OF BELLE ISLE, FLORIDA

COMPUTATION OF LEGAL DEBT MARGIN

September 30, 2002

There are no limitations placed upon the amount of debt the City may issue by the City's charter, code or ordinances, or by the Florida Statutes.

CITY OF BELLE ISLE, FLORIDA

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA**

Last Ten Fiscal Years

The *City of Belle Isle, Florida* has not had any General Bonded Debt being repaid from general property taxes in the last ten fiscal years.

CITY OF BELLE ISLE, FLORIDA

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO TOTAL
GENERAL GOVERNMENTAL EXPENDITURES**

Last Ten Fiscal Years

The *City of Belle Isle, Florida* has not had any General Bonded Debt in the last ten fiscal years.

CITY OF BELLE ISLE, FLORIDA

**COMPUTATION OF DIRECT AND OVERLAPPING
GENERAL OBLIGATION DEBT**

September 30, 2002

<u>Government Unit</u>	<u>Bonds Outstanding</u>	<u>Applicable to City of Belle Isle Percent (1)</u>	<u>Amount</u>
Library District Refunding Bonds-Series 1993	\$4,505,000	.72%	<u>\$32,436</u>
Total Overlapping Debt			32,436
Total Direct Debt (2)			<u>-</u>
Total Direct and Overlapping Debt			<u>\$32,436</u>

(1) Ratio of assessed valuation of taxable property in overlapping unit to that within the City of Belle Isle.

(2) The City of Belle Isle does not currently have any general obligation debt which is being repaid through general property taxes.

CITY OF BELLE ISLE, FLORIDA

REVENUE BOND COVERAGE

Last Ten Fiscal Years

The *City of Belle Isle, Florida* has not had any Revenue Bond Debt in the last ten fiscal years.

CITY OF BELLE ISLE, FLORIDA

DEMOGRAPHIC STATISTICS

<u>Year</u>	<u>Population</u>			
	<u>City of Belle Isle</u>		<u>Orange County</u>	
	<u>Population</u>	<u>% Increase</u>	<u>Population</u>	<u>% Increase</u>
1993	5,610	6.0	727,780	4.1
1994	5,612	-	740,167	1.7
1995	5,748	2.4	758,962	2.5
1996	5,813	1.1	777,556	2.4
1997	5,860	.8	803,614	3.3
1998	5,933	1.2	824,095	2.5
1999	6,026	1.6	839,095	1.8
1990	6,148	2.0	846,328	.9
2001	6,446	5.4	896,344	5.58
2002	6,015	(6.7)	930,034	3.8

<u>Year</u>	<u>Population Distribution</u>	
	<u>By Age</u>	
	<u>Orange County</u>	
0-14	20.0%	
15-24	15.0	
25-44	33.0	
45-64	21.0	
65 and over	11.0	

Source: University of Florida, Bureau of Economic and Business Research, East Central Florida Planning Council, Council Quarterly, Florida Statistical Abstract, Orange County Planning Dept. and Belle Isle Administrative Dept.

CITY OF BELLE ISLE, FLORIDA

PROPERTY VALUES AND CONSTRUCTION PERMITS

Last Ten Fiscal Years

Fiscal Year	Taxable Real Property Values ⁽¹⁾	Value of Construction Permits Issued ⁽²⁾
1993	237,976,906	1,853,000
1994	240,958,713	2,021,000
1995	241,763,695	2,092,000
1996	239,408,417	2,686,000
1997	243,942,166	2,875,000
1998	257,720,436	5,803,000
1999	273,812,875	3,462,000
2000	288,534,515	6,072,000
2001	304,274,080	5,926,034
2002	359,891,587	19,218,903

Sources:

- (1) Orange County Property Appraiser's Office
- (2) City of Belle Isle Building Department

CITY OF BELLE ISLE, FLORIDA

SCHEDULE OF PRINCIPAL TAXPAYERS

September 30, 2002

	<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Assessed Valuation As of 2001 Tax Roll (1)</u>	<u>Percentage</u>
1.	CNB Orlando Hotel, LLC	Hotel	\$ 8,392,727	2.3%
2.	Kalson Properties	Hotel	4,652,742	1.3
3.	Efesos Properties	Commercial	3,553,256	1.0
4.	Rosemont Investors, LLC	Commercial	2,662,654	.7
5.	E-Z Rent A Car, Inc.	Car Rental	2,593,113	.7
6.	Orlando Airport Inn, LLC	Hotel	2,552,020	.6
7.	Highlands at Lake Conway	Residential Development	2,380,200	.6
8.	Confidential	Commercial	2,293,367	.6
9.	Tandiono, Ferry JR.	Residential	2,252,348	.6
10.	Holloway, John W.	Residential	<u>1,137,287</u>	<u>.3</u>
	Total taxable assessed value of 10 largest taxpayers		32,469,714	8.7
	Total taxable assessed value of other taxpayers		<u>336,690,678</u>	<u>91.3</u>
	Total taxable assessed value of all taxpayers		<u>\$369,160,392</u>	<u>100%</u>

Note:

⁽¹⁾ The tax levy for the fiscal year ended September 30, 2002 is based on the 2001 taxable value.

CITY OF BELLE ISLE, FLORIDA

MISCELLANEOUS STATISTICAL DATA

September 30, 2002

Date of Incorporation	April 25, 1924
City Charter Adopted	September 17, 1974
Commission Composed of:	1 Mayor, 7 Commissioners
Terms of Office:	
Mayor	3 Years
Commissioners	3 Years
City Administrator	Appointed
Areas of City	4 Square Miles
Municipal Employees (Including Part-Time)	10
Elections:	
Registered voters	3,622
Votes cast in last municipal elections (1997)	1,400
Miles of Streets, Sidewalks and Bike Paths	
Streets - unpaved (in miles)	0.3
Streets - paved (in miles)	23.3
Streets - brick	0
Sidewalks	25
Bike paths	0
Fire Protection:	
(by Contract with Orange County)	
Police Protection:	
(Protected by Orange County Sheriff's Department)	
Recreation:	
Multi-purpose recreation center	0
Community Center	0
Athletic fields	0
Tennis courts	0
Racquetball courts	0
Shuffleboard courts	0
Passive parks	5
Parks and recreation developed ares	2
Water System: N/A	

APPENDIX J

Financial Information Regarding City of Deerfield Beach

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

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

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

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INDEPENDENT AUDITOR'S REPORT

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Deerfield Beach, Florida, as of September 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued a report dated March 19, 2003, on our consideration of the City of Deerfield Beach, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

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

Grant Thornton LLP

Weston, Florida
March 19, 2003

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

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

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

(Continued)

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

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

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

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

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

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

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

**FIDUCIARY
FUND TYPE**

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

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

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

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

ANNUALLY BUDGETED SPECIAL REVENUE FUND

(MEMORANDUM ONLY)

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

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

PROPRIETARY
FUND TYPE

ENTERPRISE
FUNDS

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

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

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

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

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

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

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

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

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

NOTE “A” - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

FUNDS

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

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

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

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

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

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

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

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

ACCOUNT GROUPS

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

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

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

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

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

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

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

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

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

4) BASIS OF ACCOUNTING

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

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

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

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

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

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

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

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

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

1. **GENERAL FUND:**

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

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

2. SPECIAL REVENUE FUNDS:

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

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

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

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

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

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

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

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

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

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

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

NOTE “B” - PROPERTY TAXES

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

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

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

NOTE “C” - CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

Deposits of the City, including time deposit accounts, demand deposit accounts and certificates of deposit, are defined as public deposits. All of the City’s public deposits are held in qualified public depositories pursuant to Chapter 280.03 of the Florida Statutes, “Florida Security for Public Deposits Act.” Under the Act, all qualified public depositories are required to pledge eligible collateral having market value equal to or greater than the average daily or monthly balance of all public deposits, times the depository’s collateral pledging level. The pledging level may range from 50% to 125% depending upon the depository’s financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in fault. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. All deposits of the City are considered insured for risk and are category 1 credit risk as defined by GASB Statement No. 3.

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

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

Shown below is a summary of the City’s investments as of September 30, 2002. The City’s investments are categorized to give an indication of the level of credit risk assumed by the City at year end. Category 1 includes investments that are insured or registered or securities held by the City or its agent in the City’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the City’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty in the City’s name or held by the counterparty’s trust department or agent but not in the City’s name.

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

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

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

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

NOTE "D" - RECONCILIATION OF INTERFUND ACCOUNTS

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

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

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

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

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

NOTE "E" - GENERAL LONG-TERM DEBT

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

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

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

NOTE "F" - BONDS PAYABLE

1) SCHEDULE OF PRINCIPAL RETIREMENT:

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

2) SCHEDULE OF DEBT SERVICE:

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

ENTERPRISE DEBT

REVENUE BONDS

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

ENTERPRISE DEBT

REVENUE BONDS

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

NOTE "F" - BONDS PAYABLE

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

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

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

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

NOTE “F” - BONDS PAYABLE (4) (continued)

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

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

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

General Obligation Bonds 1973

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

General Obligation Bonds 1992

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

General Obligation Bonds 1993

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

General Obligation Bonds 1995

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

General Obligation Bonds 2000

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

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

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

Improvement Revenue Bonds 1992

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

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

Water and Sewer Refunding and Improvement Revenue Bonds 1992

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

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

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

NOTE "G" - GENERAL FIXED ASSETS

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

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

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

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

NOTE "H" - OTHER LIABILITIES

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

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

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

NOTE "H" - OTHER LIABILITIES (Continued)

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

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

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

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

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

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

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

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

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

NOTE “I” - SEGMENTS OF ENTERPRISE ACTIVITIES

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

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

NOTE “J” - PRIOR PERIOD ADJUSTMENTS

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

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

The restatements described above follow:

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

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

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

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

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

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

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

NOTE "K" - EMPLOYEE RETIREMENT SYSTEMS - DEFINED BENEFIT PLANS (Continued)

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

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

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

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

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

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

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

NOTE "L" - POST-EMPLOYMENT HEALTH CARE BENEFITS

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

NOTE "M" - RISK MANAGEMENT

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

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

NOTE "M" - RISK MANAGEMENT (Continued)

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

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

NOTE "N" - COMMITMENTS AND CONTINGENT LIABILITIES

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

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

NOTE "O" - NEW ACCOUNTING STANDARDS

GASB Statement No. 34

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

GASB Statement No. 36

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

GASB Statement No. 39

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

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STATISTICAL SECTION

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

City of Deerfield Beach

Table I

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

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

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

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

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

City of Deerfield Beach

Table II

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

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

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

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

City of Deerfield Beach

Table III

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

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

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

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

City of Deerfield Beach

Table IV

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

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

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

City of Deerfield Beach

Table V

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

MILLAGE RATES PER \$1,000 OF TAXABLE VALUE

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

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

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

City of Deerfield Beach

Table VI

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

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

City of Deerfield Beach

Table VII

Special Assessment Collections
Last Ten Fiscal Years

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

City of Deerfield Beach

Table VIII

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

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

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

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

City of Deerfield Beach

Table IX

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

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

Note: Population estimates were obtained from the following sources:

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

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

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

City of Deerfield Beach

Table X

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

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

Excludes bond issuance and other costs.

City of Deerfield Beach

Table XI

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

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

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

City of Deerfield Beach

Table XII

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

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

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

Debt Service Requirements

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

City of Deerfield Beach

Table XIII

**Demographic Statistics
Last Ten Fiscal Years**

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

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

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

C) Source: School Board of Broward County.

D) Source: Florida Bureau of Labor Market Information.

City of Deerfield Beach

Table XIV

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

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

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

B) Source: City of Deerfield Beach Building Department.

C) Source: Florida Bankers Association.

City of Deerfield Beach

Table XV

**Miscellaneous Statistical Data
September 30, 2002**

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

APPENDIX K

Financial Information Regarding Gadsden County

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GADSDEN COUNTY, FLORIDA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEARS ENDED SEPTEMBER 30

	2002	2001	2000
Revenues			
Taxes	\$ 13,392,457	\$ 10,614,905	\$ 10,210,250
Licenses and Permits	402,716	313,037	277,097
Intergovernmental Revenues	8,684,315	9,477,828	7,692,141
Charges for Services	2,949,839	2,617,301	1,605,445
Fines and Forfeitures	168,614	98,430	100,345
Miscellaneous Revenues	<u>1,179,557</u>	<u>1,444,575</u>	<u>742,291</u>
Total Revenues	<u>26,777,498</u>	<u>24,566,076</u>	<u>20,627,569</u>
Expenditures			
Current:			
General Government	6,854,508	6,493,973	3,393,543
Public Safety	9,708,849	8,338,674	2,760,709
Physical Environment	1,066,526	790,495	844,776
Transportation	8,396,316	6,923,078	4,977,382
Economic Environment	975,042	675,414	571,495
Human Services	1,127,760	1,072,194	969,604
Culture and Recreation	<u>965,310</u>	<u>801,599</u>	<u>696,474</u>
Total Expenditures	<u>(29,094,311)</u>	<u>(25,095,427)</u>	<u>(14,213,983)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,316,813)</u>	<u>(529,351)</u>	<u>6,413,586</u>
Other Financing Sources (Uses)			
Operating Transfers In	10,982,783	10,093,865	3,281,507
Installment Purchases	791,767	791,767	152,000
Operating Transfers Out	(10,982,783)	(10,093,865)	(3,281,507)
Transfer to North Florida Water Management District	(202)	(74)	-
Transfer In from Constitutional Officers	-	-	109,117
Transfer Out to Constitutional Officers	<u>-</u>	<u>-</u>	<u>(6,267,254)</u>
Total Other Financing Sources (Uses)	<u>791,565</u>	<u>771,016</u>	<u>(6,006,137)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,525,248)	241,665	407,449
Fund Balances, Beginning of Year	<u>10,207,240</u>	<u>9,965,575</u>	<u>8,919,395</u>
Fund Balances, End of Year	<u>\$ 8,681,992</u>	<u>\$ 10,207,240</u>	<u>\$ 9,326,844</u>

The obligation of Gadsden County to pay the Loan Payments is limited as described in the Official Statement. Certain of the above revenues are not legally available to make, nor are any of the above revenues (except for the Pledged 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

The Honorable Board of County Commissioners
Gadsden County
Gadsden County, Florida

We have audited the accompanying general-purpose statements of Gadsden County, Florida as of and for the year ended September 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the management of Gadsden County, Florida. 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 general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Gadsden County, Florida at September 30, 2002, and the results of its operations and the cash flows of its proprietary and similar trust fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 23, 2002, on our consideration of Gadsden County, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Certified Public Accountants

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Laurel Ridge Professional Center • 2347 S.E. 17th Street • Ocala, Florida 34471 • (352) 732-3872 • FAX (352) 732-0542
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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

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The Honorable Board of County Commissioners
Gadsden County
Gadsden County, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and Chapter 10.550, *Rules of the Auditor General*, and the combining funds and individual fund listed in the table of contents as accompanying information are presented for purposes of additional analysis and are not a required part of the general-purpose financial statements of Gadsden County, Florida. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

December 23, 2002
Tallahassee, Florida

Purvis, Gray and Company

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GADSDEN COUNTY, FLORIDA

GENERAL-PURPOSE FINANCIAL STATEMENTS

These general-purpose financial statements provide a summary overview of the financial position of all funds and account groups, as well as the operating results of all funds and the cash flows of proprietary fund types and similar trust funds.

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2002
GADSDEN COUNTY, FLORIDA**

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	2002	2001
Assets									
Cash	\$ 5,921	\$ 2,931,750		\$ 49,380	\$ 542,977			\$ 3,530,028	\$ 4,668,500
Investments	2,643,360	3,094,705	\$ 123	528,359	9,924,363			16,190,910	17,791,612
Receivables (Net of Allowance for Uncollectibles):									
Accounts		472,546						472,546	451,132
Other	41,028	12,847						53,875	68,805
Due From Other Funds	111,367	275,261			107			386,735	219,666
Due From Other Governments	300,519	2,354,352			237			2,655,108	2,241,667
Due From Individuals		5,111						5,111	3,748
Due From Gadsden Hospital, Inc.					50,000			50,000	0
Prepaid Items	16,964	34,484						51,448	16,327
Inventories, at Cost	38,514							38,514	42,927
Restricted Assets:									
Cash and Cash Equivalents								0	752,665
Property, Plant and Equipment - Cost Less Depreciation				3,010,437				3,010,437	3,200,256
General Fixed Assets:									
Land and Land Improve- ments						\$ 4,032,737		4,032,737	4,032,737
Buildings and Improve- ments						12,036,839		12,036,839	11,714,366
Machinery and Equipment						13,431,612		13,431,612	11,697,112
Unamortized Bond Issue Costs								0	1,458
Amount to be Provided for Retirement of General Long-Term Debt							\$ 3,021,818	3,021,818	2,581,585
Total Assets	\$ 3,157,673	\$ 9,181,056	\$ 123	\$ 3,588,176	\$ 10,517,684	\$ 29,501,188	\$ 3,021,818	\$ 58,967,718	\$ 59,484,763

See accompanying notes.

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2002
GADSDEN COUNTY, FLORIDA
(Continued)**

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	2002	2001
Liabilities and Fund Equity									
Liabilities									
Bank Overdraft								\$ 0	\$ 324
Accounts Payable and Accrued Expenses	\$ 330,916	\$ 1,084,651						1,415,567	1,522,001
Due to Other Governments		33,429			\$ 24,805			58,234	73,365
Due to Other Funds	151,436	234,139			1,160			386,735	219,666
Due to Individuals					148,182			148,182	115,040
Due to Taxing Units					149,193			149,193	119,505
Unremitted Collections					13,988			13,988	11,704
Inmate Trust Funds					15,450			15,450	18,502
Unclaimed Property					22			22	101
Deposits					150,447			150,447	92,311
Petty Cash					525			525	525
Deferred Revenue	122	1,822,167						1,822,289	1,610,255
Payable From Restricted Assets:									
Bonds Payable -									
Current								0	725,000
Accrued Expenses								0	12,218
(Unamortized Bond Discount)								0	(1,094)
(Deferred Amount or Refunding)								0	(5,179)
Compensated Absences Payable							\$ 898,139	898,139	834,772
Installment Note Payable							1,693,179	1,693,179	1,287,718
Estimated Landfill Postclosure Costs							430,500	430,500	459,095
Total Liabilities	<u>482,474</u>	<u>3,174,386</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>503,772</u>	<u>\$ 0</u>	<u>3,021,818</u>	<u>7,182,450</u>	<u>7,095,829</u>

See accompanying notes.

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2002
GADSDEN COUNTY, FLORIDA
(Concluded)**

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Enterprise	Trust and Agency	General Fixed Assets	General Long-Term Debt	2002	2001
Liabilities and Fund Equity <i>(Concluded)</i>									
Fund Equity									
Investment in General Fixed Assets						\$ 29,501,188		\$ 29,501,188	\$ 27,444,215
Retained Earnings:									
Reserved for Renewal and Replacement				\$ 704,904				704,904	715,090
Unreserved				2,883,272				2,883,272	2,508,344
Fund Balances:									
Reserved for:									
Transportation		\$ 3,407,971						3,407,971	4,163,645
Landfill Closure		195,142						195,142	28,595
Endowments					\$ 10,013,912			10,013,912	11,514,045
Radio Communica- tions		42,452						42,452	15,208
Prepaid Items	\$ 16,964	34,484						51,448	16,327
Inventories	38,514							38,514	42,927
Records Moderniza- tion		98,956						98,956	95,987
Unreserved:									
Undesignated	2,619,721	2,227,665	\$ 123					4,847,509	5,844,551
Total Fund Equity	<u>2,675,199</u>	<u>6,006,670</u>	<u>123</u>	<u>3,588,176</u>	<u>10,013,912</u>	<u>29,501,188</u>	<u>\$ 0</u>	<u>51,785,268</u>	<u>52,388,934</u>
Total Liabilities and Fund Equity	<u>\$ 3,157,673</u>	<u>\$ 9,181,056</u>	<u>\$ 123</u>	<u>\$ 3,588,176</u>	<u>\$ 10,517,684</u>	<u>\$ 29,501,188</u>	<u>\$ 3,021,818</u>	<u>\$ 58,967,718</u>	<u>\$ 59,484,763</u>

See accompanying notes.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2002
GADSDEN COUNTY, FLORIDA**

	General	Special Revenue	Debt Service	Totals (Memorandum Only)	
				2002	2001
Revenues					
Taxes	\$ 8,218,800	\$ 5,173,657	\$ 0	\$ 13,392,457	\$ 10,614,905
Licenses and Permits	402,716	0	0	402,716	313,037
Intergovernmental Revenues	1,328,245	7,356,070	0	8,684,315	9,477,828
Charges for Services	216,106	2,733,733	0	2,949,839	2,617,301
Fines and Forfeitures	0	168,614	0	168,614	98,430
Miscellaneous Revenues	173,806	1,004,918	833	1,179,557	1,444,575
Total Revenues	<u>10,339,673</u>	<u>16,436,992</u>	<u>833</u>	<u>26,777,498</u>	<u>24,566,076</u>
Expenditures					
Current:					
General Government	3,707,980	3,146,528	0	6,854,508	6,493,973
Public Safety	398,261	9,310,588	0	9,708,849	8,338,674
Physical Environment	188,223	878,303	0	1,066,526	790,495
Transportation	0	8,396,316	0	8,396,316	6,923,078
Economic Environment	111,630	863,412	0	975,042	675,414
Human Services	1,012,508	115,252	0	1,127,760	1,072,194
Culture and Recreation	58,980	906,330	0	965,310	801,599
(Total Expenditures)	<u>(5,477,582)</u>	<u>(23,616,729)</u>	<u>0</u>	<u>(29,094,311)</u>	<u>(25,095,427)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,862,091</u>	<u>(7,179,737)</u>	<u>833</u>	<u>(2,316,813)</u>	<u>(529,351)</u>
Other Financing Sources (Uses)					
Operating Transfers In	111,687	10,871,096	0	10,982,783	10,093,865
Installment Purchases	0	791,767	0	791,767	771,090
Operating Transfers Out	(5,162,179)	(5,759,361)	(61,243)	(10,982,783)	(10,093,865)
Transfer to North Florida Water Management District	0	(202)	0	(202)	(74)
Total Other Financing Sources (Uses)	<u>(5,050,492)</u>	<u>5,903,300</u>	<u>(61,243)</u>	<u>791,565</u>	<u>771,016</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(188,401)</u>	<u>(1,276,437)</u>	<u>(60,410)</u>	<u>(1,525,248)</u>	<u>241,665</u>
Fund Balances, Beginning of Year	<u>2,863,600</u>	<u>7,283,107</u>	<u>60,533</u>	<u>10,207,240</u>	<u>9,965,575</u>
Fund Balances, End of Year	<u>\$ 2,675,199</u>	<u>\$ 6,006,670</u>	<u>\$ 123</u>	<u>\$ 8,681,992</u>	<u>\$ 10,207,240</u>

See accompanying notes.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2002
GADSDEN COUNTY, FLORIDA**

	General Fund		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 8,223,520	\$ 8,218,800	\$ (4,720)
Licenses and Permits	230,850	402,716	171,866
Intergovernmental Revenues	1,017,240	1,328,245	311,005
Charges for Services	188,574	216,106	27,532
Fines and Forfeitures	0	0	0
Miscellaneous Revenues	268,080	173,806	(94,274)
Total Revenues	<u>9,928,264</u>	<u>10,339,673</u>	<u>411,409</u>
Expenditures			
General Government	3,890,206	3,707,980	182,226
Public Safety	419,095	398,261	20,834
Physical Environment	219,839	188,223	31,616
Transportation	0	0	0
Economic Environment	119,967	111,630	8,337
Human Services	1,157,267	1,012,508	144,759
Culture and Recreation	60,862	58,980	1,882
(Total Expenditures)	<u>5,867,236</u>	<u>5,477,582</u>	<u>389,654</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,061,028</u>	<u>4,862,091</u>	<u>801,063</u>
Other Financing Sources (Uses)			
Operating Transfers In	0	111,687	111,687
Installment Purchases	0	0	0
Operating Transfers Out	(5,460,185)	(5,162,179)	298,006
Transfer to North Florida Water Management District	0	0	0
Total Other Financing Sources (Uses)	<u>(5,460,185)</u>	<u>(5,050,492)</u>	<u>409,693</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(1,399,157)</u>	<u>(188,401)</u>	<u>1,210,756</u>
Fund Balance, Beginning of Year	<u>2,863,600</u>	<u>2,863,600</u>	<u>0</u>
Fund Balance, End of Year	<u>\$ 1,464,443</u>	<u>\$ 2,675,199</u>	<u>\$ 1,210,756</u>

See accompanying notes.

Special Revenue Funds			Debt Service Funds		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 5,097,818	\$ 5,173,657	\$ 75,839	\$ 0	\$ 0	\$ 0
0	0	0	0	0	0
7,328,067	7,356,070	28,003	0	0	0
2,281,580	2,733,733	452,153	0	0	0
27,180	168,614	141,434	0	0	0
659,626	1,004,918	345,292	0	833	833
<u>15,394,271</u>	<u>16,436,992</u>	<u>1,042,721</u>	<u>0</u>	<u>833</u>	<u>833</u>
3,369,698	3,146,528	223,170	0	0	0
8,784,153	9,310,588	(526,435)	0	0	0
1,080,167	878,303	201,864	0	0	0
8,552,733	8,396,316	156,417	0	0	0
1,490,625	863,412	627,213	0	0	0
115,306	115,252	54	0	0	0
958,819	906,330	52,489	0	0	0
<u>24,351,501</u>	<u>23,616,729</u>	<u>734,772</u>	<u>0</u>	<u>0</u>	<u>0</u>
(8,957,230)	(7,179,737)	1,777,493	0	833	833
11,032,503	10,871,096	(161,407)	0	0	0
834,924	791,767	(43,157)	0	0	0
(5,512,318)	(5,759,361)	(247,043)	(60,000)	(61,243)	(1,243)
0	(202)	(202)	0	0	0
<u>6,355,109</u>	<u>5,903,300</u>	<u>(451,809)</u>	<u>(60,000)</u>	<u>(61,243)</u>	<u>(1,243)</u>
(2,602,121)	(1,276,437)	1,325,684	(60,000)	(60,410)	(410)
<u>7,283,107</u>	<u>7,283,107</u>	<u>0</u>	<u>60,533</u>	<u>60,533</u>	<u>0</u>
<u>\$ 4,680,986</u>	<u>\$ 6,006,670</u>	<u>\$ 1,325,684</u>	<u>\$ 533</u>	<u>\$ 123</u>	<u>\$ (410)</u>

See accompanying notes.

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS/FUND BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002
GADSDEN COUNTY, FLORIDA**

	Proprietary Fund Type	Fiduciary Fund Type	Totals	
	Enterprise Fund	Endowment Fund	(Memorandum Only)	
			2002	2001
Operating Revenues				
Income (Loss) From Investments	\$ 0	\$ 0	\$ 0	\$ 0
(Operating Expenses)	0	(39,960)	(39,960)	(18,537)
Operating Income (Loss)	0	(39,960)	(39,960)	(18,537)
Nonoperating Revenues (Expenses)				
Interest Revenue	15,834	280,780	296,614	368,890
Ad Valorem Tax Revenue	519,521	0	519,521	710,596
Rent Revenue	77,000	0	77,000	60,300
Income (Loss) From Investments	0	(1,740,953)	(1,740,953)	(3,236,142)
Interest Expense	(16,088)	0	(16,088)	(45,495)
Depreciation and Amortization	(221,479)	0	(221,479)	(293,206)
Other Expenses	(10,046)	0	(10,046)	(13,700)
Total Nonoperating Revenues (Expenses)	364,742	(1,460,173)	(1,095,431)	(2,448,757)
Net Income (Loss)	364,742	(1,500,133)	(1,135,391)	(2,467,294)
Retained Earnings/Fund Balances, Beginning of Year	3,223,434	11,514,045	14,737,479	17,204,773
Retained Earnings/Fund Balances, End of Year	\$ 3,588,176	\$ 10,013,912	\$ 13,602,088	\$ 14,737,479

See accompanying notes.

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002
GADSDEN COUNTY, FLORIDA

	Proprietary Fund Type	Fiduciary Fund Type	Totals	
	Enterprise Fund	Endowment Fund	(Memorandum Only)	
			2002	2001
Cash Flows From Operating Activities				
Cash Paid for Investment Expenses	\$ 0	\$ (39,960)	\$ (39,960)	\$ (18,537)
Cash Flows From Noncapital Financing Activities				
Nonoperating Revenues:				
Rent	72,000	0	72,000	60,300
Nonoperating Expenses:				
Cash Paid for Nonoperating Expenses	(9,533)	0	(9,533)	(31,516)
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>62,467</u>	<u>0</u>	<u>62,467</u>	<u>28,784</u>
Cash Flows From Capital and Related Financing Activities				
Ad Valorem Taxes Levied for Debt Service	519,521	0	519,521	710,596
Principal Payments on Bonds	(725,000)	0	(725,000)	(695,000)
Interest Payments on Bond and Note	(16,088)	0	(16,088)	(45,495)
Purchase of Fixed Assets	(31,660)	0	(31,660)	(74,102)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(253,227)</u>	<u>0</u>	<u>(253,227)</u>	<u>(104,001)</u>
Cash Flows From Investing Activities				
Proceeds From Sale of Investments	23,564	3,279,066	3,302,630	6,549,892
Purchase of Investments	0	(3,465,378)	(3,465,378)	(6,955,938)
Principal Received on Note Receivable	0	0	0	137,039
Loan to Gadsden Hospital, Inc.	0	(50,000)	(50,000)	0
Interest Revenue	15,834	280,780	296,614	369,562
Net Cash Provided By (Used In) Investing Activities	<u>39,398</u>	<u>44,468</u>	<u>83,866</u>	<u>100,555</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(151,362)</u>	<u>4,508</u>	<u>(146,854)</u>	<u>6,801</u>
Cash and Cash Equivalents, Beginning of Year	<u>200,742</u>	<u>35,041</u>	<u>235,783</u>	<u>228,982</u>
Cash and Cash Equivalents, End of Year	<u>\$ 49,380</u>	<u>\$ 39,549</u>	<u>\$ 88,929</u>	<u>\$ 235,783</u>

See accompanying notes.

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2002
GADSDEN COUNTY, FLORIDA
(Concluded)

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals</u>	
	<u>Enterprise Fund</u>	<u>Endowment Fund</u>	<u>(Memorandum Only)</u>	
			<u>2002</u>	<u>2001</u>
<u>Reconciliation of Operating Income</u>				
<u>to Net Cash Provided By (Used In)</u>				
<u>Operating Activities</u>				
Operating Income (Loss)	\$ 0	\$ 39,960	\$ 39,960	\$ (18,537)
<u>Schedule of Noncash Investing,</u>				
<u>Capital and Related Financing</u>				
<u>Activities and Noncapital Financing</u>				
<u>Activities</u>				
Depreciation and Amortization	\$ 221,479	\$ 0	\$ 221,479	\$ 293,206

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS
GADSDEN COUNTY, FLORIDA**

Note 1 - Reporting Entity

Gadsden County, Florida (the County) is a political subdivision of the State of Florida and provides services to its residents in many areas including general government, public safety, physical environment, transportation, economic environment, human services, and culture and recreation. It is governed by a five-member elected Board of County Commissioners (the Board), which derives its authority by Florida Statutes and regulations. In addition to the members of the Board, there are five elected Constitutional Officers: Clerk of the Circuit Court, Sheriff, Tax Collector, Property Appraiser and Supervisor of Elections. The Constitutional Officers, with the exception of the Supervisor of Elections, maintain separate accounting records and budgets.

The accompanying financial statements include the operations of the Board and the Constitutional Officers. In addition, each Constitutional Officer has separately issued financial statements.

The Board funds a portion, or in certain instances, all of the operating budgets of the County's Constitutional Officers. The payments by the Board to fund the operations of the Constitutional Officers are recorded as "operating transfers in and out" on the combined financial statements. Florida Statutes require the applicable budget excess of the Constitutional Officers to be remitted back to the Board at the close of the fiscal year. Accordingly, such amounts are recorded as "operating transfers out" by the Constitutional Officers and "operating transfers in" by the Board.

The accompanying financial statements present the financial position and results of operations of the applicable fund types and account groups governed by the County.

As outlined in Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, the financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations whose exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Each potential component unit is individually evaluated using specific criteria outlined in GASB Statement No. 14 to determine whether the entity is: a) part of the primary government; b) a component unit which should be included in the reporting entity (blended or discretely presented; or c) an organization which should be excluded from the reporting entity entirely. The principal criteria for classifying a potential component unit include: a) the legal separateness of the organization, and b) the financial accountability of the primary government's ability to impose its will on the potential component unit or the potential component unit's fiscal dependency on the primary government. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the reporting entity:

NOTES TO FINANCIAL STATEMENTS
GADSDEN COUNTY, FLORIDA
(Continued)

Note 1 - Reporting Entity (Concluded)

- **Gadsden County Hospital (the Hospital)**

The Hospital was created pursuant to Chapter 24534, 1947 Laws of Florida. In evaluating this potential component unit, it was determined that the Hospital is not a separate legal entity as it generally cannot transact business in its own name and, therefore, should be included as part of the primary government for reporting purposes. The assets, liabilities, and results of operations of the Hospital are presented in the financial statements of the County as an enterprise fund.

- **Gadsden County Industrial Development Authority (the Authority)**

The Authority was created by resolution of the Board pursuant to Chapter 159, Part III, Florida Statutes. The Authority members are appointed by the Board; however, the Board's accountability for the Authority does not extend beyond making the appointments. Accordingly, the Authority is considered to be a related organization only, and is not included in the financial reporting entity.

- **Quincy-Gadsden Airport Authority (the Airport Authority)**

The Airport Authority was created by Chapter 88-439, Laws of Florida. The Authority is composed of five members. Two members appointed by the City of Quincy, Florida, two members appointed by the Board, and one member is appointed by these four members. The Airport Authority is a local unit of special-purpose government and is not considered a component unit of the County and is not included in the financial reporting entity.

- **Gadsden County Enterprise Zone Development Agency (the Agency)**

The Agency was created by ordinance of the Board pursuant to Chapter 290, Florida Statutes to carry out economic development and redevelopment activities. The Agency Board members are appointed by the Board and the Board retains various powers including approving expenditures, borrowing funds, investing funds and approving assistance to businesses within the enterprise zone. Accordingly, the activities of the Agency are included as a blended component unit in the County's financial statements.

Note 2 - Summary of Significant Accounting Policies

The accounting policies of the County conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the County, the financial records and accounts of the County are maintained in accordance with the principles of "fund accounting." A fund is defined as a fiscal and accounting entity, with a self-balancing set of accounts recording all financial resources with all related liabilities, reserves and residual equities, or balances or changes

NOTES TO FINANCIAL STATEMENTS
GADSDEN COUNTY, FLORIDA
(Continued)

Note 2 - Summary of Significant Accounting Policies *(Continued)*

Fund Accounting *(Concluded)*

therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives. Amounts receivable from or payable to other funds are shown in the accounts of an individual fund and separately presented in the accompanying financial statements until liquidated by payment or an interfund transfer.

The following fund types and account groups were used in accounting for the financial operations of the County:

Governmental Fund Types

- **General Fund** - to account for all financial resources not properly accounted for in another fund.
- **Special Revenue Funds** - to account for revenues derived from specific sources to be used for specific types of activities or purposes.
- **Debt Service Funds** - to account for revenues and expenditures for the payment of principal and interest on certain general long-term debt.

Proprietary Fund Type

- **Enterprise Fund** - to account for the financing of self-supporting activities of governmental units which render services on a user charge basis to the general public. There is only one enterprise fund.

Fiduciary Fund Types

- **Trust and Agency Funds** - to account for money and property received from nonenterprise sources and held by a governmental unit in the capacity of trustee, custodian, or agent for individuals, private organizations, and governmental units. This includes a nonexpendable trust fund.

Account Groups

- **General Fixed Assets** - a self-balancing group of accounts to establish accounting control for the government's general fixed assets.
- **General Long-Term Debt** - a self-balancing group of accounts to account for the general long-term debt of a governmental unit.

NOTES TO FINANCIAL STATEMENTS
GADSDEN COUNTY, FLORIDA
(Continued)

Note 2 - Summary of Significant Accounting Policies *(Continued)*

Measurement Focus

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. Governmental fund types (general, special revenue, and debt service funds) are accounted for on a "spending" or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the general fixed assets account group, rather than in governmental funds. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental fund types are accounted for in the general long-term debt account group, not in the governmental funds.

The two account groups are not "funds." They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

Because of their spending measurement focus, expenditures recognition for governmental fund types are limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the general long-term debt account group.

The proprietary fund is accounted for on a "cost of services" or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with its activity are included on its balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

NOTES TO FINANCIAL STATEMENTS
GADSDEN COUNTY, FLORIDA
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Measurement Focus (Concluded)

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Accumulated depreciation is reported on the proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method.

Basis of Accounting

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

Governmental fund types are maintained on the modified accrual basis of accounting. Under this method of accounting, revenues are generally recognized when they become measurable and available. The County considers certain state-shared revenues such as gasoline taxes, sales taxes and state revenue sharing and charges billed for ambulance and garbage revenues as available if they are collected within 60 days after year end. Expenditures are generally recorded on an accrual basis, i.e., when incurred.

The proprietary fund type is maintained on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned and measurable, and expenses are recognized when incurred. Pursuant to the provisions of GASB Statement No. 20, the County applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, in accounting and reporting for its proprietary operations and has elected not to follow FASB guidance issued subsequent to that date.

Fiduciary fund types are maintained on an accounting basis consistent with the measurement objectives of fund accounting. Therefore, nonexpendable trust funds are accounted for on the accrual basis and agency funds are accounted for on the modified accrual basis.

Budgets and Budgetary Accounting

The County follows the procedures provided by Florida Statutes in establishing final budget balances reported on the financial statements.

- Budgets are prepared, public hearings are held, and original budgets are adopted annually for all governmental fund types in accordance with procedures and time intervals prescribed by law.
- Budgets are generally prepared for the governmental funds on a basis consistent with generally accepted accounting principles and are based upon the final amended amounts.

NOTES TO FINANCIAL STATEMENTS
GADSDEN COUNTY, FLORIDA
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (Concluded)

- Appropriations lapse at year end to the extent that they have not been expended. Budget appropriations may not be legally exceeded on a fund basis. The Board recorded encumbrances during the year; however, there were no encumbrances outstanding at the end of the year.

Cash

The County considers cash and cash equivalents for its statement of cash flows to include cash held in its checking account and certain amounts invested with the State Board of Administration.

Investments

Investments consist of monies invested with the State Board of Administration, stated at fair value. Investments of the endowment fund consist of monies invested with a local bank and are stated at fair value.

Receivables

Receivables are shown at their net realizable value and reduced by an allowance for uncollectible accounts.

Due From (To) Other Funds

During the course of operations, numerous transactions occur between funds for goods provided or services rendered. These receivables and payables are classified as "Due From (To) Other Funds" on the balance sheet.

Inventories

Inventories shown in the general fund consist of fuel and office supplies valued at cost. General fund inventory is recorded under the consumption method and, accordingly, expenditures are incurred when inventory is consumed rather than when purchased.

Deferred Revenue

Deferred revenue arises when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenue also arises when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. Deferred revenue is reported as a liability on the balance sheets. In subsequent periods, when both revenue recognition criteria are met or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheets and revenue is recognized.

General Fixed Assets

General fixed assets are recorded as expenditures in the general and special revenue funds

NOTES TO FINANCIAL STATEMENTS
GADSDEN COUNTY, FLORIDA
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

General Fixed Assets (Concluded)

at the time of purchase. Land, buildings, machinery and equipment, and construction in progress are capitalized in the general fixed assets group of accounts. Land and buildings acquired prior to October 1, 1980, were recorded at the values stated on the 1979 Gadsden County Property Appraiser's assessment roll. Acquisitions of land and buildings since October 1, 1980, have been recorded at cost. Machinery and equipment is recorded at cost. Expenditures for roads and bridges are not accumulated in the general fixed assets group of accounts.

No depreciation has been provided on general fixed assets.

Property, Plant and Equipment - Enterprise Fund

Property, plant and equipment are recorded at cost, which includes expenditures for significant improvements. When assets are retired or otherwise disposed of, cost and accumulated depreciation is removed from the accounts and any resulting gain or loss is reflected as nonoperating income. Depreciation for enterprise fund property, plant and equipment is computed on the straight-line method over the estimated useful lives of the assets, as recommended by the American Hospital Association Guidelines.

Depreciation expense on enterprise fund property, plant and equipment for the 2001-2002 fiscal year was \$221,479.

Long-Term Debt

Debt recorded in the general long-term debt account group is paid from governmental fund assets. Debt recorded in the enterprise fund is paid from enterprise fund assets.

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 Property Appraiser and Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. Florida Statutes permit counties to levy property taxes at a rate of up to 10 mills for general operations.

The tax levy of the County is established by the Board prior to October 1, of each year and the Property Appraiser incorporates the County millages into the total tax levy, which includes the various municipalities, the county school board, and other taxing authorities.

All property is assessed according to its fair market value January 1, of each year. Each assessment roll is submitted to the Executive Director of the Florida Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of Florida Statutes.

NOTES TO FINANCIAL STATEMENTS
GADSDEN COUNTY, FLORIDA
(Continued)

Note 2 - Summary of Significant Accounting Policies (Continued)

Property Taxes (Concluded)

All taxes become 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. Taxes paid in March are without discount.

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

The County does not accrue its portion of the County held tax sale certificates because such amounts are not measurable and available as of the balance sheet date.

Compensated Absences

Upon retirement or resignation, employees may be paid a cash benefit equal to the number of vacation hours accrued up to a maximum amount, based upon the employee's current wage rate.

Upon retirement or resignation in good standing, employees are paid a portion of accumulated sick leave. The portion is payable at various percentages depending on years of service and the governmental office the employee was employed.

To comply with the provisions of GASB Statement No. 16, a liability for employees' accrued compensated absences has been reported. Since this liability will not be liquidated with current resources (expendable available financial resources), the liability has been reported in the general long-term debt account group.

Reserves and Designations of Fund Equity

Reserves indicate that portion of fund balance or retained earnings that is not available for appropriation or which is legally segregated for a specific future use. The description of each reserve indicates the purpose for which each was intended. Designated portions of fund equity represent management's tentative future spending plans. Such designations should be clearly distinguished from reserves, since managerial plans are subject to change and may never be legally authorized or result in actual expenditures.

**NOTES TO FINANCIAL STATEMENTS
GADSDEN COUNTY, FLORIDA
(Continued)**

Note 2 - Summary of Significant Accounting Policies (Concluded)

Encumbrances

Encumbrances represent commitments in the form of purchase orders which are chargeable to an appropriation and for which a part of the appropriation is reserved. Encumbrances do not represent expenditures or liabilities. The County does not record encumbrances outstanding at year end.

Total Columns on the General-Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. The data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregate of this data.

Note 3 - Cash Deposits and Investments

All bank accounts of the County are placed in banks that qualify as a public depository, as required by law (Florida Security For Public Deposits Act, Chapter 280, Florida Statutes).

Chapter 280 of the Florida Statutes, provides that qualified public depositories must maintain eligible collateral having a market value equal to 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held by the depository during the twelve months immediately preceding the date of any computation of the balance. As such, the depository is not required to hold collateral in the county agency's name, nor specify which collateral is held for the county agency's benefit. The Public Deposit Security Trust Fund, as created under the laws of the State of Florida, would be required to pay the county agency for any deposits not covered by depository insurance or collateral pledged by the depository, as previously described. All cash deposits are considered to be 100% insured for risk disclosure purposes.

Cash Deposits

The following is a summary of the carrying value of bank deposits and cash on hand at September 30, 2002:

	Bank Balance	Carrying Amount
Board of County Commissioners	\$ 3,299,648	\$ 2,722,837
Clerk of the Circuit Court	660,383	440,880
Sheriff	296,820	97,207
Tax Collector	332,855	224,964
Property Appraiser	50,975	41,130
Supervisor of Elections	0	3,010
Total	\$ 4,640,681	\$ 3,530,028

NOTES TO FINANCIAL STATEMENTS
GADSDEN COUNTY, FLORIDA
(Continued)

Note 3 - Cash Deposits and Investments (Concluded)

Investments

The County is authorized by Section 125.31, Florida Statutes, to invest surplus public funds in certain securities and institutions including, but not limited to, the local government surplus trust fund administered by the State Board of Administration, negotiable direct obligations of the U.S. Government, and interest-bearing time deposits or savings accounts. The investment activity of the County consisted of: 1) investments in a pool administered by the State Board of Administration, pursuant to a trust agreement; 2) and endowment funds invested with a local bank. None of the investments held by the County are required to be classified by credit risk category.

The following is a summary of the carrying amount and fair value of investments at year end:

	<u>Carrying Amounts</u>	<u>Fair Value</u>
State Board of Administration	\$ 6,621,264	\$ 6,621,264
Quincy State Bank (1)	7,569,646	7,569,646
Certificate of Deposit	2,000,000	2,000,000
Total Investments	<u>\$ 16,190,910</u>	<u>\$ 16,190,910</u>

(1) These funds are held in trust for the benefit of the County. The County receives interest earned, but does not have the authority to withdraw the principal.

Note 4 - Receivables

Receivables at September 30, 2002, consist of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Receivables			
Other	\$ 41,028	\$ 12,847	\$ 53,875
Gross Receivables	0	1,385,188	1,385,188
(Allowance for Uncollectibles)	0	(912,642)	(912,642)
Total Receivables	<u>\$ 41,028</u>	<u>\$ 485,393</u>	<u>\$ 526,421</u>

Note 5 - Due From Other Funds

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 111,367	\$ 151,436

NOTES TO FINANCIAL STATEMENTS
GADSDEN COUNTY, FLORIDA
(Continued)

Note 5 - Due From Other Funds (Concluded)

	Interfund Receivables	Interfund Payables
Special Revenue Funds		
Fine and Forfeiture	\$ 17,988	\$ 0
Radio Communications	42,452	0
General Grants	9,591	0
Drug Abuse	0	7,989
Emergency Rescue Fund	150,000	0
Sheriff	52,634	114,675
Clerk of the Circuit Court	2,596	331
Property Appraiser	0	36,024
Tax Collector	0	75,120
Total Special Revenue Funds	275,261	234,139
Trust and Agency Funds		
Clerk of the Circuit Court:		
Trust Funds	107	380
Cash Bonds	0	28
Child Support	0	752
Total Trust and Agency Funds	107	1,160
Total	\$ 386,735	\$ 386,735

Note 6 - Due From Other Governments

General Fund	
Due From State of Florida	\$ 202,471
Due From Other Local Governments	38,048
Total General Fund	\$ 240,519
Special Revenue Funds	
Fine and Forfeiture Fund:	
Due From State of Florida	\$ 192,051
County Transportation Fund - No. 1:	
Due From State of Florida	787,601
General Grants Fund:	
Due From State of Florida	1,296,412
Sheriff:	
Due From State of Florida	30,272
Due From Federal Government	36,522
Clerk of the Circuit Court:	
Due From State of Florida	11,494
Total Special Revenue Funds	\$ 2,354,352

NOTES TO FINANCIAL STATEMENTS
GADSDEN COUNTY, FLORIDA
(Continued)

Note 6 - Due From Other Governments (Concluded)

Trust and Agency Funds

Clerk of the Circuit Court:

Due From State of Florida \$ 237

Note 7 - Detail of Property, Plant and Equipment

General Fixed Assets Account Group

A summary of changes in general fixed assets for the year follows:

	<u>Balance</u> <u>10/1/01</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balance</u> <u>9/30/02</u>
Land	\$ 1,085,557	\$ 0	\$ 0	\$ 1,085,557
Land Improvements	2,947,180	0	0	2,947,180
Buildings and Improvements	11,714,366	322,473	0	12,036,839
Machinery and Equipment:				
Board of County Commissioners	9,206,574	2,369,369	(626,123)	10,949,820
Sheriff	2,490,538	372,798	(381,544)	2,481,792
Total	<u>\$ 27,444,215</u>	<u>\$ 3,064,640</u>	<u>\$ (1,007,667)</u>	<u>\$ 29,501,188</u>

Proprietary Fund Type

A summary of the Gadsden Memorial Hospital's property, plant and equipment in the proprietary fund type at September 30, 2002, follows:

	<u>Useful Lives</u>	<u>Amounts</u>
Land		\$ 78,050
Land Improvements	20 Years	315,840
Buildings and Improvements	10-40 Years	6,439,139
Equipment	5-20 Years	867,188
		<u>7,700,217</u>
(Accumulated Depreciation)		<u>(4,689,780)</u>
Total Property, Plant and Equipment - Cost Less Accumulated Depreciation		<u>\$ 3,010,437</u>

Note 8 - General Long-Term Debt

Summary of Changes in General Long-Term Debt

The following is a summary of changes in general long-term debt for the year ended September 30, 2002:

NOTES TO FINANCIAL STATEMENTS
GADSDEN COUNTY, FLORIDA
(Continued)

Note 8 - General Long-Term Debt (Continued)

Summary of Changes in General Long-Term Debt (Continued)

	<u>Balance</u> <u>10/1/01</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balance</u> <u>9/30/02</u>
Estimated Landfill Postclosure Costs (A)	\$ 459,095	\$ 0	\$ (28,595)	\$ 430,500
Employee Compensated Absences Payable	834,772	63,367	0	898,139
Installment Purchase, Quincy State Bank, Due in Four Annual Installments of \$44,915, Commencing in March 2002 Including Interest at 5%, Secured By Two Dump Trucks	159,000	0	(36,855)	122,145
Installment Purchase, Municipal Services Group, Due in Four Annual Installments of \$45,545, Commencing in January 2002 Including Interest at 5.57%, Secured By Two Dump Trucks	0	159,000	(35,963)	123,037
Installment Purchase, Leasing 2, Inc., Due in Five Annual Installments of \$125,954, Commencing in December 2002 Including Interest at 3.39%, Secured By Five Dump Trucks	0	571,860	0	571,860
Installment Purchase, Leasing 2, Inc., Due in Five Annual Installments of \$140,026, Commencing in October 2002 Including Interest at 3.65%, Secured By Various Machinery	0	634,766	0	634,766
Installment Purchase, Regions Bank, Due in Five Annual Installments of \$41,329, Commencing in December 1997 Including Interest at 5.4%, Secured By Excavator	38,994	0	(38,994)	0
Installment Purchase, Associates Commercial, Due in Five Annual Installments of \$35,815, Commencing in July 1999 Including Interest at 5.8%, Secured By Jetter	65,847	0	(31,996)	33,851

NOTES TO FINANCIAL STATEMENTS
GADSDEN COUNTY, FLORIDA
(Continued)

Note 8 - General Long-Term Debt (Continued)

Summary of Changes in General Long-Term Debt (Continued)

	<u>Balance</u> <u>10/1/01</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balance</u> <u>9/30/02</u>
Installment Purchase, Bell South Financing, Due in Eighty-Four Monthly Installments of \$3,518, Commencing in November 1998 Including Interest at 6.29%, Secured By E-911 Equipment	\$ 148,925	\$ 0	\$ (148,925)	\$ 0
Installment Purchase, Marquette National, Due in Four Annual Installments of \$17,183, Commencing in December 1999 Including Interest at 5.23%, Secured By Three Dodge Vans	31,848	0	(15,518)	16,330
Installment Purchase, Quincy State Bank, Due in Five Annual Installments of \$8,828, Commencing in September 2000 Including Interest at 5.5%, Secured By International Dump Truck	23,817	0	(7,518)	16,299
Installment Purchase, Quincy State Bank, Due in Four Annual Installments of \$12,826, Commencing in September 2000 Including Interest at 5.5%, Secured By Tractor	12,148	0	(12,148)	0
Installment Purchase, Municipal Services Group, Due in Four Annual Installments of \$41,586, Commencing in January 2001 Including Interest at 5.43%, Secured By Four International Dump Trucks	112,342	0	(112,342)	0
Installment Purchase, Deutsche Financial Services, Due in Monthly Payments of \$1,670 Including Interest at 12.7%, Secured By Computer Equipment	17,315	0	(17,315)	0
Installment Purchase, Government Capital Corporation, Due in Annual Payments of \$31,266 Including Interest at 7.0%, Secured By Computer Software	29,225	0	(29,225)	0

NOTES TO FINANCIAL STATEMENTS
GADSDEN COUNTY, FLORIDA
(Continued)

Note 8 - General Long-Term Debt (Continued)

Summary of Changes in General Long-Term Debt (Concluded)

	<u>Balance</u> <u>10/1/01</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balance</u> <u>9/30/02</u>
Installment Purchase, Business Records Corporation, Payable in Monthly Installments of \$752 Including Interest at 7.802%, Secured By Computer Equipment	\$ 16,791	\$ 0	\$ (8,215)	\$ 8,576
Installment Purchase, Capital City Bank, Due in Sixty Monthly Payments of \$529, Commencing in May 2001 Including Interest at 9.0%, Secured By Chevrolet Pickup Truck	19,376	0	(4,796)	14,580
Installment Purchase, Capital City Bank, Due in Four Annual Installments of \$24,110, Commencing in January 2002 Including Interest at 5.38%, Secured By Computer	84,618	0	(19,520)	65,098
Installment Purchase, Capital City Bank, Due in Four Annual Installments of \$32,086, Commencing in January 2002 Including Interest at 5.38%, Secured By Water Tanker	112,613	0	(25,976)	86,637
Line of Credit, Capital City Bank, in the Amount of \$640,000 at 4.27% to Purchase Equipment, Due June 2002	414,859	219,907	(634,766)	0
Total	<u>\$ 2,581,585</u>	<u>\$ 1,648,900</u>	<u>\$ (1,208,667)</u>	<u>\$ 3,021,818</u>

(A) Estimated landfill postclosure costs.

Inasmuch as records kept for compensated absences relate only to hours earned, used and available, the effect of changes in individual employee compensation rates on changes in the reported value of the liability for compensated absences cannot be reasonably estimated. Accordingly, only the net change in compensated absences payable is shown.

Interest expense during 2002 on general long-term debt totalled \$72,951, none of which was capitalized.

NOTES TO FINANCIAL STATEMENTS
GADSDEN COUNTY, FLORIDA
(Continued)

Note 8 - General Long-Term Debt (Concluded)

Maturities of General Long-Term Debt

Maturities of general long-term debt for years ending September 30, are as follows:

Year	Amount
2003	\$ 427,759
2004	377,816
2005	382,529
2006	248,159
2007	256,916
Other Years (Including Compensated Absences and Estimated Landfill Closure and Postclosure Costs)	1,328,639
Total	\$ <u>3,021,818</u>

Note 9 - Bonds Payable - Enterprise Fund

On December 1, 1995, the County issued \$4,040,000 General Obligation Hospital Refunding Bonds, Series 1995 to advance refund the \$4,285,000 outstanding General Obligation Hospital Refunding Bonds, Series 1987, and pay expenses incurred in the issuance of the 1995 refunding bonds. The net proceeds of \$3,922,092 (after payment of \$109,659 in underwriting fees, insurance, and other issuance costs) plus an additional \$510,000 of 1987 Series sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1987 Series bonds. As a result, the 1987 Series bonds are considered to be defeased and the liability for those bonds has been removed from the enterprise fund balance sheet.

During the 2001-2002 fiscal year, the bonds were retired. Interest expense of \$15,225 was incurred, none of which was capitalized.

Note 10 - Other Disclosures

The following funds had a portion of fund equity reserved at September 30, 2002:

General Fund	
Prepaid Items	\$ 16,964
Inventories	38,514
Total General Fund	\$ <u>55,478</u>

NOTES TO FINANCIAL STATEMENTS
GADSDEN COUNTY, FLORIDA
(Continued)

Note 10 - Other Disclosures (Concluded)

Special Revenue Funds

County Transportation Fund - No. 1	\$ 3,407,971
Landfill and Arthropod	195,142
Radio Communications Fund	42,452
Records Modernization	98,956
Prepaid Items	34,484

Total Special Revenue Funds \$ 3,779,005

Enterprise Fund \$ 577,739

Trust and Agency Funds

Endowment Trust \$ 10,013,912

The following funds show total expenditures in excess of appropriations:

	Total Expenditures	Total Appropriations	Expenditures in Excess of Appropriations
Special Revenue Funds			
Court Cost	\$ 67,569	\$ 67,000	\$ 569
Sheriff	5,668,662	5,020,707	647,955
Total	<u><u>\$ 5,736,231</u></u>	<u><u>\$ 5,087,707</u></u>	<u><u>\$ 648,524</u></u>

There was a deficit in fund balance in the Sheriff's special revenue fund in the amount of \$3,421. This resulted from an overexpenditure of appropriated funds in the current year.

Note 11 - Defined Benefit Pension Plan

All full-time employees of the County participate in the Florida State Retirement System (the System), a cost-sharing, multiple-employer defined benefit public retirement plan. The System issued a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Florida Retirement System, Division of Retirement, 2639-C North Monroe Street, Tallahassee, Florida 32399-1560, or by calling (850) 488-5706.

All full-time employees of the County are eligible to participate in the System. Special risk employees who retire at or after age 55, with six years of creditable service; and all other employees who retire at or after age 62, with six years of creditable service; are entitled to a retirement benefit, payable monthly for life, equal to the product of: 1) average monthly compensation in the highest five years of creditable service; 2) creditable service during the reaching six years of service. Vested employees may retire after six years of creditable service and receive reduced retirement benefits. The System also provides death benefits,

NOTES TO FINANCIAL STATEMENTS
GADSDEN COUNTY, FLORIDA
(Continued)

Note 11 - Defined Benefit Pension Plan (Concluded)

disability benefits and annual cost-of-living adjustments. Benefits are established by Florida Statute.

The funding methods and the determination of benefits payable are provided in various acts of the Florida Legislature. These acts provide that employers, such as the County, are required to contribute 5.76% of the compensation for regular members, 16.01% for special risk, 6.56% for special risk administrative support, and 11.86% for County officials. The County's contributions to the System for the years ended September 30, 2002, 2001, and 2000, were \$1,121,927, \$1,130,097, and \$1,098,698, respectively, equal to the required contributions for each year.

Note 12 - Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; injuries to employees and the public, or damage to property of others. The County obtained commercial insurance against losses for the following types of risk:

- Real and Personal Property Damage
- Public Employees' Bond
- Workers' Compensation
- Automobile Liability

The County participates in the Florida Association of Counties Trust (FACT), a public entity risk pool for risks related to comprehensive general liability. The agreement provides that the financial liability of each participating county is limited to premiums and surplus contributions paid or obligations made to FACT. Aggregate coverage provided is limited to \$1,000,000 for each claim.

Note 13 - Lease of Hospital

On July 1, 2001, the County entered into a lease agreement with Ashford Healthcare Systems, Inc., a Florida not-for-profit corporation, for the operation of the Gadsden Community Hospital. The term of the lease is for a period of five years, commencing on June 21, 2001. Upon expiration of the lease, Ashford Healthcare Systems, Inc. may elect to renew the lease for one additional five-year term. As consideration for the lease, Ashford Healthcare Systems, Inc. will pay the County a monthly lease payment of \$5,000 for the first twelve months of the lease term. For the period commencing with the thirteenth month and continuing through the sixtieth month of the lease term, the base rent shall be \$10,000 per month.

NOTES TO FINANCIAL STATEMENTS
GADSDEN COUNTY, FLORIDA
(Continued)

Note 14 - Gadsden County Hospital Endowment Trust Fund

On July 7, 1952, a trust was established with Quincy State Bank, as trustee, to accept gifts and bequests for the benefit of the Hospital. The corpus of the trust is unavailable for use except in an emergency, and then only upon the approval of the parties to the trust agreement and the Circuit Court of Gadsden County. The income accruing from trust investments has been shown as nonoperating revenue in the endowment fund financial statements. An amendment to the trust agreement was approved on November 9, 1984, allowing income earned by the trust to be used to pay assessments by the Florida Patients' Compensation Fund.

Note 15 - Landfill Closure and Postclosure Costs

As of September 30, 2002, the County was in the process of complying with permit requirements of the State of Florida Department of Environmental Protection (FDEP) for the final closure of the Chattahoochee and Gadsden East Landfills. Accordingly, the Board has obtained engineering estimates of future costs to monitor the sanitary landfill sites as required by U.S. Environmental Protection Agency regulations and the related provisions of GASB Statement No. 18. A long-term liability for accrued landfill postclosure costs at September 30, 2002, has been recorded in the general long-term debt account group representing the Board's estimated liabilities for such costs. In addition, the Board has established landfill escrow accounts in its landfill and arthropod fund as required by the FDEP. The County does not presently own or operate any open sanitary landfill sites.

Note 16 - Commitments and Contingencies

Pending Litigation

The County is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of the County's management, the ultimate disposition of these lawsuits and claims will not have a material adverse effect on the financial position of the County.

Claims and Assessments

The County was notified of certain Medicaid reimbursement issues regarding Gadsden Community Hospital (formerly Gadsden Memorial Hospital), the facilities of which are owned by the County and leased to various corporations over the last several years. There is an indication in correspondence that an overpayment of approximately \$700,000 is being sought by the Medicaid program from a former hospital leasee.

NOTES TO FINANCIAL STATEMENTS
GADSDEN COUNTY, FLORIDA
(Concluded)

Note 16 - Commitments and Contingencies (Concluded)

Claims and Assessments (Concluded)

According to legal counsel, it is possible that the Medicaid program might look to the hospital for repayment of that amount should recoupment from the prior lessee be unsuccessful. Accordingly, it is reasonably possible that additional payments will be made to the current lessee under the "hold harmless" agreement, and that additional assessments may be made against the hospital of up to \$700,000. No amounts have been recorded in the financial statements regarding this item.

Construction Commitments

The following is a summary of major commitments of the County and contracts in progress as of September 30, 2002:

<u>Project</u>	<u>Fund</u>	<u>Contract Amount</u>	<u>Expended as of 9/30/02</u>
Road Resurfacing	General Grants	\$ 8,986,441	\$ 7,659,787

APPENDIX L

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>2002</u>	<u>2001</u>	<u>2000</u>
Revenues:			
Property taxes	\$10,831,884	\$ 8,033,116	\$8,932,302
Franchise fees	1,417,597	1,771,684	1,476,318
Utility taxes	2,297,035	3,511,342	3,458,416
Communication services tax	1,900,963	---	---
Other taxes	22,132	32,445	---
Licenses and permits	1,457,601	1,428,960	1,362,657
Intergovernmental	5,411,900	7,380,673	6,148,856
Charges for services	8,555,664	8,101,703	10,034,171
Fines and forfeitures	2,296,153	3,128,043	4,582,878
Grants-Safe Neighborhood Program	16,685	68,292	488,080
Other	3,157,552	3,423,195	3,064,541
Interest	<u>1,075,096</u>	<u>1,471,758</u>	<u>761,578</u>
Total revenues	<u>\$38,540,262</u>	<u>\$38,351,211</u>	<u>\$40,309,797</u>
Expenditures:			
Current:			
General government	9,779,235	10,545,005	10,093,216
Police services	14,380,460	13,705,665	13,004,545
Library	823,115	788,471	757,919
Parks and recreation	3,709,203	3,572,762	3,135,035
Public services	7,719,140	7,401,108	7,359,000
Capital outlay	6,109,966	4,740,291	4,683,537
Debt service:			
Principal	1,732,538	1,773,193	1,399,194
Interest	<u>1,758,129</u>	<u>2,230,196</u>	<u>1,081,970</u>
Total expenditures	<u>45,921,786</u>	<u>44,549,691</u>	<u>41,514,416</u>
Deficiency of revenues over expenditures	<u>(7,381,524)</u>	<u>(6,198,480)</u>	<u>(1,204,619)</u>
Other financing sources (uses):			
Transfers in	5,207,966	2,976,826	1,438,192
Transfers out	(1,469,965)	(2,343,211)	(807,613)
Loan proceeds	---	---	---
Contributions from other funds	---	2,951,000	---
Bonds issued	11,510,000	17,983,000	330,000
Financing Proceeds	---	---	734,500
Payment to bond refunding escrow agent	(11,937,917)	---	---
Premiums received on debt issuance	286,243	---	---
Lease proceeds	<u>942,000</u>	<u>---</u>	<u>---</u>
Total other financing sources	<u>4,538,327</u>	<u>21,567,615</u>	<u>1,665,079</u>
Net change in fund balances	(2,843,197)	15,369,135	460,460
Fund balances - beginning	<u>27,170,960</u>	<u>11,801,825</u>	<u>11,341,365</u>
Fund balances - ending	<u>\$24,327,763</u>	<u>\$27,170,960</u>	<u>\$11,801,825</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 are not legally available to make, nor are any of the above revenues (except for the Pledged 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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Rachlin Cohen & Holtz LLP
Certified Public Accountants & Consultants

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, 2002, 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 opinion.

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, 2002, 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 10, 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.

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Honorable Mayor, City Council and City Manager
City of North Miami Beach, Florida
Page Two

Management's Discussion and Analysis and the Required Supplementary Information on pages 3-15 and pages 52-59, 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.

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 & Holt LLP

Miami, Florida
January 10, 2003

BASIC FINANCIAL STATEMENTS

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CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2002

	<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	\$ 9,058,555	\$ 3,085,491	\$ 12,144,046
Receivables	4,098,971	5,619,458	9,718,429
Internal balances	192,906	(192,906)	-
Inventories	139,120	434,341	573,461
Prepaid costs	4,126	1,095	5,221
Deferred charges	-	1,007,671	1,007,671
Restricted assets:			
Cash in state investment pool	-	2,925,737	2,925,737
Escrow funds held by agent	13,597,449	65,928,266	79,525,715
Escrow funds held by lessor	615,910	110,212	726,122
Capital assets, net	<u>43,818,159</u>	<u>64,040,756</u>	<u>107,858,915</u>
Total assets	<u>71,525,196</u>	<u>142,960,121</u>	<u>214,485,317</u>
<u>LIABILITIES</u>			
Vouchers payable and accrued liabilities	1,270,634	1,474,600	2,745,234
Due to other governmental units	-	2,263,456	2,263,456
Payable from restricted assets:			
Customer deposits	-	3,173,805	3,173,805
Deferred revenue	797,072	12,333	809,405
Deposits held in trust	661,569	-	661,569
Noncurrent liabilities:			
Due within one year	1,960,451	2,545,304	4,505,755
Due in more than one year	<u>35,547,078</u>	<u>74,924,054</u>	<u>110,471,132</u>
Total liabilities	<u>40,236,804</u>	<u>84,393,552</u>	<u>124,630,356</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	10,870,442	53,018,754	63,889,196
Restricted for:			
In-plant and fireflow	-	4,416,704	4,416,704
Capital projects	13,574,222	-	13,574,222
Debt service	(231,401)	-	(231,401)
Law enforcement	1,054,081	-	1,054,081
Grant related expenditures	21,183	-	21,183
Unrestricted	<u>5,999,865</u>	<u>1,131,111</u>	<u>7,130,976</u>
Total net assets	<u>\$ 31,288,392</u>	<u>\$ 58,566,569</u>	<u>\$ 89,854,961</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2002

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</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>	<u>Total</u>
Primary government:							
Governmental activities:							
General government	\$10,822,725	\$1,775,248	\$ 7,000	\$ -	\$ (9,040,477)	\$ -	\$ (9,040,477)
Public safety	15,784,498	2,397,803	371,798	141,450	(12,873,447)	-	(12,873,447)
Library	998,191	25,364	-	-	(972,827)	-	(972,827)
Parks and recreation	3,993,083	625,777	10,008	16,685	(3,340,613)	-	(3,340,613)
Public works	8,932,967	7,584,626	7,000	1,091,099	(250,242)	-	(250,242)
Interest on long-term debt	1,758,128	-	-	-	(1,758,128)	-	(1,758,128)
Total governmental activities	<u>42,289,592</u>	<u>12,408,818</u>	<u>395,806</u>	<u>1,249,234</u>	<u>(28,235,734)</u>	<u>-</u>	<u>(28,235,734)</u>
Business-type activities:							
Water	15,005,475	15,509,314	-	2,285,469	-	2,789,308	2,789,308
Sewer	4,325,674	4,668,662	-	185,055	-	528,043	528,043
Stormwater	794,793	1,016,448	-	-	-	221,655	221,655
Total business-type activities	<u>20,125,942</u>	<u>21,194,424</u>	<u>-</u>	<u>2,470,524</u>	<u>-</u>	<u>3,539,006</u>	<u>3,539,006</u>
Total	<u>62,415,534</u>	<u>33,603,242</u>	<u>395,806</u>	<u>3,719,758</u>	<u>(28,235,734)</u>	<u>3,539,006</u>	<u>(24,696,728)</u>
General revenues:							
Property taxes					10,831,884	-	10,831,884
Utility taxes					2,297,035	-	2,297,035
Franchise fees					1,417,597	-	1,417,597
Communication services tax based on gross receipts					1,900,963	-	1,900,963
Other taxes					22,132	-	22,132
Intergovernmental					3,823,178	541,416	4,364,594
Unrestricted interest					1,075,094	433,522	1,508,616
Billing surcharge					2,128,004	-	2,128,004
Sale of City property					46,473	-	46,473
Miscellaneous					944,043	308,879	1,252,922
Transfers					3,738,001	(3,738,001)	-
Total general revenues and transfers					<u>28,224,404</u>	<u>(2,454,184)</u>	<u>25,770,220</u>
Change in net assets					(11,330)	1,084,822	1,073,492
Net assets - beginning					<u>31,299,722</u>	<u>57,481,747</u>	<u>88,781,469</u>
Net assets - ending					<u>\$ 31,288,392</u>	<u>\$58,566,569</u>	<u>\$ 89,854,961</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2002

	<u>General</u>	<u>Proud Neighborhood</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Pooled cash and investments	\$ 7,244,323	\$ 100,134	\$ 1,714,098	\$ 9,058,555
Accounts receivables	3,731,597	-	367,374	4,098,971
Inventories	139,120	-	-	139,120
Prepaid costs	1,334	-	2,792	4,126
Due from other funds	833,013	-	83,266	916,279
Escrow funds held by agent	35,100	13,561,344	1,005	13,597,449
Escrow funds held by lessor	314,793	-	301,117	615,910
Total assets	<u>\$12,299,280</u>	<u>\$ 13,661,478</u>	<u>\$ 2,469,652</u>	<u>\$ 28,430,410</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Vouchers payable and accrued liabilities	\$ 1,047,235	\$ 108,801	\$ 114,598	\$ 1,270,634
Deposits held in trust	661,569	-	-	661,569
Compensated absences	400,000	-	-	400,000
Due to other funds	-	-	723,372	723,372
Estimated claims	250,000	-	-	250,000
Deferred revenue	738,400	-	58,672	797,072
Total liabilities	<u>3,097,204</u>	<u>108,801</u>	<u>896,642</u>	<u>4,102,647</u>
Fund balances:				
Reserved:				
Encumbrances	1,171,622	-	-	1,171,622
Grant expenditures	-	-	21,183	21,183
Law enforcement	-	-	1,054,081	1,054,081
Inventories	139,120	-	-	139,120
Liability claims	664,550	-	-	664,550
Workers' compensation claims	754,329	-	-	754,329
Land acquisition	267,417	-	-	267,417
Debt service	-	-	(231,401)	(231,401)
Prepaid costs	1,334	-	2,792	4,126
Construction	-	13,552,677	21,545	13,574,222
Unreserved reported in:				
General fund	6,203,704	-	-	6,203,704
Special revenue funds	-	-	712,252	712,252
Capital projects funds	-	-	(7,442)	(7,442)
Total fund balances	<u>9,202,076</u>	<u>13,552,677</u>	<u>1,573,010</u>	<u>24,327,763</u>
Total liabilities and fund balances	<u>\$12,299,280</u>	<u>\$ 13,661,478</u>	<u>\$ 2,469,652</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.

43,818,159

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

(36,857,530)

Net assets of governmental activities

\$ 31,288,392

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, 2002

	<u>General</u>	<u>Proud Neighborhood</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 8,773,396	\$ -	\$ 2,058,488	\$ 10,831,884
Franchise fees	1,417,597	-	-	1,417,597
Utility taxes	2,297,035	-	-	2,297,035
Communication services tax	1,900,963	-	-	1,900,963
Other taxes	22,132	-	-	22,132
Licenses and permits	1,457,601	-	-	1,457,601
Intergovernmental	3,825,526	-	1,586,374	5,411,900
Charges for services	8,555,664	-	-	8,555,664
Fines and forfeitures	271,134	-	2,125,019	2,396,153
Grants-Safe Neighborhood Program	-	-	16,685	16,685
Other	2,596,651	-	560,901	3,157,552
Interest	141,609	896,032	37,455	1,075,096
Total revenues	<u>31,259,308</u>	<u>896,032</u>	<u>6,384,922</u>	<u>38,540,262</u>
Expenditures:				
Current:				
General government	9,500,591	266,231	12,413	9,779,235
Police services	11,163,111	-	3,217,349	14,380,460
Library	823,115	-	-	823,115
Parks and recreation	3,560,594	-	148,609	3,709,203
Public services	7,708,936	-	10,204	7,719,140
Capital outlay	1,140,010	3,892,058	987,898	6,019,966
Debt service:				
Principal	846,152	-	886,386	1,732,538
Interest	72,894	-	1,685,235	1,758,129
Total expenditures	<u>34,815,403</u>	<u>4,158,289</u>	<u>6,948,094</u>	<u>45,921,786</u>
Deficiency of revenues over expenditures	<u>(3,556,095)</u>	<u>(3,262,257)</u>	<u>(563,172)</u>	<u>(7,381,524)</u>
Other financing sources (uses):				
Transfers in	4,173,399	52,500	982,067	5,207,966
Transfers out	(700,131)	-	(769,834)	(1,469,965)
Bonds issued	-	-	11,510,000	11,510,000
Payment to bond refunding escrow agent	-	-	(11,937,917)	(11,937,917)
Premiums received on debt issuance	-	-	286,243	286,243
Lease proceeds	642,000	-	300,000	942,000
Total other financing sources	<u>4,115,268</u>	<u>52,500</u>	<u>370,559</u>	<u>4,538,327</u>
Net change in fund balances	559,173	(3,209,757)	(192,613)	(2,843,197)
Fund balances - beginning	8,642,903	16,762,434	1,765,623	27,170,960
Fund balances - ending	<u>\$ 9,202,076</u>	<u>\$ 13,552,677</u>	<u>\$ 1,573,010</u>	<u>\$ 24,327,763</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, 2002

Amounts reported for governmental activities in the statement of activities
(Page 17) are different because:

Net change in fund balances - total governmental funds (Page 19)	\$ (2,843,197)
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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	\$ 6,218,337	
Depreciation expense	<u>(3,852,566)</u>	
Net adjustment		2,365,771

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:		
2002 Series A Capital Appreciation and term bonds	11,510,000	
Premiums received on debt issuance	286,243	
Master leases	<u>942,000</u>	
	<u>12,738,243</u>	
Principal payments:		
Payment to bond refunding escrow agent	11,937,917	
General obligation and capital improvement bonds	720,000	
Notes payable	130,997	
Master leases	<u>881,541</u>	
	<u>13,670,455</u>	
Net adjustment		932,212

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	(327,116)
Estimated claims	<u>(139,000)</u>

Change in net assets of governmental activities (Page 17)	\$ <u>(11,330)</u>
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See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

SEPTEMBER 30, 2002

	Business-type Activities - <u>Enterprise Funds</u>			
	Water Utility System	Sewer Utility System	Stormwater Utility System	<u>Totals</u>
<u>ASSETS</u>				
Current:				
Pooled cash and investments	\$ 2,487,387	\$ 518,001	\$ 80,103	\$ 3,085,491
Accounts receivable	3,688,749	1,561,598	369,111	5,619,458
Due from other funds	1,262,499	-	-	1,262,499
Inventories	434,341	-	-	434,341
Prepaid costs	1,095	-	-	1,095
	<u>7,874,071</u>	<u>2,079,599</u>	<u>449,214</u>	<u>10,402,884</u>
Restricted assets:				
Cash in state investment pool	2,545,201	380,536	-	2,925,737
Escrow funds held by agent	65,924,814	-	3,452	65,928,266
Escrow funds held by lessor	107,899	2,313	-	110,212
	<u>68,577,914</u>	<u>382,849</u>	<u>3,452</u>	<u>68,964,215</u>
Non-current assets:				
Deferred charges - issuance costs	1,007,671	-	-	1,007,671
Plant and equipment, net	<u>50,323,202</u>	<u>11,091,234</u>	<u>2,626,320</u>	<u>64,040,756</u>
Total assets	<u>\$ 127,782,858</u>	<u>\$ 13,553,682</u>	<u>\$ 3,078,986</u>	<u>\$ 144,415,526</u>

(Continued)

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS (Continued)

SEPTEMBER 30, 2002

	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	\$ 1,276,766	\$ 192,204	\$ 5,630	\$ 1,474,600
Due to other governmental units	1,869,388	394,068	-	2,263,456
Due to other funds	12,162	1,262,499	180,744	1,455,405
Deferred revenue	-	12,333	-	12,333
Current portion of notes payable	-	-	2,130,000	2,130,000
Current portion of master lease payable	343,900	71,404	-	415,304
	<u>3,502,216</u>	<u>1,932,508</u>	<u>2,316,374</u>	<u>7,751,098</u>
Liabilities payable from restricted assets:				
Customer deposits	<u>2,862,965</u>	<u>310,840</u>	<u>-</u>	<u>3,173,805</u>
Non-current liabilities:				
Compensated absences	345,890	44,172	18,816	408,878
Notes payable	-	-	520,000	520,000
Master lease payable	222,267	138,542	-	360,809
Revenue bonds payable	73,634,367	-	-	73,634,367
	<u>74,202,524</u>	<u>182,714</u>	<u>538,816</u>	<u>74,924,054</u>
Total liabilities	<u>80,567,705</u>	<u>2,426,062</u>	<u>2,855,190</u>	<u>85,848,957</u>
Net assets:				
Invested in capital assets, net of related debt	42,155,381	10,883,601	(20,228)	53,018,754
Restricted for in-plant and fireflow	3,694,821	721,883	-	4,416,704
Unrestricted	1,364,951	(477,864)	244,024	1,131,111
Total net assets	<u>\$47,215,153</u>	<u>\$11,127,620</u>	<u>\$ 223,796</u>	<u>\$58,566,569</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, 2002

	<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>
Operating revenues:				
Service revenues	<u>\$ 15,509,314</u>	<u>\$ 4,668,662</u>	<u>\$ 1,016,448</u>	<u>\$ 21,194,424</u>
Operating expenses:				
Operating, administrative and maintenance	11,979,262	3,882,006	646,871	16,508,139
Depreciation	<u>2,571,225</u>	<u>432,533</u>	<u>106,585</u>	<u>3,110,343</u>
Total operating expenses	<u>14,550,487</u>	<u>4,314,539</u>	<u>753,456</u>	<u>19,618,482</u>
Operating income	<u>958,827</u>	<u>354,123</u>	<u>262,992</u>	<u>1,575,942</u>
Non-operating revenue (expense):				
Intergovernmental	31,095	250,321	260,000	541,416
Interest income	415,953	16,518	1,051	433,522
Interest expense	(454,988)	(11,135)	(41,337)	(507,460)
Other income	<u>288,534</u>	<u>3,208</u>	<u>17,137</u>	<u>308,879</u>
Total non-operating revenue	<u>280,594</u>	<u>258,912</u>	<u>236,851</u>	<u>776,357</u>
Income before contributions and transfers	<u>1,239,421</u>	<u>613,035</u>	<u>499,843</u>	<u>2,352,299</u>
Capital contributions	2,285,469	185,055	-	2,470,524
Transfers out	<u>(2,623,934)</u>	<u>(714,843)</u>	<u>(399,224)</u>	<u>(3,738,001)</u>
	<u>(338,465)</u>	<u>(529,788)</u>	<u>(399,224)</u>	<u>(1,267,477)</u>
Change in net assets	900,956	83,247	100,619	1,084,822
Net assets, beginning	<u>46,314,197</u>	<u>11,044,373</u>	<u>123,177</u>	<u>57,481,747</u>
Net assets, ending	<u>\$47,215,153</u>	<u>\$ 11,127,620</u>	<u>\$ 223,796</u>	<u>\$58,566,569</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

	Business-type Activities - Enterprise Funds			Totals
	Water Utility System	Sewer Utility System	Stormwater Utility System	
Cash flows from operating activities:				
Cash received from customers	\$ 14,785,982	\$ 4,587,214	\$ 1,033,774	\$ 20,406,970
Cash payments to suppliers	(7,918,351)	(2,695,814)	(372,687)	(10,986,852)
Cash payments to employees	<u>(3,144,422)</u>	<u>(675,841)</u>	<u>(176,456)</u>	<u>(3,996,719)</u>
Net cash provided by operating activities	<u>3,723,209</u>	<u>1,215,559</u>	<u>484,631</u>	<u>5,423,399</u>
Cash flows from noncapital financing activities:				
Capital contributions	2,285,469	185,055	-	2,470,524
Transfers to other funds	(2,623,934)	(714,843)	(399,224)	(3,738,001)
Intergovernmental proceeds	<u>31,557</u>	<u>162,596</u>	<u>88,369</u>	<u>282,522</u>
Net cash used by noncapital financing activities	<u>(306,908)</u>	<u>(367,192)</u>	<u>(310,855)</u>	<u>(984,955)</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(2,849,565)	(1,160,762)	-	(4,010,327)
Disposal of capital assets	-	-	(3,387)	(3,387)
Interest paid	(454,988)	(11,135)	(41,337)	(507,460)
Deferred charges - Issuance costs	(1,007,671)	-	-	(1,007,671)
Proceeds from revenue bond	66,779,367	-	-	66,779,367
Payments on master lease payable	(637,668)	(86,383)	-	(724,051)
Payments on notes payable	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(50,000)</u>
Net cash provided (used) by capital and related financing activities	<u>61,829,475</u>	<u>(1,258,280)</u>	<u>(94,724)</u>	<u>60,476,471</u>
Cash flows from investing activities:				
Interest income	<u>415,953</u>	<u>16,518</u>	<u>1,051</u>	<u>433,522</u>
Net increase (decrease) in pooled cash and investments	65,661,729	(393,395)	80,103	65,348,437
Pooled cash and investments, beginning	<u>5,403,572</u>	<u>1,294,245</u>	<u>3,452</u>	<u>6,701,269</u>
Pooled cash and investments, ending	<u>\$ 71,065,301</u>	<u>\$ 900,850</u>	<u>\$ 83,555</u>	<u>\$ 72,049,706</u>
Pooled cash and investments per balance sheet:				
Unrestricted	\$ 2,487,387	\$ 518,001	\$ 80,103	\$ 3,085,491
Restricted	<u>68,577,914</u>	<u>382,849</u>	<u>3,452</u>	<u>68,964,215</u>
	<u>\$ 71,065,301</u>	<u>\$ 900,850</u>	<u>\$ 83,555</u>	<u>\$ 72,049,706</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, 2002

	Business-type Activities - Enterprise Funds			
	Water Utility System	Sewer Utility System	Stormwater Utility System	Totals
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 958,827	\$ 354,123	\$ 262,992	\$ 1,575,942
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	2,571,225	432,533	106,585	3,110,343
Other income	288,534	3,208	17,137	308,879
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivables	(665,065)	(92,124)	189	(757,000)
Due from other funds	(438,644)	-	-	(438,644)
Inventories	(28,241)	-	-	(28,241)
Prepaid costs	(420)	300	-	(120)
Increase in:				
Customer deposits	92,263	7,168	-	99,431
Vouchers payable and accrued liabilities	586,208	55,932	12,491	654,631
Due to other funds	12,162	438,644	85,237	536,043
Due to other governmental units	346,360	15,775	-	362,135
Total adjustments	<u>2,764,382</u>	<u>861,436</u>	<u>221,639</u>	<u>3,847,457</u>
Net cash provided by operating activities	<u>\$ 3,723,209</u>	<u>\$ 1,215,559</u>	<u>\$ 484,631</u>	<u>\$ 5,423,399</u>
Non-cash investing, capital and financing activities:				
Borrowings under master lease	<u>\$ 288,080</u>	<u>\$ 227,000</u>	<u>\$ -</u>	<u>\$ 515,080</u>

See notes to basic financial statements.

CITY OF NORTH MIAMI BEACH, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS

SEPTEMBER 30, 2002

	<u>Pension Trust Funds</u>	<u>Police Holding Account Agency Fund</u>
<u>ASSETS</u>		
Cash	\$ -	\$ 396,558
Cash held with trustee	1,284	-
Investments	69,277,849	-
Receivables:		
Accrued interest and dividends	353,121	-
Receivable from broker on investments sold	<u>100,541</u>	<u>-</u>
Total assets	<u>69,732,795</u>	<u>396,558</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Vouchers payable and accrued liabilities	61,463	-
Payable to broker for investments purchased	984,144	-
Deposits held in trust	<u>-</u>	<u>396,558</u>
Total liabilities	<u>1,045,607</u>	<u>396,558</u>
 Net assets	 <u>\$ 68,687,188</u>	 <u>\$ -</u>

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, 2002

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employees	\$ 1,304,119
Employer	2,001,935
State/County	<u>237,243</u>
Total contributions	<u>3,543,297</u>
Investment income (loss):	
Net depreciation in fair value of investments	(8,590,104)
Interest and dividends	2,221,712
Investment expenses	<u>(319,747)</u>
Net investment loss	<u>(6,688,139)</u>
Total additions	<u>(3,144,842)</u>
DEDUCTIONS	
Pension benefits	5,321,422
Refunds of contributions	72,863
Administrative expenses	<u>171,547</u>
Total deductions	<u>5,565,832</u>
Net decrease	(8,710,674)
Net assets held in trust for pension benefits:	
Beginning	<u>77,397,862</u>
Ending	<u>\$ 68,687,188</u>

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2002

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 government.

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 *Pension Trust Funds* account for the activities of the Retirement Plan for General Employees' and the Retirement Plan for Police Officers and Firefighters which accumulate resources for pension benefits.

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.

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.

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

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).

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 government 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.

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 (Continued)

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, proprietary and fiduciary 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. Bonds payable are reported net of the applicable bond premium or discount. 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, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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)

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, 2002 was 7.5 mills per \$1,000 of assessed valuation; the millage rate for bonded debt service was 1.5948 mills.

8. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the actuarially accrued liability for unpaid claims which is prepared based on certain assumptions pertaining to interest rates, inflation rates, etc. 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.

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.

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*,

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized and are, therefore, not subject to classification by credit risk category under the provisions of GASB Statement No. 3.

The carrying amount of the City's deposits on the statement of net assets (including fiduciary funds) is as follows:

Pooled cash	\$ 3,711,583
Escrow funds held by agent	79,525,715
Escrow funds held by lessor	<u>1,123,964</u>
	<u>\$ 84,361,262</u>

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	\$ 14,586,120
Corporate bonds	9,629,440
Common stock	<u>28,327,388</u>
	52,542,948
Investments not subject to categorization:	
Mutual funds	11,143,503
Investment Pool	11,358,200
Cash management funds	<u>5,591,398</u>
Total investments	<u>\$ 80,636,049</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	\$ 84,361,262
Investments	<u>80,636,049</u>
	<u>\$ 164,997,311</u>
Pooled cash and investments, primary government	\$ 12,144,046
Restricted cash in state investment pool, primary government	2,925,737
Escrow funds held by agent, primary government	79,525,715
Escrow funds held by lessor, primary government	<u>726,122</u>
Total primary government	<u>95,321,620</u>
Cash, fiduciary funds	396,558
Cash held with trustee, fiduciary funds	1,284
Investments, fiduciary funds	<u>69,277,849</u>
Total fiduciary funds	<u>69,675,691</u>
Grand total	<u>\$ 164,997,311</u>

NOTE 3. RECEIVABLES

Receivables as of September 30, 2002 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	\$ 904,245	\$ 2,183,046	\$ 516,564	\$ 91,785	\$ -	\$ 3,695,640
Unbilled	1,073,962	1,068,144	391,781	96,579	-	2,630,466
Franchise and utility	534,107	-	-	-	-	534,107
Intergovernmental	-	145,850	143,674	180,747	350,689	820,960
Grants	-	-	-	-	16,685	16,685
Other	1,189,335	291,709	509,579	-	-	1,990,623
Property taxes	<u>29,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,948</u>
Gross receivables	<u>3,731,597</u>	<u>3,688,749</u>	<u>1,561,598</u>	<u>369,111</u>	<u>367,374</u>	<u>9,718,429</u>
Less allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net total receivables	<u>\$ 3,731,597</u>	<u>\$ 3,688,749</u>	<u>\$ 1,561,598</u>	<u>\$ 369,111</u>	<u>\$ 367,374</u>	<u>\$ 9,718,429</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>\$ 797,072</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, 2002 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental activities</u>				
Capital assets, not being depreciated:				
Land	\$ 4,168,437	\$ -	\$ -	\$ 4,168,437
Construction in progress	<u>661,362</u>	<u>4,225,622</u>	<u>-</u>	<u>4,886,984</u>
Total capital assets, not being depreciated	<u>4,829,799</u>	<u>4,225,622</u>	<u>-</u>	<u>9,055,421</u>
Capital assets, being depreciated:				
Buildings	28,955,013	25,605	-	28,980,618
Improvements other than buildings	9,615,082	469,486	-	10,084,568
Furniture, fixtures, machinery and equipment	24,709,730	1,189,565	(857,683)	25,041,612
Infrastructure	<u>3,005,160</u>	<u>395,689</u>	<u>-</u>	<u>3,400,849</u>
Total capital assets being depreciated	<u>66,284,985</u>	<u>2,080,345</u>	<u>(857,683)</u>	<u>67,507,647</u>
Less accumulated depreciation for:				
Buildings	(9,593,121)	(1,299,396)	-	(10,892,517)
Improvements other than buildings	(3,018,239)	(468,903)	-	(3,487,142)
Furniture, fixtures, machinery and equipment	(16,127,021)	(1,975,159)	770,054	(17,332,126)
Infrastructure	<u>(924,016)</u>	<u>(109,108)</u>	<u>-</u>	<u>(1,033,124)</u>
Total accumulated depreciation	<u>(29,662,397)</u>	<u>(3,852,566)</u>	<u>770,054</u>	<u>(32,744,909)</u>
Total capital assets, being depreciated, net	<u>36,622,588</u>	<u>(1,772,221)</u>	<u>(87,629)</u>	<u>34,762,738</u>
Governmental activities capital assets, net	<u>\$ 41,452,387</u>	<u>\$ 2,453,401</u>	<u>\$ (87,629)</u>	<u>\$ 43,818,159</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 3,247,204	\$ -	\$ -	\$ 3,247,204
Construction in progress	<u>2,125,282</u>	<u>3,398,142</u>	<u>(132,335)</u>	<u>5,391,089</u>
Total capital assets, not being depreciated	<u>5,372,486</u>	<u>3,398,142</u>	<u>(132,335)</u>	<u>8,638,293</u>
Capital assets, being depreciated:				
Buildings and utility plant	84,313,864	482,880	(339)	84,796,405
Machinery and equipment	<u>9,763,536</u>	<u>780,556</u>	<u>(205,589)</u>	<u>10,338,503</u>
Total capital assets being depreciated	<u>94,077,400</u>	<u>1,263,436</u>	<u>(205,928)</u>	<u>95,134,908</u>
Less accumulated depreciation for:				
Buildings and utility plant	(32,712,571)	(1,923,802)	339	(34,636,034)
Machinery and equipment	<u>(4,115,010)</u>	<u>(1,186,540)</u>	<u>205,139</u>	<u>(5,096,411)</u>
Total accumulated depreciation	<u>(36,827,581)</u>	<u>(3,110,342)</u>	<u>205,478</u>	<u>(39,732,445)</u>
Total capital assets, being depreciated, net	<u>57,249,819</u>	<u>(1,846,906)</u>	<u>(450)</u>	<u>55,402,463</u>
Business-type activities capital assets, net	<u>\$ 62,622,305</u>	<u>\$ 1,551,236</u>	<u>\$ (132,785)</u>	<u>\$ 64,040,756</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	\$ 775,577
Public safety	1,459,305
Library	175,076
Parks and recreation	293,887
Public works services	<u>1,148,721</u>
Total depreciation expense – governmental activities	<u>\$ 3,852,566</u>
Business-type activities:	
Water	\$ 2,571,225
Sewer	432,533
Stormwater	<u>106,585</u>
Total depreciation expense – business-type activities	<u>\$ 3,110,343</u>

Construction 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 40% of the projects completed or well underway at September 30, 2002. The construction schedule calls for this capital program to be completed during the fiscal year ending September 30, 2006. Of the \$13,500,000 reserved fund balance, approximately \$2,800,000 represents outstanding incumbrances, which leaves \$10,700,000 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 with actual construction slated to begin November 2003, and substantial completion projected for August 2005.

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, 2002 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	\$ 11,128
General	Handicapped Parking Fines	9,589
General	City Park Project	50,000
General	DOT Bike Path Design	103,649
General	Capital Development Grants Program	29,159
General	CDBG Taylor Park Daycare Building	3,275
General	UPARR Grant	18,406
General	CDBG Housing Rehabilitation	8,604
General	2000B Bonds Debt Service Fund	386,065
General	SNP Challenge Grant	12,789
General	Alley Restoration Program	7,442
General	Highland Village Stormwater Improvement	180,744
General	Non Plant Expansion Grant	11,520
General	2002B FMLC Revenue Bonds	642
LETf State Forfeiture Fund	Police Stop Our Stress Program	30,967
LETf State Forfeiture Fund	HIDTA Black Market Peso Exchange	5,561
LETf State Forfeiture Fund	Victims of Crime Act Grant	23,192
LETf State Forfeiture Fund	Bulletproof Vest Grant	19,100
LETf State Forfeiture Fund	COPS More 00 Award	4,447
		<u>\$ 916,279</u>
Water Utility Fund	Sewer Utility Fund	<u>\$ 1,262,499</u>

Interfund transfers:

	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Proud Neighbor-hood</u>	<u>Non-Major</u>	
Transfers out:				
General fund	\$ 459,599	\$ 52,500	\$ 188,032	\$ 700,131
Water	2,623,934	-	-	2,623,934
Sewer	714,843	-	-	714,843
Stormwater	119,224	-	280,000	399,224
Nonmajor	255,799	-	514,035	769,834
Total transfers out	<u>\$ 4,173,399</u>	<u>\$ 52,500</u>	<u>\$ 982,067</u>	<u>\$ 5,207,966</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, 2002:

Balance, September 30, 2001	\$ 39,135,000
Bonds issued	77,895,000
Bonds retired	<u>(12,210,000)</u>
Balance, September 30, 2002	<u>\$ 104,820,000</u>

2. Bonds Authorized and Outstanding

Long-term debt at September 30, 2002 consists of the following individual issues:

Capital Improvements Bonds:

\$1,500,000 Capital Improvement Revenue Bonds, 1993 Series serial bonds; secured by pledge of revenues from municipal revenue sharing program; final installment of \$180,000 due October 1, 2003; interest at 4.8%.	\$ 180,000
\$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 \$105,000 to \$395,000 through October 1, 2012; interest at 4.85%.	1,555,000
\$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 \$25,000 to \$425,000 through October 1, 2013; interest at 4.48%.	900,000
\$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 \$150,000 to \$1,325,000 from November 1, 2001 to November 1, 2030; interest at 4.25% to 3.75%.	17,135,000
\$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 \$65,000 to \$870,000 from May 1, 2003 to May 1, 2024; interest at 3.25% to 5.50%.	<u>11,510,000</u>
	<u>31,580,000</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 from February 1, 2003 to August 1, 2032; interest at 3.0% to 5.375%.	<u>66,385,000</u>
Total	<u>\$ 104,820,000</u>

3. Debt Service Requirements

Debt service requirements to maturity for each series of bonds at September 30, 2002 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Capital Improvement Bonds:			
1993 Series:			
2003	<u>\$ 180,000</u>	<u>\$ 8,640</u>	<u>\$ 188,640</u>
Capital Improvement Bonds:			
1997 Series:			
2003	\$ 105,000	\$ 75,418	\$ 180,418
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
2008-2012	<u>980,000</u>	<u>168,779</u>	<u>1,148,779</u>
	<u>\$ 1,555,000</u>	<u>\$ 492,518</u>	<u>\$ 2,047,518</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:			
2003	\$ 25,000	\$ 40,320	\$ 65,320
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
2008-2012	650,000	128,800	778,800
2013	25,000	19,040	44,040
	<u>\$ 900,000</u>	<u>\$ 331,520</u>	<u>\$ 1,231,520</u>
Florida League of Cities (Water and Capital):			
2000 A Series:			
2003	\$ -	\$ 386,831	\$ 386,831
2004	275,000	386,831	661,831
2005	285,000	373,769	658,769
2006	300,000	360,088	660,088
2007	315,000	345,538	660,538
2008-2012	1,825,000	1,478,732	3,303,732
2013-2017	2,380,000	926,606	3,306,606
2018-2020	1,775,000	203,346	1,978,346
	<u>\$ 7,155,000</u>	<u>\$ 4,461,741</u>	<u>\$ 11,616,741</u>
Florida League of Cities (Capital):			
2000 B Series:			
2003	\$ 150,000	\$ 901,820	\$ 1,051,820
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
2008-2012	1,465,000	4,158,375	5,623,375
2013-2017	2,190,000	3,691,087	5,881,087
2018-2022	3,210,000	2,959,199	6,169,199
2023-2027	4,510,000	1,936,345	6,446,345
2028-2031	4,830,000	539,920	5,369,920
	<u>\$ 17,135,000</u>	<u>\$ 17,715,953</u>	<u>\$ 34,850,953</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:			
2003	\$ 65,000	\$ 573,382	\$ 638,382
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
2008-2012	2,190,000	2,412,352	4,602,352
2013-2017	2,770,000	1,829,178	4,599,178
2018-2022	3,590,000	991,769	4,581,769
2023-2024	1,700,000	128,500	1,828,500
	<u>\$ 11,510,000</u>	<u>\$ 8,158,131</u>	<u>\$ 19,668,131</u>
Florida Municipal Loan Council (Water Utilities):			
2002 B Series:			
2003	\$ -	\$ 3,260,281	\$ 3,260,281
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
2008-2012	3,890,000	16,107,680	19,997,680
2013-2017	8,555,000	14,790,727	23,345,727
2018-2022	12,395,000	12,289,076	24,684,076
2023-2027	18,065,000	8,576,500	26,641,500
2028-2032	23,110,000	3,579,750	26,689,750
	<u>\$ 66,385,000</u>	<u>\$ 71,638,688</u>	<u>\$ 138,023,688</u>

Debt reserve requirements as specified by provisions of various ordinances are as follows:

- a) Capital Improvement Revenue Bonds - 1993 Series, Ordinance 93-5 requires a reserve of \$322,000. This reserve is fully funded.

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 fiscal year 2002, the City issued \$11,510,000 in capital appreciation and term bonds Series 2002A to defease the Series 1994 general obligation bonds outstanding in an

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)

aggregate principal amount of \$11,490,000 by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the defeased bonds. Accordingly, the liability for the defeased bonds is not included in the City's financial statements.

Notes Payable

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 1998, the City obtained additional financing of \$720,000 from the same agency. The additional funds will also be used to finance certain stormwater projects.

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.

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.

The interest rate on the three loans vary (blended market rates) and is payable monthly. The loans are collateralized by legally available non-ad valorem revenues.

Principal requirements to maturity are as follows:

Fiscal year ending September 30:	
2003	\$2,190,000
2004	675,000
2005	50,000
2006	420,000
	<u>\$3,335,000</u>

In May 1998, the City obtained financing of \$750,000 through a taxable special obligation note to assist in financing the purchase of real property. This note was paid off.

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.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Notes Payable (Continued)

Fiscal year ending September 30:	
2003	\$41,530
2004	<u>22,031</u>
	<u>\$63,561</u>

Master Leases

The City has entered into master lease purchase agreements each year from the period August 1989 to September 2002. During 2002, new lease purchases totaled approximately \$1,457,080.

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.

Future minimum lease payments and the present value of net minimum lease payments at September 30, 2002 are as follows:

Fiscal year ending September 30:	
2003	\$1,172,244
2004	691,678
2005	439,925
2006	<u>121,071</u>
Total minimum lease payments	2,424,918
Less amount representing interest	<u>119,414</u>
Present value of net minimum lease payments	<u>\$2,305,504</u>

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2002 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
Bonds and notes payable:					
General obligation and term bonds	\$ 32,280,000	\$ 11,796,243	\$ (12,657,917)	\$ 31,418,326	\$ 525,000
Notes payable	879,558	-	(130,997)	748,561	101,529
Total bonds and notes payable	<u>33,159,558</u>	<u>11,796,243</u>	<u>(12,788,914)</u>	<u>32,166,887</u>	<u>626,529</u>
Master leases	1,468,932	942,000	(881,541)	1,529,391	683,922
Estimated claims	974,000	662,600	(523,600)	1,113,000	250,000
Compensated absences	<u>2,371,135</u>	<u>2,437,034</u>	<u>(2,109,918)</u>	<u>2,698,251</u>	<u>400,000</u>
Governmental activity long-term liabilities	<u>\$ 37,973,625</u>	<u>\$ 15,837,877</u>	<u>\$ (16,303,973)</u>	<u>\$ 37,507,529</u>	<u>\$ 1,960,451</u>
Business-type activities					
Notes payable	\$ 2,700,000	\$ -	\$ (50,000)	\$ 2,650,000	\$ 2,130,000
Revenue bonds	<u>6,855,000</u>	<u>66,385,000</u>	<u>-</u>	<u>73,240,000</u>	<u>-</u>
Total bonds and notes payable	<u>9,555,000</u>	<u>66,385,000</u>	<u>(50,000)</u>	<u>75,890,000</u>	<u>2,130,000</u>
Master leases	985,084	515,080	(724,051)	776,113	415,304
Compensated absences	<u>382,554</u>	<u>571,692</u>	<u>(545,349)</u>	<u>408,897</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 10,922,638</u>	<u>\$ 67,471,772</u>	<u>\$ (1,319,400)</u>	<u>\$ 77,075,010</u>	<u>\$ 2,545,304</u>

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 is 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

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS
(Continued)

NOTE 7. OTHER INFORMATION (Continued)

a. Risk Management (Continued)

reductions in insurance coverages from coverages in the prior year and there were no settlements that exceeded insurance coverage for each of the past three years.

Changes in the balances of claims liabilities during the past two fiscal years are as follows:

	<u>2002</u>	<u>2001</u>
Unpaid claims, beginning of fiscal year	\$ 974,000	\$ 974,000
Incurred claims (including IBNRs)	662,600	458,356
Claim payments	<u>(523,600)</u>	<u>(458,356)</u>
Unpaid claims, end of fiscal year	<u>\$1,113,000</u>	<u>\$ 974,000</u>

Based upon the City Attorney's evaluation of pending cases, the maximum liability to which the City might be exposed is \$1,200,000. The self insurance funds, which are included in the general fund, have reserves of approximately \$1,500,000 at September 30, 2002 and any judgments assessed would be charged to these reserves.

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.

c. Post Retirement Benefits

The City offers continuation of health and life insurance benefits to employees upon retirement. Approximately 49 retirees participate in the City's health and/or dental insurance program. The cost for health insurance is paid by the retiree at a rate of \$198-\$412 per month for single coverage and \$507-\$1,166 per month for family coverage. Expenditures for post retirement dental care and life insurance benefits for retirees were approximately \$18,000 for the fiscal year ended September 30, 2002. The cost of life insurance for approximately 156 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.

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.

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

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, 2002, no single investment exceeded 5% of total plan net assets.

2. Plan Description

The City, as a single employer, maintains two 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 and the Retirement Plan for Police Officers and Firefighters 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; however, it has been the policy of the retirement committees to obtain actuarial valuations on an annual basis.

The latest actuarial valuation as of October 1, 2001 is as follows:

	<u>General</u>	<u>Police Officers and Firefighters</u>
Covered payroll (in thousands)	\$ 9,708	\$ 5,781

CITY OF NORTH MIAMI BEACH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. EMPLOYEE RETIREMENT SYSTEMS (Continued)

2. Plan Description (Continued)

	<u>General</u>	<u>Police Officers and Firefighters</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
Non-vested	183	63
Total	464	205

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 10 years of credited service. The Plan is in the process of being amended to reflect changing the time limit for fully vesting to 6 years of credit service.

Eligibility for Retirement

Attainment of age 62 or age 55 with 20 years of service.

Annual Retirement Benefit

Normal retirement benefits are based upon 3.3% of final monthly compensation times years of credited service.

Other Benefits

The system 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. If any employee leaves covered employment before ten 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.

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 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 23 years of credited service for police officers.

Annual Retirement Benefit

Normal retirement benefits are based upon 3.3% for firefighters and 3% for police officers of final monthly compensation 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

8% 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.

3. Annual Pension Cost and Net Pension Asset

General Employees

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	\$ 652,083
Interest on net pension obligation	(25,155)
Adjustment to annual required contribution	<u>27,205</u>
Annual pension cost	654,133
Contributions made	<u>701,935</u>
Increase in net pension asset	47,802
Net pension asset, beginning of year	<u>279,497</u>
Net pension asset, end of year	<u>\$ 327,299</u>

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)

General Employees (Continued)

The annual required contribution for the current year was determined as part of the October 1, 2001 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 ranging from 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.

<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	\$ 533,119	108%	\$ 220,765
9/30/2001	576,257	110%	279,497
9/30/2002	654,133	107%	327,299

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>1,537,246</u>
Decrease in net pension asset	(354,332)
Net pension asset, beginning of year	<u>1,400,466</u>
Net pension asset, end of year	<u>\$ 1,046,134</u>

The annual required contribution for the current year was determined as part of the October 1, 2000 actuarial valuation using the entry age normal 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.

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 (Continued)

<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	81%	1,046,134

NOTE 9. DEFICIT FUND BALANCE

As of September 30, 2002, there is a deficit fund balance of \$386,065 in the Series 2000B debt service fund. The deficit arose from the initial and continuing payment of interest prior to the end of the fiscal year and prior to the receipt of property taxes in the next fiscal period.

STATISTICAL SECTION

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CITY OF NORTH MIAMI BEACH, FLORIDA

GOVERNMENT-WIDE REVENUES BY FUNCTION

LAST TEN FISCAL YEARS (1)

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<u>Fiscal Year</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Taxes</u>	<u>Franchise Fees</u>	<u>Inter-governmental</u>	<u>Unrestricted Investment Earnings</u>	<u>Billing Surcharge</u>	<u>Sale of City Property</u>	<u>Communications Services Taxes</u>	<u>Miscellaneous</u>	<u>Total</u>
1993	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1994	-	-	-	-	-	-	-	-	-	-	-	-
1995	-	-	-	-	-	-	-	-	-	-	-	-
1996	-	-	-	-	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-	-	-	-
2001	32,330,717	4,084,051	3,495,988	11,544,458	1,771,684	4,889,731	1,848,254	1,950,089	22,924	1,807,508	1,807,508	65,552,911
2002	33,603,242	395,806	3,719,758	13,128,919	1,417,597	4,364,594	1,508,616	2,128,004	46,473	1,900,963	1,275,054	63,489,021

(1) Information for fiscal years ended September 30, 1992 to 2000 are unavailable.

CITY OF NORTH MIAMI BEACH, FLORIDA

GOVERNMENT-WIDE EXPENSES

LAST TEN FISCAL YEARS (1)

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Library</u>	<u>Parks and Recreation</u>	<u>Public Works</u>	<u>Interest on Long-Term Debt</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm-water</u>	<u>Total</u>
1993	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1994	-	-	-	-	-	-	-	-	-	-
1995	-	-	-	-	-	-	-	-	-	-
1996	-	-	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-	-
2001	12,626,188	14,639,398	968,193	3,648,394	7,487,155	2,023,196	16,820,348	5,370,571	690,195	64,273,638
2002	10,822,725	15,784,498	998,191	3,993,083	8,932,967	1,758,128	15,005,475	4,325,674	794,793	62,415,534

(1) Information for fiscal years ended September 30, 1992 to 2000 are unavailable.

CITY OF NORTH MIAMI BEACH, FLORIDA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Police Services</u>	<u>Library</u>	<u>Parks and Recreation</u>	<u>Public Services</u>	<u>Capital Outlay (1)</u>	<u>Debt Service</u>	<u>Total</u>
1993	\$ 7,035,120	\$ 7,664,568	\$ 483,035	\$ 1,668,290	\$ 7,409,983	\$ -	\$ 535,276	\$ 24,796,272
1994	6,169,054	8,460,853	497,499	2,019,587	6,077,584	1,057,393	612,627	24,894,597
1995	6,946,404	8,943,544	538,062	2,048,146	6,527,393	2,049,997	753,433	27,806,979
1996	6,589,556	8,459,454	625,032	2,065,637	6,421,997	1,398,477	1,023,546	26,583,699
1997	6,827,805	9,814,136	666,890	2,030,712	6,127,342	1,582,900	866,674	27,916,459
1998	7,991,203	9,281,889	683,495	2,052,039	6,489,551	1,293,443	727,810	28,519,430
1999	8,071,059	9,194,703	728,626	2,741,726	6,977,695	2,079,418	844,972	30,638,199
2000	8,526,158	9,314,053	758,700	3,291,600	7,355,189	1,362,285	866,640	31,474,625
2001	9,094,784	10,246,001	790,595	3,451,091	7,417,088	1,048,617	992,796	33,040,972
2002	9,621,705	11,231,307	825,946	3,566,389	7,886,883	1,109,861	919,046	35,161,137

Note: General Fund Only (budgetary basis)

(1) Prior to 1994, Capital Outlay was recorded within each functional department's expenditures

CITY OF NORTH MIAMI BEACH, FLORIDA

GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS

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<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-Governmental</u>	<u>Utility Taxes (2)</u>	<u>Franchise Fees</u>	<u>Fines and Forfeitures</u>	<u>Other</u>	<u>Charges for Services</u>	<u>Interest</u>	<u>Total</u>
1993	\$7,284,116	\$6,533,030	\$ 3,223,631	\$2,897,644	\$1,469,944	\$ -	\$1,058,141	\$1,597,138	\$167,892	\$24,231,536
1994	7,420,631	6,385,037	2,822,411	2,884,107	1,516,585	-	998,630	1,684,371	144,451	23,856,223
1995	7,273,785	7,186,118	3,186,642	3,109,029	1,416,161	-	894,368	1,848,961	192,473	25,107,537
1996	7,556,447	7,328,626	3,144,332	3,146,066	1,487,150	-	1,097,759	2,222,054	223,033	26,205,467
1997	7,413,017	7,418,383	3,572,182	3,173,613	1,544,366	-	2,229,395	2,721,865	235,496	28,308,317
1998	7,630,248	7,598,197	3,794,841	3,318,004	1,453,485	-	1,022,226	2,722,394	303,639	27,843,034
1999	7,862,920	1,144,972 *	3,449,435	3,443,466	1,590,366	172,514 *	2,267,831	9,699,300 *	328,121	29,958,925
2000	7,967,152	1,362,657	3,710,121	3,458,416	1,476,318	249,986	2,673,311	10,034,171	446,625	31,378,757
2001	8,033,116	1,428,960	3,631,965	3,511,342	1,771,684	234,306	2,725,289	8,101,703	402,697	29,841,062
2002	8,773,396	1,457,601	3,825,526	4,197,998	1,417,597	271,134	2,618,783	8,555,664	141,609	31,259,308

(1) This figure includes FEMA revenue due to Hurricane Andrew.

(2) In 2002, includes communications services tax.

*Reclassification of categories in 1999.

Note: General Fund Only

CITY OF NORTH MIAMI BEACH, FLORIDA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Assessed Valuation</u>	<u>Taxable Assessed Levy</u>	<u>Total Tax Levy</u>	<u>Total Tax Collections</u>	<u>Percentage of Total Tax Collections to Tax Levy</u>
1993	\$ 966,517,171	\$ 959,176,301	\$7,673,410	\$7,284,116	95%
1994	976,042,091	967,934,908	7,743,479	7,420,631	96%
1995	1,019,107,174	1,016,720,571	7,578,289	7,273,785	96%
1996	1,020,168,188	1,017,994,330	7,838,556	7,556,448	96%
1997	1,064,108,447	1,062,713,107	7,957,312	7,413,017	93%
1998	1,100,915,565	1,082,543,223	8,087,224	7,630,248	94%
1999	1,124,472,717	1,108,549,661	8,256,867	7,862,920	95%
2000	1,133,672,093	1,122,293,059	8,433,545	7,967,152	94%
2001	1,210,331,467	1,190,439,497	8,502,541	8,033,116	94%
2002	1,326,749,346	1,302,043,942	9,077,486	8,773,396	97%

Note: For each fiscal year ending September 30, property is valued as of the preceding January 1.

CITY OF NORTH MIAMI BEACH, FLORIDA
ASSESSED AND ESTIMATED ACTUAL VALUE OF ALL TAXABLE PROPERTY
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Centrally Assessed Property</u>	<u>Gross Total</u>	<u>Real Estate Exemption</u>	<u>Net Assessed Property Value</u>
1993	\$ 857,476,620	\$ 108,567,735	\$ 472,816	\$ 966,517,171	\$ 7,340,870	\$ 959,176,301
1994	867,976,832	107,420,668	644,591	976,042,091	8,107,183	967,934,908
1995	912,198,851	106,261,631	646,692	1,019,107,174	2,386,603	1,016,720,571
1996	904,659,481	114,896,212	612,495	1,020,168,188	2,173,858	1,017,994,330
1997	938,540,444	124,950,495	617,508	1,064,108,447	1,395,340	1,062,713,107
1998	973,907,113	126,168,895	839,557	1,100,915,565	18,372,342	1,082,543,223
1999	990,456,776	133,200,024	815,917	1,124,472,717	15,923,056	1,108,549,661
2000	1,026,103,859	106,739,394	828,840	1,133,672,093	11,379,034	1,122,293,059
2001	1,101,412,707	108,074,203	844,557	1,210,331,467	19,891,970	1,190,439,497
2002	1,210,077,211	115,813,890	858,245	1,326,749,346	24,705,404	1,302,043,942

Note: Net assessed property value is equal to the sum of real property, personal property and property centrally assessed for operating purposes less any exemptions.

CITY OF NORTH MIAMI BEACH, FLORIDA

PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>City</u>	<u>School</u>	<u>Environmental Project</u>	<u>State</u>	<u>County</u>	<u>Total</u>
1993	8.000	9.528	-	0.599	11.538	29.665
1994	8.000	9.923	-	0.648	11.229	29.800
1995	8.897	10.345	0.100	0.546	10.483	30.371
1996	8.688	10.366	0.100	0.610	9.988	29.752
1997	8.553	10.462	0.100	0.650	9.677	29.442
1998	8.423	10.160	0.100	0.644	9.724	29.051
1999	8.404	9.644	0.100	0.641	9.377	28.166
2000	8.396	9.617	0.100	0.638	9.155	27.906
2001	9.290	9.376	0.100	0.636	9.017	28.419
2002	9.095	9.252	0.100	0.636	8.940	28.023

Source: Miami-Dade County Property Appraiser's Office.

Note: Property tax rates are based on each \$1,000 of net assessed value.

CITY OF NORTH MIAMI BEACH, FLORIDA
PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS

Fiscal Year	Total Permits Issued	<u>Miscellaneous</u>		<u>Residential</u>		<u>Commercial</u>		Total of Construction	Bank Deposits (1) (000s Omitted)
		Permits Issued	Valuation	Number of Units	Valuation	Permits Issued	Valuation		
1993	2,928	171	\$ 247,927	414	\$ 2,324,909	228	\$ 11,365,766	\$ 13,938,602	\$ 18,146,642
1994	2,384	125	149,093	443	1,846,288	241	6,628,358	8,623,739	17,524,140
1995	2,221	115	124,779	308	998,479	220	13,133,971	14,257,229	17,810,595
1996	2,255	165	218,497	330	1,980,070	217	12,957,045	15,155,612	14,561,154
1997	2,359	133	162,252	304	5,944,338	176	6,253,364	12,359,954	15,821,531
1998	2,603	103	124,341	317	5,369,695	193	7,113,423	12,607,459	16,781,463
1999	2,283	93	108,994	232	4,132,166	176	9,133,758	13,374,918	14,009,503
2000	2,450	118	259,835	261	4,074,872	96	12,582,670	16,917,377	15,023,417
2001	2,212	97	119,625	198	3,068,900	94	13,881,340	17,069,865	17,319,705
2002	2,181	133	147,940	383	7,646,605	117	4,760,414	12,554,959	18,131,752

Source: (1) Federal Reserve Bank, Atlanta, Georgia. Information is for Miami-Dade County, of which the City of North Miami Beach is a part. Information is not available for North Miami Beach alone.

CITY OF NORTH MIAMI BEACH, FLORIDA

UTILITY SERVICE TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Electricity</u>	<u>Telephone/ Telegraph</u>	<u>Communication Service Tax</u>	<u>Water</u>	<u>Gas</u>	<u>Fuel Oil</u>	<u>Propane</u>	<u>Total</u>
1993	\$ 1,988,357	\$ 775,799	\$ -	\$ -	\$ 133,488	\$ 21,704	\$ 2,336	\$ 2,922,001
1994	1,979,349	777,937	-	-	126,821	19,479	2,209	2,906,112
1995	1,987,409	725,356	-	270,795 (1)	125,469	19,406	2,628	2,860,585
1996	2,018,015	737,015	-	263,458	127,578	16,777	3,366	3,166,209
1997	1,937,278	829,188	-	278,552	128,595	2,479	28,146	3,204,238
1998	1,985,750	911,420	-	302,115	118,719	1,696	19,921	3,339,621
1999	1,910,550	1,108,495	-	303,215	121,206	-	-	3,443,466
2000	1,794,222	1,236,757	-	308,313	119,124	-	-	3,458,416
2001	1,807,555	1,296,848	-	293,977	112,962	-	-	3,511,342
2002	1,892,022	-	1,901,291 (2)	318,990	85,695	-	-	4,197,998

(1) Starting with fiscal year 1995, Ordinance 94-33 which governs excise taxes on utilities, was amended to include a 10% tax on non-governmental purchases of water from the City of North Miami Beach.

(2) Starting with fiscal year 2002, the State of Florida Department of Revenue amended the communication service tax which eliminated collection of telephone/telegraph utility service tax and franchise fees for local governments. There is a 10% maximum rate allowed by statute.

CITY OF NORTH MIAMI BEACH, FLORIDA

FRANCHISE FEE REVENUE BY SOURCE

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Electricity</u>	<u>Telephone/ Telegraph</u>	<u>Gas</u>	<u>Cable Television</u>	<u>Bus Bench and Shelter</u>	<u>Other</u>	<u>Total</u>
1993	\$1,200,172	\$ 75,320	\$68,299	\$114,934	\$ 6,719	\$4,500	\$1,469,944
1994	1,187,741	74,575	78,248	164,362	10,509	1,150	1,516,585
1995	1,147,371	70,780	71,621	106,096	13,023	7,270	1,416,161
1996	1,218,030	70,130	89,230	98,847	6,598	4,315	1,487,150
1997	1,192,384	76,768	69,665	189,512	9,422	6,615	1,544,366
1998	1,146,481	63,165	71,504	160,596	3,969	7,770	1,453,485
1999	1,198,387	70,188	74,146	230,789	8,294	8,562	1,590,366
2000	1,123,852	84,089	76,980	175,644	6,698	9,055	1,476,318
2001	1,332,049	142,651	94,695	187,839	5,760	8,690	1,771,684
2002	1,331,489	- (1)	68,528	3,230 (1)	6,310	8,040	1,417,597

(1) Amendment of communication service tax statute eliminated telephone/telegraph and cable television franchise fee collection by local governments.

CITY OF NORTH MIAMI BEACH, FLORIDA

INTEREST REVENUE BY SOURCE

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Fund</u>	<u>Expendable Trust Fund</u>	<u>Enterprise Funds</u>	<u>Total</u>
1993	\$ 167,892	\$ 11,199	\$ 3,301	\$ -	\$ 21,653	\$ 292,613	\$ 496,658
1994	144,451	32,137	207,266	999	20,699	365,719	771,271
1995	192,473	45,500	589,416	11,315	28,511	617,890	1,485,105
1996	223,033	79,722	250,581	13,345	31,685	689,577	1,287,943
1997	235,496	53,383	42,040	10,246	39,448	932,620	1,313,233
1998	303,639	208,037	129,841	10,931	51,730	794,957	1,499,135
1999	328,121	153,550	84,297	16,202	43,061	549,304	1,174,535
2000	446,625	163,212	79,332	9,559	62,850	535,369	1,296,947
2001	402,697	265,654	789,207	14,200	-	376,496	1,848,254
2002	141,609	920,226	9,144	4,115	-	433,522	1,508,616

CITY OF NORTH MIAMI BEACH, FLORIDA
WATER UTILITY FUND - REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Gross Revenue (1)</u>	<u>Operating Expenses (2)</u>	<u>Other Income (Primarily Interest)</u>	<u>Net Operating Revenue</u>	<u>Debt Service (3)</u>	<u>Coverage Factor (25%)</u>	<u>Total</u>	<u>Excess of Net Operating Revenue</u>
1993	\$ 11,192,000	\$ 9,390,374	\$ 252,629	\$ 2,054,255	\$ 808,619	\$ 202,155	\$ 1,010,774	\$ 1,043,481
1994	11,386,513	9,720,954	312,818	1,978,377	809,198	202,300	1,011,498	966,879
1995	13,650,222	9,840,560	711,500	4,521,162	810,293	202,573	1,012,866	3,508,296
1996	13,023,290	10,052,715	1,016,783	3,987,358	818,376	204,594	1,022,970	2,964,388
1997	13,252,575	11,873,321	1,106,954	2,486,208	950,653	237,663	1,188,316	1,297,892
1998	14,569,453	13,335,379	882,819	2,116,893	996,545	249,136	1,245,681	871,212
1999	14,426,144	13,375,859	631,775	1,682,060	1,154,414	288,604	1,443,018	239,042
2000	15,203,060	13,863,951	606,533	1,945,642	628,679	(4)	628,679	1,316,963
2001	14,250,161	11,797,894	586,726	3,038,993	503,360	(4)	503,360	2,535,633
2002	15,509,314	11,979,262	415,953	3,946,005	454,988	(4)	454,988	3,491,017
Average excess coverage								<u>\$ 1,823,480</u>

(1) Total revenues excluding interest.

(2) Total operating expenses excluding depreciation.

(3) Includes principal and interest on revenue bonds.

(4) Current bond issue has no requirement for a coverage factor.

CITY OF NORTH MIAMI BEACH, FLORIDA

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES LAST TEN FISCAL YEARS (IN THOUSANDS)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (2)</u>	<u>Ratio of Debt Service to General Governmental Expenditures</u>
1993	\$ -	\$ -	\$ -	\$ -	-
1994 (1)	-	55	55	24,895	0.22
1995	-	935	935	27,807	3.36
1996	185	788	973	26,584	3.66
1997	195	779	974	27,916	3.49
1998	205	769	974	28,519	3.41
1999	216	759	975	30,638	3.17
2000	225	747	972	31,474	3.09
2001	235	735	970	33,406	2.90
2002 (3)	250	380	630	35,161	1.79

(1) The City acquired \$13 million in general obligation bonded debt, series 1994, to finance the construction of a new police building and government center complex.

(2) General fund only (budgetary basis).

(3) The Series 1994 bonds were defeased during fiscal year ended September 30, 2002.

CITY OF NORTH MIAMI BEACH, FLORIDA

SCHEDULE OF DIRECT AND OVERLAPPING GENERAL OBLIGATION DEBT
 SEPTEMBER 30, 2002
 (IN THOUSANDS)

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City</u>	<u>Amount Applicable to City</u>
Direct:			
City of North Miami Beach	\$ <u>31,580</u>	<u>100.00%</u>	\$ <u>31,580</u>
Overlapping:			
Miami-Dade County	\$ 270,986	1.15%	\$ 3,116
School Board	<u>1,147,526</u>	1.15%	<u>13,197</u>
	<u>\$1,418,512</u>		<u>\$ 16,313</u>

Note: Represents the percentage of the total tax roll valuation of all real and personal property in Miami-Dade County and the City of North Miami Beach.

Per Miami-Dade County Property Appraiser's records, the State of Florida has taxable valuation of \$13,781,003 but is exempt from tax.

Sources: Miami-Dade County, Finance Department/Controller's Division
 School Board of Miami-Dade County, Division of Accounting.

% - City assessed value divided by County assessed value

CITY OF NORTH MIAMI BEACH, FLORIDA

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA LAST TEN FISCAL YEARS (IN THOUSANDS)

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Fund (2)</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1993	-	\$ -	\$ -	\$ -	\$ -	-%	\$ -
1994	36	967,935	13,000	1	12,999	1.34%	361
1995	36	1,016,721	13,000	1	12,999	1.28%	361
1996	36	1,017,994	12,815	-	12,815	1.26%	356
1997	43	1,060,922	12,620	-	12,620	1.19%	293
1998	43	1,082,453	12,415	-	12,415	1.15%	289
1999	43	1,108,550	15,695	-	15,695	1.42%	365
2000	42	1,122,293	15,495	-	15,495	1.38%	369
2001	42	1,190,439	32,280	-	32,280	2.71%	769
2002	42	1,302,044	31,560	-	31,560	2.42%	752

(1) Annual estimate - City of North Miami Beach Economic Development

(2) Amount obligated for repayment of general obligation bonds principal and interest.

CITY OF NORTH MIAMI BEACH, FLORIDA

PRINCIPAL TAXPAYERS

SEPTEMBER 30, 2002

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
RHC Parkway, Inc.	Hospital	\$ 51,405,574	3.87%
Florida Power & Light Co.	Utility	21,280,262	1.60
Neptune Corp.	Office Building	17,643,596	1.33
Intracoastal Pacific, Ltd.	Office Building	17,200,000	1.30
BellSouth Telecommunications	Utility	14,080,866	1.06
Ford of North Miami Beach	Retail	11,796,296	0.89
Sonic Ward, Inc. - K Mart Corp.	Retail	10,915,707	0.82
Dayton Hudson Corp. - Target	Retail	10,410,690	0.78
Costco Wholesaler	Retail	8,258,348	0.62
Publix Supermarket	Retail	<u>968,528</u>	0.07
 Total taxpayers		 <u>\$ 163,959,867</u>	 12.34%
 Total assessed valuation		 <u>\$ 1,326,749,346</u>	

Source: Miami-Dade County Property Appraiser's Office

CITY OF NORTH MIAMI BEACH, FLORIDA

DEMOGRAPHIC STATISTICS

Population by Ethnic Origin

	Hispanic Any <u>Race</u>	Hispanic White <u>White</u>	Hispanic Afro- American <u>American</u>	Hispanic All Other <u>Races</u>	Hispanic Subtotal <u>Subtotal</u>	Non- Hispanic Any <u>Race</u>	Non- Hispanic White <u>White</u>	Non- Hispanic Afro- American <u>American</u>	Non- Hispanic All Other <u>Races</u>	Non- Hispanic Subtotal <u>Subtotal</u>	Totals <u>Totals</u>
1980	3,489	N/A	N/A	N/A	3,489	32,842	N/A	N/A	N/A	32,842	36,331
1990	7,817	N/A	N/A	N/A	7,817	27,542	N/A	N/A	N/A	27,542	35,359
2000	-	8,936	622	2,687	12,245	-	10,104	15,273	3,164	28,541	40,786

Population by Ethnic Origin

	White <u>White</u>	Afro- American <u>American</u>	Asian <u>Asian</u>	Other <u>Other</u>	American Indian/ Eskimo <u>Eskimo</u>	Total <u>Total</u>
1980	33,601	2,067	632	-	31	36,331
1990	25,308	7,707	1,207	1,082	55	35,359
2000	19,040	15,895	1,615	4,170	66	40,786

N/A - Information is not available from the Bureau of Census.
 Prior year's census grouped by either Hispanic or non-Hispanic.
 Current year's census grouped by race as well as by ethnic origin.

CITY OF NORTH MIAMI BEACH, FLORIDA

MISCELLANEOUS STATISTICAL DATA

SEPTEMBER 30, 2002

Date of Incorporation	1926		
Form of Government	Council-Manager		
Area	5.1 Square Miles		
Miles of Streets	109 Linear Miles		
Fire Protection:			
Number of Stations	2 (Operated by the County)		
Police Protection:			
Number of Stations	1		
Number of Police Officers	103		
Number of Support Staff (Non-Sworn)	38 full-time, 24 part-time		
Hospitals	1		
	<u>Elementary</u>	<u>Jr. High</u>	<u>Sr. High</u>
Education:			
Attendance Centers	7	2	2
Number of Students	7,101	4,410	6,467
Number of Teachers	419	184	315
Municipal Water Department:			
Number of Customers	31,906		
Average Daily Consumption	24.5 Million Gallons		
Miles of Water Mains	515		
Fire Hydrants	2,200		
Valves	8,160		
Sewers:			
Number of Customers	6,923		
Number of Lift Stations	29		
Miles of Sewer Mains	90		
Building Permits Issued	2,181		
Recreation and Culture:			
Number of Parks	9		
Number of Libraries	1		
Number of Senior Centers	1		
Number of Municipal Swim Centers	3		
Number of Tennis Centers	1		
Number of Recreational Centers	5		
Number of Performing Arts Centers	1		
Number of Amphitheaters	1		
Employees:			
Full Time	631		

CITY OF NORTH MIAMI BEACH, FLORIDA

GENERAL INFORMATION

Location

North Miami Beach is located in northeast Miami-Dade County and is approximately one mile from the beach. The City is centrally located to both Ft. Lauderdale and Miami and easily accessible by all major highways.

Climate

Average Annual Temperature	76.0°
Average January Temperature	67.1°
Average July Temperature	85.0°
Average Annual Rainfall	57.5"

Airports and Seaports

North Miami Beach is within 15 minutes of two major airports, Miami International Airport and Ft. Lauderdale International Airport. Opa Locka Airport services private and business aircraft, which is located 20 minutes west of North Miami Beach.

Two deepwater seaports, Port of Miami and Port Everglades, are located within 20 minutes of North Miami Beach.

Road Systems

North Miami Beach is located five minutes from two major highways: I-95 and the access route to the Florida Turnpike. Both roads lead south to Miami and to the Florida Keys, or north to Ft. Lauderdale, the Palm Beaches and Orlando.

Train

North Miami Beach is just 15 minutes from a major train depot serving both Amtrak and Tri-Rail.

Bus

North Miami Beach is serviced by the county-wide Metro Bus System and the City run NMB-line minibus.

Historical Points of Interest

The Spanish Monastery was erected in Spain in 1141 and brought to North Miami Beach in 1940; the Fulford-by-the-Sea Monument was constructed to commemorate the founding of the City of Fulford, as North Miami Beach was previously known; two residential structures were constructed in the 1920s.

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