

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

\$15,585,000
FLORIDA MUNICIPAL LOAN COUNCIL
Revenue Bonds,
Series 2004A-1

Dated: Date of Delivery

Due: July 1, as shown on the inside cover

The Revenue Bonds, Series 2004A-1 (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 July 1 and January 1, commencing January 1, 2005. The principal of, premium, if any, and interest on the Bonds will be paid through Wachovia Bank, National Association, as Trustee. So long as DTC or its nominee, Cede & Co., is the registered owner, such payments will be made directly to Cede & Co. Disbursement of such payments to the DTC Participants (as defined herein) is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants (as defined herein), as more fully described herein.

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

The proceeds to be received by the Issuer from the sale of the Bonds will be used by the Issuer to make loans (the "Loans") to four State of Florida municipalities (City of Haines City, Village of Pinecrest, City of Oakland Park and City of St. Augustine Beach) (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 July 1, 2004 between the Issuer and the Trustee (the "Indenture").

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

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



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

The Bonds are offered when, as, and if issued and received by the Underwriter, subject to the approval of legality and tax-exempt status by Bryant Miller & Olive P.A., Tampa, Florida, Bond Counsel. Certain legal matters will be passed upon for the Issuer by its counsel 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. Waters and Company, LLC, Birmingham, Alabama has served as financial advisor to the Issuer in connection with the Bonds. Florida League of Cities, Inc. is the administrator of the Issuer's Bond program. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about July 14, 2004.

Banc of America Securities LLC

AMOUNTS, MATURITIES, INTEREST RATES AND PRICES

\$9,560,000 Serial Bonds

<u>Maturity (July1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>
2005	\$475,000	3.000%	101.169%
2006	505,000	3.000	101.259
2007	525,000	3.000	100.819
2008	540,000	3.250	100.703
2009	560,000	3.500	100.816
2010	575,000	3.750	101.011
2011	600,000	4.000	101.518
2012	625,000	4.000	100.541
2013	645,000	4.000	99.403
2014	680,000	4.125	99.393
2015	700,000	4.250	99.133
2016	730,000	4.375	99.400
2017	765,000	4.500	99.415
2018	795,000	4.500	98.672
2019	840,000	4.625	98.986

\$2,310,000 5.000% Term Bonds Due July 1, 2024 - Price 98.754%
\$1,635,000 5.125% Term Bonds Due July 1, 2029 - Price 98.955%
\$2,080,000 5.125% Term Bonds Due July 1, 2034 - Price 98.715%

Florida Municipal Loan Council

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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

\$15,585,000

FLORIDA MUNICIPAL LOAN COUNCIL

Revenue Bonds

Series 2004A-1

INTRODUCTION

The purpose of this Official Statement, including the cover page and the Appendices hereto, is to furnish certain information with respect to the original issuance and sale of \$15,585,000 Florida Municipal Loan Council Revenue Bonds, Series 2004A-1 (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 April 13, 2004 and a Trust Indenture (the "Indenture"), dated as of July 1, 2004, between the Issuer and Wachovia Bank, National Association, as trustee (the "Trustee").

The Bonds are being issued to provide funds to make loans to four municipalities of the State of Florida further described herein. The proceeds to be received by the Issuer from the sale of the Bonds will be loaned to the State of Florida municipalities of the City of Haines City, Village of Pinecrest, City of Oakland Park and City of St. Augustine Beach (collectively, the "Borrowers," and individually, a "Borrower") pursuant to Loan Agreements, dated as of July 1, 2004, between the Issuer and each Borrower (collectively, the "Loan Agreements"). Each Borrower will use proceeds of the loan made to it by the Issuer (a "Loan") to finance, refinance or reimburse itself for the cost of a governmental undertaking approved by the governing body of that Borrower for a public purpose (a "Project") and to pay a proportionate share of the costs of issuance of the Bonds. Each Project to be financed or refinanced with proceeds of the Bonds is briefly described herein under the caption "Purpose of the Bonds."

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

Pursuant to each Loan Agreement, each Borrower also agrees to make certain other payments (the "Additional Payments"), including, but not limited to, the fees and expenses of the Issuer, the Program

Administrator and the Trustee and the Borrower's proportionate share of any fees, including any rebate obligation with respect to the Bonds related to a particular Borrower's Loan.

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

The City of Haines City, Village of Pinecrest and City of Oakland Park 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 City of St. Augustine Beach and the Issuer is referred to herein as the "St. Augustine Beach Loan Agreement." The Loan Repayment obligations of the City of St. Augustine Beach will be payable from and secured solely by a pledge of and lien upon the City's Discretionary Communications Services Tax Revenues (hereinafter described). Further information concerning the St. Augustine Beach Loan Agreement and the Discretionary Communications Services Tax Revenues of the City of St. Augustine Beach is contained herein under the caption "Security and Sources of Payment - City of St. Augustine 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. The obligations of the respective Borrowers pursuant to the Loan Agreements are not a general debt, liability or obligation of the respective Borrowers, but are limited obligations of the Borrowers payable from the sources described herein. The Bonds are not a debt, liability or obligation of the State of Florida or any political subdivision or entity thereof other than the Issuer.

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

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

used in capitalized form in this Official Statement shall have the same meanings as in the Indenture. See Appendices C and D for definitions of certain terms used in this Official Statement.

THE BONDS

General Description

The Bonds are being issued as fully registered bonds without coupons in principal denominations of \$5,000 or any integral multiple thereof (the "Authorized Denominations"). The Bonds will be dated as of the date of their initial issuance and delivery, will bear interest from that date at the rates per annum and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. The Bonds will be subject to the redemption provisions set forth below. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months and will be payable semiannually on each July 1 and January 1 (each, an "Interest Payment Date,"), commencing January 1, 2005.

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

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

Redemption Provisions

Optional Redemption. The Bonds maturing on or before July 1, 2014 are not subject to optional redemption prior to maturity. The Bonds maturing after July 1, 2014 are subject to redemption at the option of the Issuer on or after July 1, 2014 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 July 1, 2024 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 July 1, 2020 and on each July 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2020	\$415,000
2021	440,000
2022	460,000
2023	485,000
2024*	510,000

*Maturity, not a redemption.

The Bonds maturing on July 1, 2029 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 July 1, 2025 and on each July 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2025	\$295,000
2026	310,000
2027	330,000
2028	340,000
2029*	360,000

*Maturity, not a redemption

The Bonds maturing on July 1, 2034 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 July 1, 2030 and on each July 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2030	\$375,000
2031	395,000
2032	415,000
2033	435,000
2034*	460,000

*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 eleventh series of bonds to be issued by the Issuer. On the same day as the Bonds are being issued, the Issuer is also issuing its Revenue Bonds, Series 2004A-2. The Series 2004A-2 Bonds are secured separately from the Bonds.

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

<u>Name</u>	<u>Elected Position</u>
Raul Martinez	Mayor, City of Hialeah
Dottie K. Reeder	Mayor, City of Seminole
Lizbeth Benaquisto	Council Member, Village of Wellington
H.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 54 members. Directors are elected by the members of the Administrator.

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

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

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

The Administration Agreement

The Issuer and the Administrator have entered into an ongoing Administration Agreement (the "Administration Agreement"). Under the terms of the Administration Agreement, the Administrator agrees to receive and review applications of municipalities and counties to participate in the Program and to forward the same to any institutions as may be providing credit support for the Program. The Administrator agrees to meet with representatives of applicants and to aid applicants in determining whether to participate in the Program. The Administrator agrees to abide by the terms of the Indenture and to use its best efforts to ensure that the Loans comply with the terms of the Indenture. Under the terms of the Administration Agreement, the Administrator is to be paid a semi-annual fee based upon the principal balance of all Loans outstanding. The annual amount of the fee does not exceed 1/10 of one percent of the par amount of the Loans outstanding, and based upon the original par amount at issuance for each individual Loan, the fee decreases as a percentage as the par amount increases above certain levels.

THE BORROWERS

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

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

The City of Haines City - The City of Haines City is located in Polk County, Florida and was incorporated in 1914. The City of Haines City has an estimated population of approximately 14,115 people.

The Village of Pinecrest - The Village of Pinecrest is located in Miami-Dade County, Florida and was incorporated in 1996. The Village of Pinecrest has an estimated population of approximately 19,000 people.

The City of Oakland Park - The City of Oakland Park is located in Broward County, Florida and was incorporated in 1929. The City of Oakland Park has an estimated population of approximately 31,000 people.

The City of St. Augustine Beach - The City of St. Augustine Beach is located in St. Johns County, Florida and was incorporated in 1959. The City of St. Augustine Beach has an estimated population of approximately 4,000 people.

PURPOSE OF THE BONDS

In General

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

Under the terms of the Indenture, 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 through its debt service payments. The borrowing amount set forth below for each Borrower is the principal amount of the Bonds corresponding to the Loan to such Borrower.

City of Haines City - The City of Haines City is borrowing the proceeds of \$8,200,000 principal amount of the Bonds (which inclusive of original issue discount is \$8,175,143.75) for the purpose of financing construction of a rail spur and various community redevelopment capital projects. The Haines City Loan is expected to be repaid over a period of 30 years. Although Haines City is entering into a Covenant Loan Agreement, for internal budgetary purposes, the City intends to obtain funds to repay a portion of the Loan from tax increment revenues derived from a community redevelopment area of the City.

Village of Pinecrest - The Village of Pinecrest is borrowing the proceeds of \$3,075,000 principal amount of the Bonds (which inclusive of original issue discount is \$3,062,443.95) for the purpose of financing a library/community center and other capital projects. The Pinecrest Loan is expected to be repaid over a period of 20 years.

City of Oakland Park - The City of Oakland Park is borrowing the proceeds of \$1,810,000 principal amount of the Bonds (which inclusive of original issue discount is \$1,795,674.75) for the purpose of financing various water and sewer capital projects. The Oakland Park Loan is expected to be repaid over a period of 30 years.

City of St. Augustine Beach - The City of St. Augustine Beach is borrowing the proceeds of \$2,500,000 principal amount of the Bonds (which inclusive of original issue discount is \$2,480,042.25) for the purpose of financing the purchase of land for conservation and off-beach parking. The St. Augustine Beach Loan is expected to be repaid over a period of 30 years.

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

Estimated Sources and Uses

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

SOURCES OF FUNDS:	
Par Amount	\$15,585,000.00
Net Original Issue Discount	<u>(71,695.30)</u>
TOTAL SOURCES:	\$15,513,304.70
USES OF FUNDS:	
Deposit to Project Loan Fund	\$15,214,315.54
Costs of Issuance(1)	<u>298,989.16</u>
TOTAL USES:	\$15,513,304.70

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

SECURITY AND SOURCES OF PAYMENT

Limited Obligations; Trust Estate

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

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

The City of Haines City, Village of Pinecrest and City of Oakland Park 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 City of St. Augustine Beach and the Issuer is referred to herein as the "St. Augustine Beach Loan Agreement." The Loan Repayment obligations of the City of St. Augustine Beach will be payable from and secured solely by a pledge of and lien upon the City's Discretionary Communications Services Tax Revenues (hereinafter described). Further information concerning the St. Augustine Beach Loan Agreement and the Discretionary Communications Services Tax Revenues of the City of St. Augustine Beach is contained herein under the caption "Security and Sources of Payment - City of St. Augustine 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 \$47,050,000, (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, (v) Revenue Bonds, Series 2003A, issued May 16, 2003, and outstanding as of the date of this Official Statement in the principal amount of \$75,430,000 and (vi) Revenue Bonds, Series 2003B, issued December 17, 2003, and outstanding as of the date of this Official Statement in the principal amount of \$46,805,000. The Insurer has also issued financial guaranty insurance policies with respect to these prior bonds of the Issuer.

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

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

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

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

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

Under the terms of the Agreement, the Trustee is required to reimburse the Insurer, from the funds supplied to the Trustee, with interest, until the face amount of the Debt Service Reserve Fund Surety Bond is reinstated. No optional redemption of Bonds corresponding to a Loan with respect to which a draw has been made under the Debt Service Reserve Fund Surety Bond may be made until the Debt Service Reserve Fund Surety Bond is reinstated. The Debt Service Reserve Fund Surety Bond is provided as an alternative to the Issuer depositing funds in the Reserve Fund. The Debt Service Reserve Fund Surety Bond has already been issued in the face amount of \$12,356,500 and the premium therefor has been previously paid. At the time of issuance of the Bonds, the face amount of the Debt Service Reserve Fund Surety Bond will be increased by \$779,250 to \$13,135,750, and the premium for such increase will be paid by the Issuer at the time of delivery of the Bonds.

Anti-Dilution Covenant

The City of Haines City, Village of Pinecrest and City of Oakland Park (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.

Additional Bonds; Permitted Parity Indebtedness

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

There is no limitation on the issuance of additional debt by the Borrowers except as may result from compliance with the obligations described above under the caption "Anti-dilution Covenant."

The Covenants to Budget and Appropriate

The information under this caption applies only to the Covenant Borrowers.

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

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

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

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

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

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

Non-Ad Valorem Revenues collected by a Covenant Borrower is, in certain circumstances, beyond the control of the Covenant Borrower.

City of St. Augustine Beach Loan

The Loan Repayment obligations of the City of St. Augustine Beach 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 St. Augustine Beach Loan Agreement is substantially similar to the standard Covenant Loan Agreement.

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" is defined in the CSTA to mean 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 of 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 communications 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 Discretionary 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 communication 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 City of St. Augustine Beach has advised the Issuer that the City is currently subject to the 5.10% maximum.

The Discretionary Communications Services Tax is required to be paid by the purchaser of the communication 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 ("FDOR"). Providers of communications services may deduct 0.75% of the tax due and accounted for and remitted to the FDOR as a collection fee (or 0.25% in the case of providers who do not employ an enhanced zip code database or a database that is either supplied or certified by the FDOR).

FDOR is permitted to deduct its cost of administering the tax, not to exceed 1% of the total tax collections, and then distributes the remaining proceeds to the taxing municipality on a monthly basis. Under the CSTA, local governments must work with FDOR to properly identify service addresses to each taxing authority. If the City of St. Augustine Beach fails to provide FDOR with accurate service address information, it risks losing tax proceeds that it should receive. The City of St. Augustine Beach has advised the Issuer that it believes it has provided FDOR with all information that the FDOR has requested as of the date hereof and that such information is accurate.

Revenues raised by a municipality from the Discretionary Communications Services Tax may be used for any public purpose, including pledging such revenues to indebtedness.

The City of St. Augustine Beach 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 5.50%, which was the maximum rate permitted under the law at that time. Effective October 1, 2002 the City changed the rate to 5.10%, which is the current maximum rate permitted.

Historical Collection Data and Pro-Forma Coverage. The following table sets for the amount of Discretionary Communications Services Tax Revenues of the City for the fiscal years ended September 30, 2001 through 2003, and pro-forma coverage of projected maximum annual debt service on the Series 2004 Bonds.

	Discretionary Communication Services Tax Revenues Fiscal Years Ended September 30 and Pro-Forma Maximum Annual Debt Service Coverage		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Discretionary Communications Services Tax Revenues	\$200,609	\$222,438	\$224,376
Approximate Maximum Annual Debt Service	\$164,000	\$164,000	\$164,000
Pro-Forma Coverage	1.22x	1.36x	1.37x

The City estimates that Discretionary Communications Services Tax Revenues received during the fiscal year ending September 30, 2004 will be approximately \$258,385. Maximum annual debt service for the Basic Payments portion of the St. Augustine Beach loan is approximately \$164,000, which results in estimated debt service coverage for the fiscal year ending September 30, 2004 of approximately 158%.

Under the St. Augustine Beach Loan Agreement, the City of St. Augustine Beach 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 St. Augustine Beach Loan Agreement, the City of St. Augustine Beach 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 St. Augustine Beach 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

twenty-four months immediately preceding the date of the additional debt equals at least 135% of the maximum annual debt service on the City of St. Augustine Beach Loan Agreement (Basic Payments only) and the proposed parity debt.

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

Financial Statements of the Borrowers

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

FINANCIAL GUARANTY INSURANCE

General

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

Financial Guaranty Insurance

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

The Insurer'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 an owner thereof; or (iv) any Preference relating to clauses (i) through (iii) of this paragraph. The Insurer's Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

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

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

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, 2003; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.

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, 2003, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004) 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, 2003, the Insurer had admitted assets of \$9.9 billion (audited), total liabilities of \$6.2 billion (audited), and total capital and surplus of \$3.7 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2004, the Insurer had admitted assets of \$10.3 billion (unaudited), total liabilities of \$6.5 billion (unaudited), and total capital and surplus of \$3.8 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

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

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

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

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

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

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

DEBT SERVICE REQUIREMENTS

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

Year Ending July 1 (Inclusive)	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Debt Service</u>
2005	\$475,000.00	\$658,667.46	\$1,133,667.46
2006	505,000.00	669,093.78	1,174,093.78
2007	525,000.00	653,943.78	1,178,943.78
2008	540,000.00	638,193.78	1,178,193.78
2009	560,000.00	620,643.78	1,180,643.78
2010	575,000.00	601,043.78	1,176,043.78
2011	600,000.00	579,481.28	1,179,481.28
2012	625,000.00	555,481.28	1,180,481.28
2013	645,000.00	530,481.28	1,175,481.28
2014	680,000.00	504,681.28	1,184,681.28
2015	700,000.00	476,631.28	1,176,631.28
2016	730,000.00	446,881.28	1,176,881.28
2017	765,000.00	414,943.78	1,179,943.78
2018	795,000.00	380,518.78	1,175,518.78
2019	840,000.00	344,743.78	1,184,743.78
2020	415,000.00	305,893.76	720,893.76
2021	440,000.00	285,143.76	725,143.76
2022	460,000.00	263,143.76	723,143.76
2023	485,000.00	240,143.76	725,143.76
2024	510,000.00	215,893.76	725,893.76
2025	295,000.00	190,393.76	485,393.76
2026	310,000.00	175,275.02	485,275.02
2027	330,000.00	159,387.52	489,387.52
2028	340,000.00	142,475.02	482,475.02
2029	360,000.00	125,050.02	485,050.02
2030	375,000.00	106,600.02	481,600.02
2031	395,000.00	87,381.26	482,381.26
2032	415,000.00	67,137.52	482,137.52
2033	435,000.00	45,868.76	480,868.76
2034	<u>460,000.00</u>	<u>23,575.02</u>	<u>483,575.02</u>
Total	\$15,585,000	\$10,508,793.10	\$26,093,793.10

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

Year Ending July 1 (inclusive)	City of <u>Haines City</u>	Village of <u>Pinecrest</u>	City of <u>Oakland Park</u>	City of <u>St. Augustine Beach</u>
2005	\$640,487.56	\$227,438.16	\$112,141.41	\$153,600.33
2006	658,906.26	239,212.50	114,318.76	161,656.26
2007	664,306.26	235,912.50	118,418.76	160,306.26
2008	664,256.26	237,612.50	117,368.76	158,956.26
2009	663,043.76	238,875.00	116,231.26	162,493.76
2010	660,618.76	239,675.00	115,006.26	160,743.76
2011	661,931.26	239,987.50	118,693.76	158,868.76
2012	661,731.26	239,787.50	117,093.76	161,868.76
2013	660,931.26	239,387.50	115,493.76	159,668.76
2014	664,531.26	238,787.50	118,893.76	162,468.76
2015	661,793.76	237,806.26	117,037.50	159,993.76
2016	662,881.26	236,431.26	115,125.00	162,443.76
2017	662,537.52	239,650.00	118,156.26	159,600.00
2018	660,712.52	237,225.00	115,906.26	161,675.00
2019	662,987.52	239,575.00	118,656.26	163,525.00
2020	208,475.00	236,250.00	116,112.50	160,056.26
2021	208,475.00	237,000.00	118,362.50	161,306.26
2022	208,225.00	237,250.00	115,362.50	162,306.26
2023	207,725.00	237,000.00	117,362.50	163,056.26
2024	206,975.00	236,250.00	119,112.50	163,556.26
2025	205,975.00	--	115,612.50	163,806.26
2026	204,568.76	--	117,025.00	163,681.26
2027	207,906.26	--	118,181.26	163,300.00
2028	205,731.26	--	114,081.26	162,662.50
2029	208,300.00	--	114,981.26	161,768.76
2030	205,356.26	--	115,625.00	160,618.76
2031	207,156.26	--	116,012.50	159,212.50
2032	203,443.76	--	116,143.76	162,550.00
2033	204,475.00	--	116,018.76	160,375.00
2034	<u>204,993.76</u>	<u>--</u>	<u>115,637.50</u>	<u>162,943.76</u>
Total	\$13,009,437.80	\$4,751,113.18	\$3,494,172.83	\$4,839,069.29

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 2005 through 2012, 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.

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 2013 through 2034 and the initial offering price to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers, at which price a substantial amount of the Bonds of the same maturity was sold is “original issue discount.” Original issue discount will accrue over the term of such Bonds at a constant interest rate compounded periodically. A purchaser who acquires such Bonds in the initial offering at a price equal to the initial offering price thereof to the public will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period he holds such Bonds, and will increase his adjusted basis in such Bonds by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or other disposition of such Bonds. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those above. Owners of such Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of Bonds and with respect to the state and local tax consequences of owning and disposing of such Bonds.

LITIGATION

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

On the date of delivery of the Bonds, counsel to the Issuer will render an opinion that there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending, or to the best of his knowledge, after due inquiry of the Issuer, threatened against or affecting the Issuer, wherein an unfavorable decision, ruling or finding would adversely affect the validity of the Bonds, the Indenture 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 St. Augustine 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. In addition, S&P has assigned a rating of "A-" to the Bonds without regard to the insurance policy. The ratings reflect only the views of the rating agencies and an explanation of the significance of the ratings may be obtained only from the rating agencies. The ratings are not a recommendation to buy, sell or hold the Bonds and there is no assurance that such ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of either or both of the rating agencies, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Neither the Underwriter nor the Issuer has undertaken responsibility to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the ratings of the Bonds, or to oppose any proposed revision or withdrawal.

UNDERWRITING

Banc of America Securities LLC, the Underwriter, has agreed, subject to certain customary conditions precedent, to purchase the Bonds at a price of \$15,419,950.55 (which includes net original issue discount of \$71,695.30 and underwriter's discount of \$93,354.15), and to reoffer the Bonds at the prices shown on the inside cover hereof. If obligated to purchase any of the Bonds, the Underwriter will be obligated to purchase all of the Bonds. The initial public offering prices may be changed from time to time by the Underwriter.

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

FINANCIAL ADVISOR TO THE ISSUER

The Issuer has retained Waters and Company, LLC, Birmingham, Alabama, as Financial Advisor in connection with the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

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

CONTINUING DISCLOSURE AGREEMENT FOR BORROWERS

This **CONTINUING DISCLOSURE AGREEMENT** dated as of July 1, 2004 (the "Continuing Disclosure Agreement") is executed and delivered by _____, a Florida municipality ("Borrower"), and by Florida League of Cities, Inc., a Florida corporation not-for-profit, as Dissemination Agent (the "Dissemination Agent") hereunder. Additional capitalized terms used herein shall have the meanings ascribed thereto in Section 2 hereof.

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

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

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

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

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

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

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

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

"Bonds" means the \$_____ Florida Municipal Loan Council Revenue Bonds, Series 2004A-1.

"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 July 1, 2004 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 July 1, 2004, 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 municipality, as Borrower under the Continuing Disclosure Agreement (hereinafter described) (the "Borrower"), hereby certifies on behalf of the Borrower pursuant to the Continuing Disclosure Agreement dated as of July 1, 2004 (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

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

The undersigned duly authorized signatory of _____ (the "Borrower") hereby certifies on behalf of the Borrower pursuant to the Continuing Disclosure Agreement dated as of July 1, 2004 (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 July, 2004.

_____, as Borrower

By: _____

Its: _____

Acknowledgment of Receipt:

Florida League of Cities, Inc., as
Dissemination Agent

By: _____

Its: _____

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APPENDIX B

CONTINUING DISCLOSURE AGREEMENT FOR ISSUER

This **CONTINUING DISCLOSURE AGREEMENT** dated as of July 1, 2004 (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 2004A-1.

"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 July 1, 2004, 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 July 1, 2004 (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 July 1, 2004 (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 2004A.
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 July, 2004.

FLORIDA MUNICIPAL LOAN COUNCIL,
as Issuer

By: _____
Its: Chairman

Acknowledgment of Receipt:

FLORIDA LEAGUE OF CITIES, INC.,
as Dissemination Agent

By: _____
Its: Executive Director

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APPENDIX C

FORM OF INDENTURE

THIS TRUST INDENTURE is made and entered into as of July 1, 2004, 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 October 23, 2002 (the "Resolution"), authorized the issuance of its Florida Municipal Loan Council Revenue Bonds, in various series in an additional aggregate principal amount of not exceeding \$750,000,000, pursuant to certain trust indentures, to provide funds to finance, refinance or reimburse the cost of qualified Projects of the participating Borrowers; and

WHEREAS, the Council has now determined to issue its \$_____ Florida Municipal Loan Council Revenue Bonds, Series 2004A-1 at this time pursuant to this Trust Indenture for the purposes more fully described herein; and

WHEREAS, in order to secure the payment when due of the principal of, premium, if any, and interest on the Bonds, the Borrowers have covenanted or pledged in the Loan Agreements to (i) budget and appropriate legally available non-ad valorem funds of the Borrowers sufficient for that purpose, (ii) pay from ad valorem funds of the Borrowers or (iii) pay from specific revenues of the Borrowers; and

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

NOW, THEREFORE, THIS TRUST INDENTURE

WITNESSETH:

GRANTING CLAUSES

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

GRANTING CLAUSE FIRST

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

GRANTING CLAUSE SECOND

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

GRANTING CLAUSE THIRD

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

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

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

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

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

THIS TRUST INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all

of the Trust Estate is to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the Council has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective owners, from time to time, of the Bonds, or any part thereof, as follows:

ARTICLE I

DEFINITIONS AND RULES OF INTERPRETATION

SECTION 1.01. Definitions.

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

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

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

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

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

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

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

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

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

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

“Authorized Representative” means, when used pertaining to the Council, the Chairman of the Council and such other designated members, agents or representatives as may hereafter be selected by Council resolution and, when used with reference to a Borrower which is a municipality, means the person performing the functions of the Mayor or Deputy or Vice Mayor thereof and, when used with reference to a Borrower which is a County means the person

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

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

“Board” means the governing body of the Borrower.

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

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

“Bond Insurance Policy” means the financial guaranty insurance policy of the Bond Insurer which insures payment when due of the principal of and interest on the Bonds as provided therein.

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

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

“Bonds” means the \$_____ Florida Municipal Loan Council Revenue Bonds, Series 2004A-1 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 July 2, ending on and including the following July 1, except for the first period which begins on July ___, 2004.

“Borrower” means a governmental unit which has entered into a Loan Agreement and which is borrowing and using the Loan proceeds to finance, refinance and/or be reimbursed for, all or a portion of the costs of one or more Projects. Such Borrowers shall be those as named on Exhibit B.

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

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

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

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

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

“Council” means the Florida Municipal Loan Council.

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

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

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

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

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

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

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

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

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

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

“Financial Guaranty Agreement” means the agreement of that name dated _____, 2004 between the Council and the Surety Bond Provider, as amended and supplemented from time to time.

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

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

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

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

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

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

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

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

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

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

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

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

“Indenture” means this Trust Indenture dated as of July 1, 2004 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 July 1 and January 1 of each year, beginning July 1, 2005.

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

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

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

“Investment Securities” means any of the following investments:

- A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations, the principal of and interest on which are unconditionally guaranteed by the United States of America.
- B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are permitted only if they have been stripped by the agency itself):
 - I. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership

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

6. Farm Credit System
Consolidated systemwide bonds and notes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Paying Agent” means the Trustee.

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

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

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

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

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

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

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

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

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

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

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

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

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

“Registrar” means the Trustee.

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

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

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

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

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

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

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

“State” means the State of Florida.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II

THE BONDS

SECTION 2.01. Authorization; Book-Entry System.

(a) Authorization, Issuance and Execution of Bonds. A single series of Bonds may be issued hereunder in order to obtain moneys to carry out the purposes of the Program for the benefit of the Council and the Borrowers. The Bonds shall be designated as “Florida Municipal Loan Council Revenue Bonds, Series 2004A-1”. At any time after the execution of this Indenture, the Council may execute and the Trustee shall authenticate and, upon request of the Council, deliver the Bonds in the aggregate principal amount of _____ Dollars (\$_____). This Indenture constitutes a continuing agreement with the Owners from time to time of the Bonds appertaining thereto to secure the full payment of the principal of, premium, if any, and interest on all such Bonds subject to the covenants, provisions and conditions herein contained.

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

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

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

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

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

SECTION 2.02. Maturity and Interest Rate Provisions. The Bonds shall be dated as of _____, 2004. They shall be numbered consecutively from R-1 upward. They shall be in the denomination of \$5,000 each, or integral multiples thereof. Each Bond shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated, unless authenticated on an Interest Payment Date, in which case it shall bear interest from such Interest

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

\$_____ Serial Bonds

<u>Maturity</u> <u>(July 1)</u>	<u>Amount</u>	<u>Interest Rate</u>
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\$_____ % Term Bond Due July 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 or its designee.

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

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

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

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

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

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

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

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

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

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

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

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

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

K. The Council agrees not to use the Bond Insurer's name in any public document including, without limitation, a press release or presentation, announcement or forum without the Bond Insurer's prior consent. In the event that the Council is advised by counsel that it has a legal obligation to disclose the Bond Insurer's name in any press release, public announcement or other public document, the Council shall provide the Bond Insurer with at least three (3) business days' prior written notice of its intent to use the Bond Insurer's name together with a copy of the proposed use of the Bond Insurer's name and of any description of a transaction with the Bond Insurer and shall obtain the Bond Insurer's prior consent as to the form and substance of the proposed use of the Bond Insurer's name and any such description.

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE III

REDEMPTION OF BONDS

SECTION 3.01. Optional Redemption of the Bonds.

The Bonds maturing on or before July 1, 20__ are not subject to optional redemption prior to their maturities. The Bonds maturing after July 1, 20__ are subject to redemption at the option of the Council on or after July 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 July 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 July 1, 20__ and on each July 1st 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.

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

ARTICLE IV

REVENUES AND FUNDS

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

SECTION 4.02. Creation of Funds and Accounts. There are hereby established by the Council the following Funds and Accounts to be held by the Trustee: (1) the Project Loan Fund, with an Account relating to each Borrower therein, (2) the Principal Fund, with an Account relating to each Borrower, (3) the Revenue Fund, with an Account relating to each Borrower therein (4) the Cost of Issuance Fund, with an Account relating to each Borrower therein, (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 respective Borrower in the Principal Fund all payments or recoveries of principal of Loans or payments to be applied to the payment of any premium due upon optional redemption of the Bonds.

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

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

SECTION 4.05. Revenue Fund. Upon the receipt of Loan Repayments, Liquidation Proceeds, Insurance Proceeds or proceeds earmarked for capitalized interest, the Trustee shall deposit in the Revenue Fund all moneys remaining after the deposits required by Section 4.04 hereof. 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 December 1, 2004 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 2004A-1 Bonds in the sum of \$_____ shall be deposited with the Trustee as follows:

- (i) In each Account for the respective Borrowers in the Cost of Issuance Fund, the total sum of \$_____, allocated as follows:
 - (a)

- (ii) In the Revenue Fund, the sum of \$_____, which represents capitalized interest for the _____;

- (iii) In each Account for the respective Borrowers in the Project Loan Fund, the total sum of \$_____, allocated as follows:
 - (a) City of Haines City
 - (b) City of Oakland Park
 - (c) Village of Pinecrest
 - (d) City of St. Augustine Beach

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

SECTION 4.08. Reserve Fund.

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

The Surety Bond shall secure and satisfy the Reserve Requirement and any other reserve requirement of bonds as listed on Annex A to the Surety Bond. The Trustee may deliver a Demand for Payment in an amount less than or equal to the limit of the Surety Bond. If a Demand for Payment is made on behalf of a Borrower which has an outstanding Loan Agreement relating to the Bonds and other loan agreements relating to the other series of the Council’s bonds, then the Council’s reimbursement, from the payments received by such Borrower, to the Surety Bond Provider shall be applied pro-rata to the Reserve Fund and to each reserve fund which secures such other loans. Further, if the Demand for Payment relates to one or more reserve funds from more than one series of bonds, and such Demand for Payment exceeds the limit of the Surety Bond, then the Surety Bond shall be allocated on a pro-rata basis for each reserve fund from each series and for each Borrower.

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

all withdrawals from this Reserve Fund and other reserve funds which are covered by the Surety Bond.

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

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

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

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

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

SECTION 4.09. Rebate Fund. In order to insure compliance with the rebate provisions of Section 148(f) of the Code, the Council shall create the Rebate Fund. Such Fund shall be held by the Trustee. The Rebate Fund need not be maintained if the Council shall have received an Opinion of Bond Counsel acceptable to the Council to the effect that failure to maintain the Rebate Fund or such Account therein shall not adversely affect the exclusion of interest on the Bonds from gross income for purposes of Federal income taxation. Moneys in the Rebate Fund shall not be considered moneys held under the Indenture and shall not constitute a part of the Trust Estate held for the benefit of the Bondholders or the Council. Moneys in the Rebate Fund (including earnings and deposits therein) shall be held for future payment to the United States Government as required by the regulations and as set forth in instructions delivered to the Council upon issuance of the Bonds.

SECTION 4.10. Moneys To Be Held in Trust. With the exception of moneys deposited in the Rebate Fund, all moneys required to be deposited with or paid to the Trustee for

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

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

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

ARTICLE V

PROJECT LOANS

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

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

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

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

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

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

ARTICLE VI

SERVICING OF LOANS

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

ARTICLE VII

INVESTMENT OF MONEYS

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

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

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

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

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

required payment, transfer, withdrawal or disbursement from the Fund or Account to which such Investment Security is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made pursuant to this Article VII.

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

ARTICLE VIII

DISCHARGE OF INDENTURE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IX

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

positions and rights hereunder, respectively, and with regard to the property herein subject to this Indenture, and all rights, remedies and powers of the Trustee, the Bond Insurer and Owners of Bonds shall continue as if no such proceedings had been taken.

SECTION 9.09. Waivers of Events of Default. The Trustee may, with the consent of the Bond Insurer, at its discretion waive any Event of Default hereunder (other than an Event of Default specified in 9.01(c) above) and its consequences and may rescind any declaration of maturity of all the Bonds affected thereby (except an acceleration of maturity of all or a portion of such Bonds directed by the Bond Insurer) and shall do so upon the written request of the Bond Insurer or the Owners of (a) more than two-thirds in aggregate principal amount of all Outstanding Bonds (with the consent of the Bond Insurer, unless the Bond Insurer is in default under the Bond Insurance Policy) in the case of default in the payment of principal or interest, or (b) more than one-half in aggregate principal amount of all Outstanding Bonds affected thereby (with the consent of the Bond Insurer, unless the Bond Insurer is in default under the Bond Insurance Policy) in the case of any other default; provided, however, that there shall not be waived (i) any default in the payment of the principal of any such Outstanding Bond at the date of maturity specified therein or (ii) any default in the payment when due of the interest on any such Outstanding Bond, unless prior to such waiver all arrears of interest or all arrears of payments of principal when due, as the case may be, with interest on overdue principal and interest, and all expenses of the Trustee in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then, and in every such case, the Council, the Trustee, the Bond Insurer and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon. No such waiver shall affect the rights of third parties to payment of amounts provided for hereunder.

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

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

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

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

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

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

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

ARTICLE X

THE TRUSTEE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 10.03. Notice to Bondholders if Default Occurs Under Indenture. If the Trustee becomes aware of an Event of Default, then the Trustee shall promptly give written

notice thereof by registered or certified mail to the Bond Insurer and by first-class mail to the Owners of all Outstanding Bonds affected thereby, as shown by the bond registration books.

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

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

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

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

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

SECTION 10.08. Appointment of Successor Trustee. In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor

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

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

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

SECTION 10.11. [Reserved]

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

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

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

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

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

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

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

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

ARTICLE XI

SUPPLEMENTAL INDENTURES

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

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

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

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

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

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

ARTICLE XII

AMENDMENT OF LOAN AGREEMENTS

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

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

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

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

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

ARTICLE XIII

GENERAL COVENANTS

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

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

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

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

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

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

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

SECTION 13.07. Tax Covenants.

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

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

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

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

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

SECTION 13.08. Security Interest.

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

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

ARTICLE XIV

MISCELLANEOUS

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

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

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

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

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

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

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

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

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

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

For purposes of Bonds for transfer, exchange or payment:

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

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

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

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

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

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

[End of Form Trust Indenture; Exhibits Intentionally Omitted]

APPENDIX D

FORM OF COVENANT LOAN AGREEMENT

This Loan Agreement (the "Loan Agreement" or the "Agreement") dated as of _____ 1, 2004 and entered into between the FLORIDA MUNICIPAL LOAN COUNCIL (the "Council"), a separate legal entity and public body corporate and politic duly created and existing under the Constitution and laws of the State of Florida, and [BORROWER] (the "Borrower"), a duly constituted municipality under the laws of the State of Florida.

WITNESSETH:

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

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

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

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

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

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

WHEREAS, the Council and the Borrower have determined that the lending of funds by the Council to the Borrower pursuant to the terms of this Agreement and that certain Trust Indenture dated as of _____ 1, 2004, between the Council and the Trustee (as defined herein) relating to the Bonds (as hereinafter defined), including any amendments and supplements thereto (the "Indenture"), will assist in the development and maintenance of the public welfare of the residents of the State and the areas served by the Borrower, and shall serve

a public purpose by improving the health and living conditions, and providing adequate governmental services, facilities and programs and will promote the most efficient and economical development of such services, facilities and programs in the State; and

WHEREAS, neither the Council, the Borrower nor the State or any political subdivision thereof (other than each Borrower to the extent of their obligations under their respective Loan Agreements only), shall in any way be obligated to pay the principal of, premium, if any, or interest on those certain revenue bonds of the Council designated “Florida Municipal Loan Council Revenue Bonds, Series 2004A” (the “Bonds”) as the same shall become due, and the issuance of the Bonds shall not directly, indirectly or contingently obligate the Borrower, the State or any political subdivision or municipal corporation thereof to levy or pledge any form of ad valorem taxation for their payment but shall be payable solely from the funds and revenues pledged under and pursuant to this Agreement and the Indenture.

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

ARTICLE I

DEFINITIONS

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

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

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

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

“Additional Payments” means payments required by Section 5.03 hereof.

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

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

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

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

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

“Board” means the governing body of the Borrower.

“Bond Counsel” means Bryant Miller & Olive P.A., Tampa, Florida or any other nationally recognized bond counsel.

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

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

“Bond Insurance Premium” means the premiums payable to the Bond Insurer for the Bond Insurance.

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

“Bonds” means the \$_____ Florida Municipal Loan Council Revenue Bonds, Series 2004A 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 _____, 2004.

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

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

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

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

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

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

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

“Council” means the Florida Municipal Loan Council.

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

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

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

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

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

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

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

“Fitch” means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and if such corporation shall be dissolved or

liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with approval of the Bond Insurer, by notice to the Trustee.

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

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

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

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

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

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

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

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

“Indenture” means the Trust Indenture dated as of _____ 1, 2004 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.

“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.

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

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

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

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

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

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

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

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

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

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

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

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

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

“State” means the State of Florida.

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

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

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

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

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

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS OF BORROWER AND COUNCIL

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

(a) Organization and Authority. The Borrower:

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

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

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

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

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

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

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

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

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

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

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

(h) Use of Proceeds.

(1) The Borrower will apply the proceeds of the Loan from the Council solely for the financing for the cost of the Projects as set forth in Exhibit A hereto. If any component of the Project listed in Exhibit A is not paid for out of the proceeds of the Loan at the Closing of the Loan, Borrower shall, as quickly as reasonably possible, with due diligence, and in any event prior to _____, 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.

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

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

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

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

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

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

annual debt service requirements for all debt secured by and/or payable solely from such Non-Ad Valorem Revenues will not exceed 20% of Governmental Fund Revenues (defined as general fund, special fund, debt service fund and capital projects funds), exclusive of (i) ad valorem revenues restricted to payment of debt service on any debt and (ii) any debt proceeds, and based on the Borrower's audited financial statements (average of actual receipts of the prior two years). For the purposes of these covenants maximum annual debt service means the lesser of the actual maximum annual debt service on all debt or 15% of the original par amount of the debt, in each case, secured by Borrower Non-Ad Valorem Revenues.

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

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

(d) [Reserved].

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

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

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

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

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

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

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

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

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

Trustee, the Council, the Bond Insurer, or the Bondholders or any other person shall have the right to compel the exercise of the ad valorem taxing power of the Borrower or taxation of any real or personal property therein for the payment by the Borrower of its obligations hereunder. Except to the extent expressly set forth in this Loan Agreement, this Loan Agreement and the obligations of the Borrower hereunder shall not be construed as a limitation on the ability of the Borrower to pledge or covenant to pledge said Non-Ad Valorem Revenues or any revenues or taxes of the Borrower for other legally permissible purposes. Notwithstanding any provisions of this Agreement, the Indenture or the Bonds to the contrary, the Borrower shall never be obligated to maintain or continue any of the activities of the Borrower which generate user service charges, regulatory fees or any Non-Ad Valorem Revenues or the rates for such services or regulatory fees. Neither this Loan Agreement nor the obligations of the Borrower hereunder shall be construed as a pledge of or a lien on all or any legally available Non-Ad Valorem Revenues of the Borrower, but shall be payable solely as provided in Section 2.02(a) hereof and is subject in all respects to the provisions of Section 166.241, Florida Statutes, and is subject, further, to the payment of services and programs which are for essential public purposes affecting the health, welfare and safety of the inhabitants of the Borrower. It is the intent of the parties hereto and they do hereby covenant and agree, that the liability of the Borrower hereunder is a several liability of the Borrower expressly limited to the Loan Repayments and the Borrower shall have no joint liability with any other Borrower or the Council for any of their respective liabilities, except to the extent expressly provided hereunder.

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

(1) Reporting Requirements. (i) The Borrower will file or cause to be filed with the Bond Insurer and with the Council any official statement issued by, or on behalf of, the Borrower in connection with the incurrence of any additional indebtedness by the Borrower. Such official statements shall be filed within sixty (60) days after the publication thereof.

(ii) The Borrower agrees to provide not later than December 31 of each year, a certificate of its Chief Financial Officer stating that to the best of its knowledge the Borrower is in compliance with the terms and conditions of this Loan Agreement, or, specifying the nature of any noncompliance and the remedial action taken or proposed to be taken to cure such noncompliance.

ARTICLE III

THE LOAN

SECTION 3.01. The Loan. The Council hereby agrees to loan to the Borrower and the Borrower hereby agrees to borrow from the Council the sum of \$_____ (\$_____ par amount of Bonds plus \$_____ reoffering premium). 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.

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

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

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

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

ARTICLE V

LOAN REPAYMENTS

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

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

On or before the fifteenth (15th) day of the month immediately preceding each Interest Payment Date, the Trustee shall give Borrower notice in writing of the total amount of the next Basic Payment due. The Basic Payments shall be due on each _____ 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, the principal, interest and prepayment premiums, if any, received will be sufficient (as reflected in an accountants verification report provided to the Trustee by the Borrower) to make timely payment of the principal, interest and prepayment premiums, if any, on the Outstanding Loan, shall be considered "provision for payment." The prepayment premium, if any, shall be calculated based on the prepayment date selected by the Borrower in accordance with Section 5.07 hereof.

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

If the Borrower shall make advance payments to the Council in an amount sufficient to retire the Loan of the Borrower, including redemption premium and accrued interest to the next succeeding redemption date of the Bonds, all future obligations of the Borrower under this Loan Agreement shall cease, including the obligations under Section 5.03 hereof, except as provided in Section 4.02 hereof. However, prior to making such payments, the Borrower shall give at least 60 days' irrevocable notice by certified or registered mail to the Council.

ARTICLE VII

ASSIGNMENT AND PAYMENT BY THIRD PARTIES

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

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

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

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

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 8.04. [Reserved].

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

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

ARTICLE IX

MISCELLANEOUS

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

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

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

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

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

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

Borrower: _____

Attention: _____

Any of the above parties may, by notice in writing given to the others, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 9.02. Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Council and the Borrower and their respective successors and assigns.

SECTION 9.03. Severability. In the event any provision of the Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 9.04. Amendments, Changes and Modifications. This Loan Agreement may be amended by the Council and the Borrower as provided in the Indenture; provided, however, that no such amendment shall be effective unless it shall have been consented to in writing by the Bond Insurer.

SECTION 9.05. Execution in Counterparts. This Loan Agreement may be simultaneously executed in several counterparts, each of which, when so executed and delivered, shall be an original and all of which shall constitute but one and the same instrument.

SECTION 9.06. Applicable Law. This Loan Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

SECTION 9.07. Benefit of Bondholders; Compliance with Indenture. This Loan Agreement is executed in part to induce the purchase by others of the Bonds. Accordingly, all covenants, agreements and representations on the part of the Borrower and the Council, as set forth in this Loan Agreement, are hereby declared to be for the benefit of the holders from time to time of the Bonds. The Borrower covenants and agrees to do all things within its power in order to comply with and to enable the Council to comply with all requirements and to fulfill and to enable the Council to fulfill all covenants of the Indenture. The Borrower also acknowledges that the Council has delegated certain of its duties under the Indenture to its Program Administrator, including the direction to make investments in accordance with Article VII thereof, 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.

[End of Form Loan Agreement; Exhibits Intentionally Omitted]

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

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

[dated date of closing]

Florida Municipal Loan Council
Tallahassee, Florida

\$15,585,000
FLORIDA MUNICIPAL LOAN COUNCIL
REVENUE BONDS, SERIES 2004A-1

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Florida Municipal Loan Council (the “Council”) of its \$15,585,000 Florida Municipal Loan Council Revenue Bonds, Series 2004A-1 (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 July 1, 2004, 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 Haines City, Florida; City of Oakland Park, Florida, Village of Pinecrest, Florida, and City of St. Augustine Beach, Florida (collectively, the “Borrowers”) for the purpose of financing, refinancing or reimbursing the cost of qualified projects of such Borrowers, and to pay certain costs of issuing the Bonds pursuant to Loan Agreements between the Council and such Borrowers to be executed simultaneously with the issuance of the Bonds.

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

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

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

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

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

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

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

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

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

Subject to compliance by the Council and the Borrowers with the aforementioned covenants, (a) interest on the Bonds is excluded from gross income of the owners thereof for purposes of federal income taxation and (b) interest on the Bonds is not an item of tax preference for purposes of the

federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

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

Very truly yours,

BRYANT MILLER & OLIVE P.A.

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APPENDIX F

SPECIMEN OF FINANCIAL GUARANTY INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

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

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [INSERT NAME OF PAYING AGENT] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); 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 Haines City

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CITY OF HAINES CITY, FLORIDA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GENERAL FUND
 FISCAL YEARS ENDED SEPTEMBER 30,

	<u>2002</u>	<u>2001</u>
REVENUES:		
Taxes	\$ 5,089,028	\$ 4,836,950
Licenses and Permits	275,528	283,206
Intergovernmental Revenues	1,827,294	2,411,910
Charges for Services	1,380,042	1,260,949
Fines and Forfeitures	114,888	111,838
Miscellaneous Revenues	<u>301,436</u>	<u>464,977</u>
 Total Revenues	 <u>\$ 8,998,216</u>	 <u>\$ 9,369,830</u>
EXPENDITURES:		
Current:		
General Government	\$ 1,188,487	\$ 1,367,136
Public Safety	4,484,910	4,000,570
Physical Environment	1,104,017	1,033,122
Transportation	669,095	779,479
Economic Environment	680,368	613,154
Culture and Recreation	<u>1,467,361</u>	<u>1,828,478</u>
 Total Expenditures	 <u>\$ 9,594,238</u>	 <u>\$ 9,621,939</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(606,022)	(252,109)
OTHER FINANCING SOURCES (USES):		
Proceeds of Long-Term Debt Financing	535,762	94,715
Operating Transfers In	926,350	899,369
Operating Transfers Out	(<u>565,887</u>)	(<u>401,829</u>)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	290,203	340,146
FUND BALANCE, OCTOBER 1	\$ <u>4,853,908</u>	\$ <u>4,513,762</u>
FUND BALANCE, SEPTEMBER 30	\$ <u>5,144,111</u>	\$ <u>4,853,908</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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BELLA, HERMIDA,
GILLMAN, HANCOCK
& MUELLER

CERTIFIED PUBLIC ACCOUNTANTS

Members

Florida Institute of
Certified Public Accountants

American Institute of
Certified Public Accountants
S.E.C. Practice Section

INDEPENDENT AUDITORS' UNQUALIFIED OPINION ON
GENERAL PURPOSE FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

Nicholas J. Bella
(1952-1971)

Remy Hermida*

H. Leo Gillman

William H. Hancock

W. Andrew Mueller, Jr.

James E. Hum

Charlotte M. Stertzner

Leslie B. Gray

*Consultant to the Firm

To the Honorable Mayor and
Board of City Commissioners
City of Haines City, Florida

We have audited the accompanying general purpose financial statements of the City of Haines City, Florida, as of and for the year ended September 30, 2002, as listed in the table of contents (Exhibits A through E). These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Haines City, Florida, as of September 30, 2002, and the results of its operations and 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 20, 2003, on our consideration of the City of Haines 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.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the City of Haines City, Florida, taken as a whole. The combining financial statements (Exhibits F through K), Supplemental Information (Pages 45 through 49) and Schedule of Federal, State and Local Financial Assistance listed in the table of contents are presented for purposes of additional analysis and as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the general purpose financial statements of the City of Haines City. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Respectfully submitted,

BELLA, HERMIDA, GILLMAN, HANCOCK & MUELLER

Bella, Hermida, Gillman, Hancock & Mueller

Certified Public Accountants

June 20, 2003

CITY OF HAINES CITY, FLORIDA

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2002

GOVERNMENTAL FUND TYPES

<u>ASSETS AND OTHER DEBITS</u>	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>
CURRENT ASSETS:			
Cash and Cash Equivalents	\$ 4,276,290	\$ 8,384	\$
Cash and Investments held by Custodian			
Receivables:			
Accounts, Net of Allowance of \$30,000 in Enterprise Fund	305,183		
Assessments	7,779		
Contribution			
Accrued Interest			
Due from Other Governments	2,579,962	130,118	
Inventories	30,230		
Refundable Deposits	<u> </u>	<u>13,687</u>	<u> </u>
Total Current Assets	<u>7,199,444</u>	<u>152,189</u>	<u> </u>
RESTRICTED ASSETS:			
Cash and Cash Equivalents	<u>734,255</u>	<u> </u>	<u>69</u>
Total Restricted Assets	<u>734,255</u>	<u> </u>	<u>69</u>
FIXED ASSETS:			
Land			
Buildings, Improvements and Equipment			
Less, Accumulated Depreciation			
Construction in Progress	<u> </u>	<u> </u>	<u> </u>
Total Fixed Assets	<u> </u>	<u> </u>	<u> </u>
OTHER ASSETS AND DEBITS:			
Long-Term Receivables	9,668		
Deferred Charges for Bond Issuance Costs			
Deferred Charges for Loan Costs			
Amount Available in Debt Service Fund			
Amount to be Provided for Retirement of General			
Long-Term Debt and Other Obligations	<u> </u>	<u> </u>	<u> </u>
Total Other Assets and Debits	<u>9,668</u>	<u> </u>	<u> </u>
TOTAL ASSETS AND OTHER DEBITS	-\$ <u>7,943,367</u>	\$ <u>152,189</u>	\$ <u>69</u>

The Accompanying Notes are an Integral Part of These Financial Statements

<u>PROPRIETARY FUND TYPES</u>	<u>FIDUCIARY FUND TYPES</u>	<u>ACCOUNT GROUPS</u>		<u>TOTALS (MEMORANDUM ONLY)</u>	
		<u>GENERAL FIXED ASSETS</u>	<u>GENERAL LONG-TERM DEBT</u>	<u>2002</u>	<u>2001</u>
<u>ENTERPRISE</u>	<u>TRUST AND AGENCY</u>				
\$ 2,820,119	\$ 390,953	\$	\$	\$ 7,495,746	\$ 7,174,873
	9,900,760			9,900,760	10,492,705
530,753				835,936	895,215
				7,779	7,779
	117,939			117,939	4,692
	44,441			44,441	62,539
				2,710,080	2,292,815
102,999				133,229	87,006
				13,687	
<u>3,453,871</u>	<u>10,454,093</u>			<u>21,259,597</u>	<u>21,017,624</u>
<u>5,604,699</u>				<u>6,339,023</u>	<u>5,903,779</u>
<u>5,604,699</u>				<u>6,339,023</u>	<u>5,903,779</u>
289,901		447,999		737,900	737,900
29,259,352		12,053,787		41,313,139	40,721,754
(11,085,074)				(11,085,074)	(10,501,410)
<u>520,140</u>				<u>520,140</u>	<u>410,421</u>
<u>18,984,319</u>		<u>12,501,786</u>		<u>31,486,105</u>	<u>31,368,665</u>
				9,668	8,579
44,600				44,600	49,060
134,153				134,153	143,678
			69	69	159
			<u>5,228,839</u>	<u>5,228,839</u>	<u>4,931,683</u>
<u>178,753</u>			<u>5,228,908</u>	<u>5,417,329</u>	<u>5,133,159</u>
\$ <u>28,221,642</u>	\$ <u>10,454,093</u>	\$ <u>12,501,786</u>	\$ <u>5,228,908</u>	\$ <u>64,502,054</u>	\$ <u>63,423,227</u>

CITY OF HAINES CITY, FLORIDA

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2002

GOVERNMENTAL FUND TYPES

LIABILITIES, FUND EQUITY AND OTHER CREDITS

CURRENT LIABILITIES PAYABLE FROM CURRENT ASSETS:

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>
Accounts Payable	\$ 135,556	\$ 8,262	\$
Deferred Revenue	2,422,951		
Accrued Liabilities	187,914		
Due to Other Governments	6,096		
Loans Payable - Current Portion			
Capital Lease - Current Portion			
Total Current Liabilities Payable from Current Assets	<u>2,752,517</u>	<u>8,262</u>	

CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:

Accrued Interest			
Deferred Grant Revenue	46,739		
Deposits			
Loans Payable - Current Portion			
Other Liabilities			
Bonds Payable - Current Portion			
Total Current Liabilities Payable from Restricted Assets	<u>46,739</u>		

LONG-TERM LIABILITIES:

Obligations Under Capital Leases			
Estimated Liability for Compensated Absences			
Bonds Payable			
Loans Payable			
Deposit			
Total Long-Term Liabilities			
Total Liabilities	<u>2,799,256</u>	<u>8,262</u>	

FUND EQUITY AND OTHER CREDITS:

Contributed Capital			
Investment in General Fixed Assets			
Retained Earnings:			
Reserved For Debt Retirement			
Other Reserves			
Unreserved			
Fund Balances:			
Reserve for Encumbrances			
Reserved For Employees' Retirement			
Reserved For Debt Service			69
Other Reserves	718,048		
Unreserved:			
Designated	1,644,160		
Undesignated	<u>2,781,903</u>	<u>143,927</u>	
Total Fund Equity and Other Credits	<u>5,144,111</u>	<u>143,927</u>	<u>69</u>

TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS	\$ <u>7,943,367</u>	\$ <u>152,189</u>	\$ <u>69</u>
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The Accompanying Notes are an Integral Part of These Financial Statements

PROPRIETARY FUND TYPES	FIDUCIARY FUND TYPES TRUST AND AGENCY	ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY)	
		GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	2002	2001
ENTERPRISE					
\$ 92,685	\$	\$	\$	\$ 236,503	\$ 101,968
31,345				2,422,951	2,185,780
276,281				219,259	187,835
<u>29,963</u>				6,096	37,139
430,274				276,281	268,958
				<u>29,963</u>	<u>38,487</u>
				<u>3,191,053</u>	<u>2,820,167</u>
184,579				184,579	195,351
319,610				46,739	48,669
245,150				319,610	303,023
13,015				245,150	238,599
<u>185,000</u>				13,015	13,015
947,354				<u>185,000</u>	<u>175,000</u>
				994,093	973,657
			675,266	675,266	312,119
132,927			818,642	951,569	966,373
2,589,277				2,589,277	2,770,633
8,262,572			3,735,000	11,997,572	12,579,003
	10,635			<u>10,635</u>	<u>10,626</u>
10,984,776	10,635		5,228,908	16,224,319	16,638,754
12,362,404	10,635		5,228,908	20,409,465	20,432,578
9,572,740				9,572,740	9,082,513
		12,501,786		12,501,786	12,576,325
367,207				367,207	367,207
613,454				613,454	612,759
5,305,837				5,305,837	4,948,330
	10,443,458			10,443,458	471,887
				69	10,549,310
				718,048	159
				1,644,160	739,169
				<u>2,925,830</u>	1,457,027
					<u>2,185,963</u>
15,859,238	10,443,458	12,501,786		44,092,589	42,990,649
\$ 28,221,642	\$ 10,454,093	\$ 12,501,786	\$ 5,228,908	\$ 64,502,054	\$ 63,423,227

CITY OF HAINES CITY, FLORIDA

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002**

	<u>GOVERNMENTAL FUND TYPES</u>		
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>
REVENUES:			
Taxes	\$ 5,089,028	\$ 130,118	\$
Licenses and Permits	275,528		
Intergovernmental Revenues	1,827,294		
Charges for Services	1,380,042		
Fines and Forfeitures	114,888		
Miscellaneous Revenues	<u>301,436</u>	_____	<u>180</u>
Total Revenues	<u>8,988,216</u>	<u>130,118</u>	<u>180</u>
EXPENDITURES:			
Current:			
General Government	1,188,487		
Public Safety	4,484,910		
Physical Environment	1,104,017		
Transportation	669,095		
Economic Environment	680,368	104,188	
Culture and Recreation	1,467,361		
Debt Service:			
Principal Retirement			202,398
Interest and Fiscal Charges	_____	_____	<u>232,160</u>
Total Expenditures	<u>9,594,238</u>	<u>104,188</u>	<u>434,558</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(606,022)	25,930	(434,378)
OTHER FINANCING SOURCES (USES):			
Proceeds of Long-Term Debt Financing	535,762		
Operating Transfers In	926,350	117,859	434,288
Operating Transfers Out	(565,887)	_____	_____
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	290,203	143,789	(90)
FUND BALANCE, OCTOBER 1	<u>4,853,908</u>	<u>138</u>	<u>159</u>
FUND BALANCE, SEPTEMBER 30	\$ <u>5,144,111</u>	\$ <u>143,927</u>	\$ <u>69</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOTALS
(MEMORANDUM ONLY)

<u>2002</u>	<u>2001</u>
\$ 5,219,146	\$ 4,836,950
275,528	283,206
1,827,294	2,411,910
1,380,042	1,260,949
114,888	111,838
<u>301,616</u>	<u>465,450</u>
<u>9,118,514</u>	<u>9,370,303</u>
1,188,487	1,367,136
4,484,910	4,000,570
1,104,017	1,033,122
669,095	779,479
784,556	613,154
1,467,361	1,828,478
202,398	165,787
<u>232,160</u>	<u>223,673</u>
<u>10,132,984</u>	<u>10,011,399</u>
(1,014,470)	(641,096)
535,762	94,715
1,478,497	1,287,458
(<u>565,887</u>)	(<u>401,829</u>)
433,902	339,248
<u>4,854,205</u>	<u>4,514,957</u>
\$ <u>5,288,107</u>	\$ <u>4,854,205</u>

CITY OF HAINES CITY, FLORIDASTATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002GENERAL FUND

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Taxes	\$ 4,991,579	\$ 5,089,028	\$ 97,449
Licenses and Permits	219,900	275,528	55,628
Intergovernmental Revenues	1,875,394	1,827,294	(48,100)
Charges for Services	1,321,540	1,380,042	58,502
Fines and Forfeitures	114,900	114,888	(12)
Miscellaneous Revenues	<u>379,510</u>	<u>301,436</u>	(78,074)
Total Revenues	<u>8,902,823</u>	<u>8,988,216</u>	<u>85,393</u>
EXPENDITURES:			
General Government	1,437,956	1,188,487	249,469
Public Safety	4,968,815	4,484,910	483,905
Physical Environment	1,104,023	1,104,017	6
Transportation	842,446	669,095	173,351
Economic Environment	811,514	680,368	131,146
Culture and Recreation	<u>1,608,429</u>	<u>1,467,361</u>	<u>141,068</u>
Total Expenditures	<u>10,773,183</u>	<u>9,594,238</u>	<u>1,178,945</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,870,360)	(606,022)	1,264,338
OTHER FINANCING SOURCES (USES):			
Proceeds of Long-Term Debt Financing	548,696	535,762	(12,934)
Operating Transfers In	926,350	926,350	
Operating Transfers Out	(703,807)	(565,887)	<u>137,920</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,099,121)	290,203	1,389,324
FUND BALANCE, OCTOBER 1	<u>4,853,908</u>	<u>4,853,908</u>	_____
FUND BALANCE, SEPTEMBER 30	\$ <u>3,754,787</u>	\$ <u>5,144,111</u>	\$ <u>1,389,324</u>

The Accompanying Notes are an Integral Part of These Financial Statements

EXHIBIT C

<u>SPECIAL REVENUE FUND</u>			<u>TOTALS - MEMORANDUM ONLY</u>			
<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>2001 ACTUAL</u>
\$ 130,118	\$ 130,118	\$	\$ 5,121,697	\$ 5,219,146	\$ 97,449	\$ 4,836,950
			219,900	275,528	55,628	283,206
			1,875,394	1,827,294	(48,100)	2,411,910
			1,321,540	1,380,042	58,502	1,260,949
			114,900	114,888	(12)	111,838
			<u>379,510</u>	<u>301,436</u>	<u>(78,074)</u>	<u>464,978</u>
<u>130,118</u>	<u>130,118</u>		<u>9,032,941</u>	<u>9,118,334</u>	<u>85,393</u>	<u>9,369,831</u>
			1,437,956	1,188,487	249,469	1,367,136
			4,968,815	4,484,910	483,905	4,000,570
			1,104,023	1,104,017	6	1,033,122
			842,446	669,095	173,351	779,479
354,363	104,188	250,175	1,165,877	784,556	381,321	613,154
			<u>1,608,429</u>	<u>1,467,361</u>	<u>141,068</u>	<u>1,828,478</u>
<u>354,363</u>	<u>104,188</u>	<u>250,175</u>	<u>11,127,546</u>	<u>9,698,426</u>	<u>1,429,120</u>	<u>9,621,939</u>
(224,245)	25,930	250,175	(2,094,605)	(580,092)	1,514,513	(252,108)
			548,696	535,762	(12,934)	94,715
224,245	117,859	(106,386)	1,150,595	1,150,595	(106,386)	899,369
			<u>(703,807)</u>	<u>(565,887)</u>	<u>137,920</u>	<u>(401,829)</u>
	143,789	143,789	(1,099,121)	433,992	1,533,113	340,147
<u>138</u>	<u>138</u>		<u>4,854,046</u>	<u>4,854,046</u>		<u>4,513,899</u>
\$ <u>138</u>	\$ <u>143,927</u>	\$ <u>143,789</u>	\$ <u>3,754,925</u>	\$ <u>5,288,038</u>	\$ <u>1,533,113</u>	\$ <u>4,854,046</u>

CITY OF HAINES CITY, FLORIDA

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED
EARNINGS/FUND BALANCES - ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

	<u>PROPRIETARY FUND TYPES</u>	<u>FIDUCIARY FUND TYPES</u>	<u>TOTALS (MEMORANDUM ONLY)</u>	
	<u>ENTERPRISE FUNDS</u>	<u>PENSION TRUST FUNDS</u>	<u>2002</u>	<u>2001</u>
OPERATING REVENUES:				
Charges For Services	\$ 3,978,695	\$	\$ 3,978,695	\$ 3,885,553
Contributions		967,337	967,337	812,221
Demutualization Proceeds		377,937	377,937	
Investment Loss		(270,702)	(270,702)	(409,572)
Net Depreciation in Fair Value of Investments		(427,196)	(427,196)	(407,967)
Total Operating Revenues	<u>3,978,695</u>	<u>647,376</u>	<u>4,626,071</u>	<u>3,880,235</u>
OPERATING EXPENSES:				
Personal Services	954,749		954,749	809,935
Other Services and Charges	865,403	89,125	954,528	1,022,806
Depreciation	583,663		583,663	589,777
Retirements and Terminations		664,103	664,103	526,899
Total Operating Expenses	<u>2,403,815</u>	<u>753,228</u>	<u>3,157,043</u>	<u>2,949,417</u>
OPERATING INCOME (LOSS)	<u>1,574,880</u>	<u>(105,852)</u>	<u>1,469,028</u>	<u>930,818</u>
NON-OPERATING REVENUES (EXPENSES):				
Interest Income	107,494		107,494	337,492
Interest and Discount on Bonds and Loans	(425,195)		(425,195)	(449,394)
Miscellaneous Revenues	13,633		13,633	15,160
Total Non-Operating Revenues (Expenses)	<u>(304,068)</u>		<u>(304,068)</u>	<u>(96,742)</u>
INCOME (LOSS) BEFORE TRANSFERS	1,270,812	(105,852)	1,164,960	834,076
TRANSFERS:				
Transfers In	13,740		13,740	13,740
Transfers Out	(926,350)		(926,350)	(899,369)
NET INCOME (LOSS)	358,202	(105,852)	252,350	(51,553)
RETAINED EARNINGS/FUND BALANCES - OCTOBER 1	<u>5,928,296</u>	<u>10,549,310</u>	<u>16,477,606</u>	<u>16,529,159</u>
RETAINED EARNINGS/FUND BALANCES - SEPTEMBER 30	\$ <u>6,286,498</u>	\$ <u>10,443,458</u>	\$ <u>16,729,956</u>	\$ <u>16,477,606</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY OF HAINES CITY, FLORIDASTATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

2002

CASH FLOWS FROM OPERATING ACTIVITIES:

Operating Income	\$ 1,574,880
Adjustments to Reconciled Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	583,663
Amortization Expense	13,985
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(6,392)
Increase in Inventories	(41,925)
Increase in Accounts Payable	79,044
Increase in Accrued Liabilities	6,934
Increase in Customer Deposits	16,587
Increase in Estimated Liability for Compensated Absences	<u>21,497</u>
Total Adjustments	<u>673,393</u>
Net Cash Provided by Operating Activities	<u>2,248,273</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:

Operating Transfers In	13,740
Operating Transfers Out	(926,350)
Net Cash Used in Noncapital Financing Activities	(912,610)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Principal Payments - Bonds Payable	(175,000)
Principal Payments - Loans Payable	(507,557)
Principal Payments - Capital Leases	(38,744)
Interest Payments on Bonds and Loans Payable	(432,323)
Contributions Received from Developers	490,227
Acquisition and Construction of Fixed Assets	(775,642)
Insurance Proceeds and Other Miscellaneous Revenue	<u>13,633</u>
Net Cash Used in Capital and Related Financing Activities	(1,425,406)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest and Dividends on Investments	<u>107,494</u>
---------------------------------------	----------------

NET INCREASE IN CASH AND CASH EQUIVALENTS:

17,751

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR8,407,067**CASH AND CASH EQUIVALENTS AT END OF YEAR**\$ 8,424,818**CASH AND CASH EQUIVALENTS - UNRESTRICTED**

\$ 2,820,119

CASH AND CASH EQUIVALENTS - RESTRICTED5,604,699**TOTAL CASH AND CASH EQUIVALENTS**\$ 8,424,818

The Accompanying Notes are an Integral Part of These Financial Statements

CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Haines City was originally incorporated under the General Statutes of Florida as the Town of Haines City, on February 23, 1914. The first state legislative act affecting the City was enacted on May 20, 1919, and by Ch. 8272, it was reincorporated under a City Council form of government. The present charter was adopted as Ch. 12790 on July 1, 1927, changing the form of government to "Commission-Manager Plan," as amended. The City operates under a commission-manager form of government and provides the following services as authorized by its charter: Public Safety (Police and Fire), Streets and Highways, Culture-Recreation, Public Improvements, Sanitation, Housing, Planning and Zoning, and General Administrative Services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic - but not the only - criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the financial statements of the Haines City Community Redevelopment Agency (CRA) have been included in the financial reporting entity as a blended component unit reported in a special revenue fund. The CRA, which was created on April 4, 1991 by Resolution No. 558 pursuant to the Community Redevelopment Act, as found in Chapter 163 of the Florida Statutes, is an entity which is legally separate from the City of Haines City and is governed by a seven-member board; five board members are the City Commission members themselves, and the other two members are appointed by the City Commission. For financial reporting purposes, the CRA is reported as if it were part of the City's operations because their governing bodies are substantially the same, and the purpose of the CRA is to redevelop blighted areas within the City. The City is financially accountable for the CRA, in that the CRA's operations are financed through property tax increments which are approved by the City Commission, and the City would be secondarily liable for any debt issuances of the CRA (there are currently no debt issuances outstanding). Separate financial statements of the CRA can be obtained directly from its administrative office: Haines City Community Redevelopment Agency, P. O. Box 1507, Haines City, Florida 33845.

B. Nature and Purpose of Funds

The accounting records of the City are divided into various categories, designated as funds and account groups. The purpose of each fund and account group is to separate financial information in a manner that will allow the City to comply with legal requirements and generally accepted accounting principles.

For reporting purposes, the funds have been divided into three types: governmental, proprietary and fiduciary.

CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions typically are financed. They include general, special revenue, capital project and debt service funds. These types of funds use the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

The City uses the following governmental funds:

General Fund – The general fund accounts for all financial transactions and resources other than those required to be accounted for in another fund.

Debt Service Fund – The debt service fund accounts for the resources accumulated to retire long-term debt, and the payment of matured principal and interest.

Special Revenue Fund – The special revenue fund accounts for all financial transactions of the Haines City Community Redevelopment Agency, which is a blended component unit of the City. Its purpose is to redevelop blighted areas within the City.

PROPRIETARY FUND TYPES

Proprietary funds include enterprise funds and internal service funds. These funds use the economic resources measurement focus. The accounting principles for these funds are similar to those used by businesses. The City applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

The City uses the following proprietary funds:

Enterprise Fund – The Water and Sewer Fund accounts for the operation of the City's water and sewer system. The costs of providing services are recovered primarily through charges to users.

Enterprise Fund – The Stormwater Fund accounts for the City's stormwater activities. The costs of providing services are recovered primarily through charges to users.

FIDUCIARY FUND TYPES

Fiduciary funds are established to account for assets held by a governmental unit as a trustee or agent for another organization or individual. Expendable trust funds account for financial activity in essentially the same manner as governmental funds. Pension trust funds account for financial activity essentially in the same manner as proprietary funds. Agency funds are custodial in structure and do not involve measurement of results of operations.

The City has used three trust funds. They account for assets to be used to provide pensions for the general employees of the City, its police officers and its firefighters.

The City uses an agency fund to account for funds held in custody for the maintenance of Southern Dunes right-of-way land.

CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GENERAL FIXED ASSET GROUP OF ACCOUNTS

This group was established to account for the general fixed assets of the City which are not the property of the enterprise fund. These assets are recorded at cost and they are not depreciated.

GENERAL LONG-TERM DEBT ACCOUNT GROUP

The general long-term debt account group was established to account for long-term debt which is supported by general revenues of the City or long-term debt intended to be financed from governmental type funds.

BUDGETS AND BUDGETARY ACCOUNTING

As set forth in the City Charter, the City Commission adopts an annual budget for the general fund, special revenue fund and enterprise funds. The annual budgets for the general fund and special revenue fund are prepared in accordance with the basis of accounting utilized by those funds (modified accrual basis). The budget for the enterprise funds are adopted under a basis consistent with GAAP, except that capital expenses are included in the budget and depreciation expense is not included. During the year and subsequent to year-end, the City Commission adopts budget amendments approving amended expenditures/expenses which are funded by new or increased revenue sources. Spending of previously approved budgeted revenue may be transferred between departments and/or line items without Commission approval. The amended budgets for the general fund and special revenue fund are presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General and Special Revenue Fund Types. All annual appropriations lapse at fiscal year-end. The City does not adopt a budget for the debt service fund.

INTERFUND PAYABLES AND RECEIVABLES

All interfund payables and receivables are disclosed in the financial statements when they exist at year-end.

C. Basis of Accounting

FUND TYPES:

Governmental Fund Types – Revenues and expenditures are recognized on the modified accrual basis. This method recognizes revenues in the period in which they become available and measurable. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Measurable means the amounts are determinable. Expenditures are recognized in the period in which the related liability is incurred, except for interest on general long-term debt which is recognized when due. While the City does not employ an encumbrance system, encumbrances outstanding (open purchase orders) at year-end are reported as reservations of fund balance for subsequent year purchases, and are not treated as current year expenditures under generally accepted accounting principles.

Proprietary Fund Types – Revenues and expenses are recognized on the accrual basis.

Fiduciary Fund Types – Revenues and expenses are recognized on the accrual basis for trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Inventories

Inventories are valued at the lower of cost or market on the first-in, first-out basis. Inventories are recorded in the General Fund and the Water and Sewer Fund and consist of repair and replacement parts for the Water and Sewer system and other supplies, materials and fuel held for future use by the City.

E. Fixed Assets

General Fixed Assets – General fixed assets are valued at cost. If cost cannot be determined, the estimated cost (estimated fair market value) at the time of acquisition is used. The City has decided to omit from the general fixed assets, rights-of-way, streets, sidewalks, curbing, drainage facilities and other infrastructure. Items included are equipment, land and buildings, and other similar type improvements and structures.

Enterprise Fund – Fixed Assets - Enterprise fund fixed assets are recorded at cost (including capitalized interest) at time of acquisition. Depreciation is calculated on these assets and is included in the determination of net income of the fund. Depreciation is recorded on the straight-line basis over the estimated useful life of each asset. Depreciation is not taken in the year of acquisition.

Contributions of fixed assets are recorded at their estimated fair market value at the time of receipt. Depreciation on these assets is included with depreciation on purchased assets in the determination of net income.

The City capitalizes net interest costs as part of the cost of constructing various water and sewer projects.

F. Property Taxes

Property tax collections are governed by Chapter 197, Florida Statutes. The Polk County Tax Collector bills and collects all property taxes levied within the county. Discounts of 4, 3, 2 and 1% are allowed for early payment in November, December, January and February, respectively.

The Tax Collector remits collected taxes at least monthly to the City. The City recognizes property tax revenue on a cash basis, as it is received from the Tax Collector, since virtually all taxes levied will be collected through the tax collection process and the Tax Collector remittances in October and November for prior fiscal year taxes are insignificant.

In accordance with GASB 33, the tax levy approved in September is accrued and recorded as deferred revenue. Since the taxes are intended to finance the following fiscal year's budget, they will be earned as revenue in the subsequent year. A 5% estimated allowance for uncollectible taxes has also been recorded in accordance with GASB 33.

CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Calendar of events is as follows:

January 1	Property taxes are based on assessed values at this date as determined by the Polk County Property Appraiser, and attach as an enforceable lien.
July 1	Assessment roll approved by the state.
September 30	Millage resolution approved by the City Commission.
October 1	Beginning of fiscal year for which taxes have been levied.
November 1	Property taxes due and payable.
November 30	Last day for 4% maximum discount.
April 1	Unpaid property taxes become delinquent.
Not later than June 1	Tax certificates are sold by the Polk County Tax Collector.

G. Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the Water and Sewer Fund and Stormwater Fund consider all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

NOTE 2: GENERAL FUND

Reserves

For the year ended September 30, 2002, the City, in accordance with generally accepted accounting principles, has "reserved" certain assets to denote that the amount of fund equity represented by these amounts is not available for future appropriation for general governmental expenditures.

CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 2: GENERAL FUND (CONTINUED)

Other Reserves totaling \$718,048 are comprised of the following:

Reserve for Construction Projects	\$ 606,367
Reserve for Main Street	35,795
Reserve for Inventory	30,230
Confiscated Property	22,236
Section 8 Housing	18,660
Reserve for Law Enforcement Education Trust	3,902
Reserve for Local Law Enforcement Grant	558
Reserve for Petty Cash	<u>300</u>
	\$ <u>718,048</u>

The Reserve for Inventory and Reserve for Petty Cash represent assets held by the City that are not readily available for future expenditures since they have previously been converted to other purposes. The remaining reserves (Construction Projects, Section 8 Housing, Main Street, Confiscated Property and Law Enforcement Education Trust) represent the balance of monies received for these activities which have not been spent.

Designations

For the year ended September 30, 2002, the City has designated certain amounts of fund equity for the purposes scheduled below. Designations of fund balance are not legally restricted and represent tentative management plans that are subject to change.

Fiscal Year 2002/2003 Budget	\$ 823,582
Refuse/Sanitation Equipment	226,865
Workers' Compensation Insurance Pool	187,562
Demolition	121,540
Grace Avenue Relocation	114,380
Vehicle Replacement	76,674
Mausoleum	40,108
Library Capital Development	35,500
Heritage Days	10,298
Employee Holiday Party	3,490
Christmas Lights	1,485
Fourth of July	1,239
Select Area Plan	812
Consequences of Crime	<u>625</u>
	\$ <u>1,644,160</u>

NOTE 3: DEBT SERVICE FUND

Accounted for in the Debt Service Fund are the payments for principal and interest on various notes payable and capital lease obligations, which are listed in Note 7.

CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 4: ENTERPRISE FUNDS

A. Restricted Assets

The restricted assets of the Water and Sewer Fund at September 30, 2002 are comprised as follows:

Water and Sewer Impact Fees	\$ 3,676,683
Escrow/Reserve for State Revolving Fund Loan – Reuse	692,975
Bond Sinking Funds – Series 1991	641,489
Utility Deposits	319,610
Renewal and Replacement Funds	197,941
Escrow/Reserve for State Revolving Fund Loan – Pump Stations 4 and 5	32,793
Escrow/Reserve for State Revolving Fund Loan – Pump Stations 1 and 2	30,193
Escrow for Series 1961 Bonds	<u>13,015</u>
	\$ <u>5,604,699</u>

B. Fixed Assets

A schedule of the major categories of the Fixed Assets of the Water and Sewer Fund and the corresponding estimated useful lives of the assets follows:

	<u>BALANCE</u> <u>09/30/01</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>09/30/02</u>	<u>ESTIMATED</u> <u>USEFUL</u> <u>LIVES</u>
Land	\$ 289,901	\$	\$	\$ 289,901	
Equipment and Vehicles	1,318,509	74,924		1,393,433	4 – 10 Years
Water System	7,019,316	136,755		7,156,071	10 – 50 Years
Sewer System	20,238,556	454,245		20,692,801	50 Years
Other Buildings	17,047			17,047	5 Years
Construction in Progress	<u>410,421</u>	<u>486,391</u>	<u>376,672</u>	<u>520,140</u>	
Total	29,293,750	1,152,315	376,672	30,069,393	
Less, Accumulated Depreciation	<u>10,501,410</u>	<u>583,664</u>	<u> </u>	<u>11,085,074</u>	
TOTAL	\$ <u>18,792,340</u>	\$ <u>568,651</u>	\$ <u>376,672</u>	\$ <u>18,984,319</u>	

C. Bond Issuance Costs and Discount

Bond issuance costs of \$93,660, incurred in conjunction with the issue of the Revenue Refunding Bonds Series 1991 are being amortized over the life of the obligation (21 years) using the straight-line method. Amortization of issuance costs on the 1991 bonds was \$4,460 for the year ended September 30, 2002. The unamortized balance at September 30, 2002 is \$44,600.

Bond discount of \$69,029, incurred in conjunction with the issue of the Revenue Refunding Bonds, Series 1991, is being amortized over the life of the bonds using the effective interest method. Amortization of discount on the 1991 bonds was \$3,645 for the year ended September 30, 2002. Unamortized bond discount of \$20,723 is netted against bonds payable on the combined balance sheet.

CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 4: ENTERPRISE FUNDS (CONTINUED)

D. Deferred Charges for Loan Costs

Capitalized loan costs of \$190,513, incurred in conjunction with the State Revolving Fund Loan for wastewater treatment are being amortized over the life of the obligation (20 years) using the straight line method. Amortization of loan costs on the State Revolving Fund Loan was \$9,526 for the year ended September 30, 2002. The unamortized balance at September 30, 2002 is \$134,153.

E. Contributed Capital

The amounts and sources of contributions are as follows:

	BALANCE SEPTEMBER 30, <u>2001</u>	ADDITIONS	BALANCE SEPTEMBER 30, <u>2002</u>
Impact Fees	\$ 2,661,832	\$ 490,227	\$ 3,152,059
Federal Government	2,826,811		2,826,811
Contractors	690,128		690,128
Federal Revenue Sharing Fund	175,999		175,999
General Government	2,103,232		2,103,232
Florida Department of Environmental Protection	405,877		405,877
Southwest Florida Water Management District	<u>218,634</u>		<u>218,634</u>
TOTAL	\$ <u>9,082,513</u>	\$ <u>490,227</u>	\$ <u>9,572,740</u>

Amounts shown as Contributions from Federal Government represent the total proceeds of grants received from the following agencies:

Environmental Protection Agency (EPA)	\$ 2,159,607
Department of Housing and Urban Development	489,204
Department of Agriculture - Farmers Home Administration	<u>178,000</u>
TOTAL	\$ <u>2,826,811</u>

The proceeds of the EPA grants were primarily used to partially pay the costs of additions to the City's water distribution facilities, modifications to the City's sewage treatment plant, and construction of a spray irrigation effluent disposal system.

Amounts reflected as Contributions from General Government (\$2,103,232), include \$1,929,867 in residual equity transfers made by the General Fund to the Water and Sewer Fund during the fiscal year ended September 30, 1987. These funds were used by the Water and Sewer Fund in 1987 as part of the "Prepayment Amount" on the City's discount purchase of its Series 1974 and Series 1975 Revenue Certificates.

Amounts shown as contributions from the Florida Department of Environmental Protection (\$405,877) represent grant proceeds used for the construction of a water transmission main along U.S. Highway 27, North.

CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 4: ENTERPRISE FUNDS (CONTINUED)

F. Debt Service

The ordinance authorizing the issuance of the Water and Sewer Revenue Refunding Bonds, Series 1991, requires that monies be set aside in a separate "Sinking Fund" to pay interest and principal maturing annually and to create a permanent cash "Reserve" to remain throughout the life of the bonds. The following schedule shows the reserve requirements compared to the restricted assets pledged to meet those requirements as of September 30, 2002:

Reserve and Sinking Fund Requirements	\$ <u>641,489</u>
Assets Pledged	\$ <u>641,489</u>

Enterprise Fund reserves (which are net of current liabilities payable from restricted assets) consist of the following at September 30, 2002:

Reserve for Debt Service	\$ 367,207
Reserve for Renewal and Replacement	197,941
Reserve for State Revolving Fund Loans	<u>415,513</u>
	\$ <u>980,661</u>

G. Accounts Receivable

The accounts receivable balance in the Enterprise Fund of \$530,753 at September 30, 2002, consists of accounts receivable of \$560,753 reduced by an allowance for uncollectible accounts in the amount of \$30,000. The accounts receivable balance in the Stormwater Fund at September 30, 2002 is \$16,568.

The allowance is an amount that management believes will be adequate to absorb possible losses on account balances that may become uncollectible, based on prior collectibility experience. The allowance account was established through a provision for uncollectible accounts charged to expense. Specific account balances will be charged against the allowance for uncollectible accounts with Commission approval.

H. Net Working Capital

The net working capital balance of the Water and Sewer Fund and Stormwater Fund at September 30, 2002 are \$2,902,295 and \$41,302, respectively.

CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 5: RETIREMENT TRUST FUNDS

(Actuarial Valuation as of October 1, 2001, the beginning of the plan year)

A. Plan Description

The City Commission has established a single-employer public employee retirement system to provide defined retirement benefits to its qualifying employees. Separate plans are maintained for its police officers, firefighters, and other general employees. The City Commission has established separate Boards of Trustees for each of the plans, which have the authority to amend plan provisions, including contribution rates. Stand-alone plan financial reports are not issued, and the plans are not included in the reports of any other public employee retirement system or entity.

The following is a summary of the funding policies, contribution methods and benefit provisions of the defined benefit plans:

	<u>General Employees</u>	<u>Police Officers and Firefighters</u>
Eligibility to Participate	Full-time at date of hire (30 hours per week);	Full-time police officers or firefighters
Determination of Contributions	Actuarially determined	Actuarially determined
Funding of Administration Costs	Included in Normal Cost	Included in Normal Cost
Period Required to Vest	20% after 3 years of service, plus 20% annually thereafter; 100% after 7 years for participants hired after August 1, 1999	100% after 10 years of credited service
Required Contributions	5% of total compensation	9% of salary
Eligibility for Distributions:		
Normal Retirement	Later of age 60 or 5 years of service; Later of age 60 or 7 years of vesting service for participants hired after August 1, 1999	Earlier of age 55 and 10 years of service or age 52 and 25 years of service or age 60
Early Retirement	Age 55 and 10 years of service (unreduced benefit with 25 years of service)	Age 50 and 10 years of credited service
Benefit:		
Normal Retirement	2.5% of average compensation times credited service	3% of average final compensation (afc) times credited service
Early Retirement	Accrued benefit, actuarially reduced	Accrued benefit, reduced 3% for each year prior to normal retirement

The plans also have provisions for benefits in case of termination, disability or death.

CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 5: RETIREMENT TRUST FUNDS (CONTINUED)

(Actuarial Valuation as of October 1, 2001, the beginning of the plan year)

Membership in the plans consisted of the following at October 1, 2001:

	<u>General Employees</u>	<u>Police Officers</u>	<u>Fire - Fighters</u>
Retirees and Beneficiaries Receiving Benefits and Terminated Employees Not Yet Receiving Benefits	75	10	4
Current Employees:			
Fully Vested	33	9	10
Partially Vested	18		
Non-Vested	<u>43</u>	<u>25</u>	<u>10</u>
Total Membership	<u>169</u>	<u>44</u>	<u>24</u>

C. Contributions

Participants in the General Employees' Retirement Plan, Police Officers' Retirement Trust Fund and Firefighters' Retirement Trust Fund are required to make contributions to the plan equal to 5%, 9% and 9% of the participant's earnings, respectively. Contributions from participants in the General Employees' Retirement Plan, Police Officers' Retirement Trust Fund and Firefighters' Retirement Trust Fund amount to \$134,425, \$122,141 and \$63,405, respectively, for the year. The State and City contribute the remaining required annual contribution, which is actuarially determined, and which amounted to \$397,930, \$123,493 and \$125,943, respectively, for the year.

D. Annual Pension Cost and Net Pension Obligation

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

	<u>General Employees</u>	<u>Police Officers</u>	<u>Fire - Fighters</u>
Annual Required Contribution	\$ 351,334	\$ 52,214	\$ 79,283
Interest on Net Pension Obligation	(18,528)		
Adjustments to Annual Required Contribution	<u>29,101</u>	—	—
Annual Pension Cost	361,907	52,214	79,283
Contributions Made	<u>397,930</u>	<u>52,214</u>	<u>79,283</u>
Decrease in Net Pension Obligation	(36,023)		
Net Pension Excess Beginning of Year	(247,045)	—	(15,026)
Net Pension Excess Contribution End of Year	\$ (<u>283,068</u>)	\$ —	\$ (<u>15,026</u>)

Actuarial assumptions and other information used to determine the annual required contributions are located in the Notes to Required Supplemental Information section of this report.

CITY OF HAINES CITY, FLORIDA

**NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002**

NOTE 5: RETIREMENT TRUST FUNDS (CONTINUED)
(Actuarial Valuation as of October 1, 2001, the beginning of the plan year)

E. Three-Year Trend Information

	<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
General Employees' Plan	9/30/02	361,907	110%	0
	9/30/01	273,705	110%	0
	9/30/00	116,867	231%	0
Police Officers' Plan	9/30/02	52,214	100%	0
	9/30/01	34,181	100%	0
	9/30/00	52,985	100%	0
Fire- Fighters' Plan	9/30/02	79,283	100%	0
	9/30/01	54,095	100%	0
	9/30/00	48,343	106%	0

For six-year historical trend information, see Schedules 1 and 2 in the supplemental information section. This provides information about progress made in accumulating sufficient assets to pay benefits when due.

F. Summary of Significant Accounting Policies and Concentrations

Basis of Accounting - The Fiduciary Funds' financial statements are prepared using the accrual basis of accounting. 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 each plan.

Method Used to Value Investments - Investments of the General Employees', Police Officers' and Firefighters' Pension Funds are reported at fair market value. Gains and losses on sales and exchanges of investments are recognized on the transaction date (trade date). Premiums and discounts on these securities were deemed to be immaterial and are therefore not recorded.

Investments other than U.S. government and U.S. government guaranteed obligations in any one organization that represents five percent or more of plan net assets are as follows:

CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 5: RETIREMENT TRUST FUNDS (CONTINUED)

(Actuarial Valuation as of October 1, 2001, the beginning of the plan year)

F. Summary of Significant Accounting Policies (Continued)

General Employees' Pension Fund:

Since this fund is invested in shares of commingled separate accounts, it is not readily determinable which individual investments within the accounts exceed five percent. The following are investment accounts (excluding U.S. government and U.S. government guaranteed obligations) for which the total amount exceeds five percent:

Bond and Mortgage Separate Account	\$ 2,402,341
International Stock Separate Account	298,788
Large Company Growth Separate Account	405,419
Large Company Value Separate Account	594,647

Police Officers' Pension Fund:

None

Firefighters' Pension Fund:

None

NOTE 6: CHANGES IN GENERAL FIXED ASSETS

The following schedule summarizes changes in General Fixed Assets:

	BALANCE SEPTEMBER <u>30, 2001</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	BALANCE SEPTEMBER <u>30, 2002</u>
GENERAL FIXED ASSETS:				
Land	\$ 447,999	\$	\$	\$ 447,999
Buildings and Additions	7,324,814	86,304	661,854	6,749,264
Improvements Other Than Buildings	95,609	18,657		114,266
Autos, Trucks and Boat	1,503,742	523,900	96,149	1,931,493
Machinery and Equipment	741,395	43,423		784,818
Office Equipment, Furniture and Fixtures	1,367,870	14,753	5,653	1,376,970
Parks Facilities and Cemetery	333,198			333,198
Recreation Fixtures and Equipment	<u>761,698</u>	<u>2,080</u>		<u>763,778</u>
TOTAL GENERAL FIXED ASSETS	\$ <u>12,576,325</u>	\$ <u>689,117</u>	\$ <u>763,656</u>	\$ <u>12,501,786</u>

CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 7: LONG-TERM DEBT

A. Water and Sewer Fund Debt

Bonds Payable

The following is a summary of bond transactions of the City for the year ended September 30, 2002:

Revenue Refunding Bonds, Series 1991, Payable at October 1, 2001	\$ 2,970,000
Actual Bond Payments	(<u>175,000</u>)
Total Bond Obligations at September 30, 2002	2,795,000
Less, Unamortized Discount	20,723
Less, Current Maturities	<u>185,000</u>
Long-Term Portion of Bonds Payable at September 30, 2002	\$ <u>2,589,277</u>

The amounts required to be deposited with the City's paying agent to amortize bonds outstanding for each of the next five years and subsequently are shown below:

WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 1991

<u>YEAR ENDING SEPTEMBER 30:</u>	<u>PRINCIPAL MATURITIES</u>	<u>INTEREST</u>	<u>TOTAL</u>
2003	\$ 185,000	\$ 173,013	\$ 358,013
2004	195,000	161,515	356,515
2005	205,000	149,213	354,213
2006	220,000	135,927	355,927
2007	235,000	121,536	356,536
2008 - 2013	<u>1,755,000</u>	<u>362,862</u>	<u>2,117,862</u>
TOTAL	\$ <u>2,795,000</u>	\$ <u>1,104,066</u>	\$ <u>3,899,066</u>

On December 5, 1991, the City issued the Water and Sewer Revenue Refunding Bonds, Series 1991, in the aggregate principal amount of \$3,960,000. The bonds were issued by the City to advance refund the City's outstanding Water and Sewer Refunding and Revenue Bonds, Series 1987. Bond proceeds of \$3,855,008 were deposited in an irrevocable escrow account at the First Union National Bank of Florida for the purpose of defeasance of the Water and Sewer Refunding and Revenue Bonds, Series 1987. The funds deposited, together with interest earned thereon, were sufficient to pay the interest and principal as they became due on the refunded bonds. Accordingly, this debt was defeased, the lien on revenues (under the refunded bonds) was removed, and such refunded bonds were considered satisfied and, therefore, are no longer treated as liabilities of the City.

CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 7: LONG-TERM DEBT (CONTINUED)

A. Water and Sewer Fund Debt (Continued)

The Bonds, dated December 1, 1991, were issued as fully registered serial and term bonds, without coupons, in principal denominations of \$5,000. Semiannual interest is payable April 1, and October 1, and commenced April 1, 1992. Serial bonds, totaling \$2,090,000 and bearing interest at rates from 4.75% to 6.35%, mature from October 1, 1995, through October 1, 2006. Term Bonds, totaling \$795,000, bear interest at 6.5% and mature on October 1, 2009. Term bonds totaling \$960,000, bear interest at 6.5% and mature on October 1, 2012. The Bonds maturing in the year 2000 and thereafter are subject to redemption prior to their stated dates of maturity, at the option of the City, on and after October 1, 1999. The term bonds maturing in 2009 are subject to mandatory amortization redemption in the years 2007 through 2009. The term bonds maturing in 2012 are subject to mandatory amortization redemption in the years 2010 through 2012.

The Bonds are payable solely from and secured solely by the Pledged Funds, consisting of (i) the Net Revenues of the City's combined municipal water and sewer system; and (ii) the accounts in the Debt Service Fund and in the Reserve Fund created for the Series 1991 Bonds (the "Pledged Accounts").

The Bonds shall not be or constitute general obligations or indebtedness and shall not be "Bonds" of the City within the meaning of any constitutional or statutory provision, but shall be limited and special obligations of the City, payable solely from, and secured by, a lien upon and pledge of the Pledged Funds and Pledged Accounts. No owner of any Bond shall ever have the right to compel the exercise of any ad valorem taxing power to pay such Bond or be entitled to payment of such Bond from any monies of the City except from the Pledged Funds and Pledged Accounts in the manner and to the extent provided in the bond resolution.

Loans Payable:

On November 16, 1989, the City entered into an agreement with the State of Florida, Department of Environmental Protection to obtain a State Revolving Fund loan of \$221,000. During the year ended September 30, 1991, the City arranged to borrow an additional \$215,000 under an addendum to its State Revolving Fund loan agreement for Lift Stations 4 & 5. The proceeds of this loan were used for the continued acquisition and construction of influent transmission facilities. The loan is being repaid in twenty annual installments, including interest at 4.20% for the original loan amount and 4.15% for the additional completion loan amount. At September 30, 2002, the balance of this loan is \$245,986.

An additional State Revolving Fund loan was obtained by the City on May 30, 1991, whereby the City borrowed a total of \$424,636 for Lift Stations 1 & 2, as per a preliminary agreement amendment. The proceeds of this loan were used to build similar influent transmission facilities. This loan is being repaid in twenty annual installments, including interest at 3.98%. At September 30, 2002, the balance of this loan is \$249,288.

A third State Revolving Fund Loan was finalized in June 1998. The loan proceeds were used to finance the construction of wastewater treatment, reuse, and sludge facilities. The total amount disbursed to the City was \$10,755,818, which consisted of \$10,450,872 disbursed to the City, the loan service fee of \$202,784 and \$102,162 of accrued capitalized interest. The original principal amount of the loan is \$10,139,216, which is the amount disbursed as stated above less \$311,656, which is required to be maintained in a loan repayment reserve over the life of the loan. The loan is being repaid in forty semiannual loan payments of \$344,773, including interest at 2.59% and 2.63%, which applies to various loan increments. The balance of this loan at September 30, 2002 is \$8,288,729.

Net revenues of the City's Water and Sewer System serve as collateral on these obligations, which are subordinate (a junior obligation) to the City's Water and Sewer Revenue Refunding Bonds, Series 1991.

CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 7: LONG-TERM DEBT (CONTINUED)

A. Water and Sewer Fund Debt (Continued)

Obligations Under Capital Lease

The City is obligated under a certain lease accounted for as a capital lease. The leased assets and related obligation are accounted for in the Water and Sewer Fund. Assets under capital leases totaled \$138,615 at September 30, 2002. This amount represents the fair value of the assets at the inception of the lease. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2002:

<u>Year Ending September 30.</u>	<u>Amounts</u>
2003	\$ 30,658
2004	-
2005	-
2006	-
2007	-
Thereafter	-
Minimum Lease Payments	30,658
Less: Amount Representing Interest	<u>695</u>
Present Value of Minimum Lease Payments	\$ <u>29,963</u>

B. General Long-Term Debt

Obligations Under Capital Leases

The City is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the General Fixed Assets Account Group and the General Long-Term Debt Account Group, respectively. Assets under capital leases totaled \$1,027,361 at September 30, 2002. This amount represents the fair value of the assets at the inception of the leases. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2002:

<u>Year Ending September 30.</u>	<u>Amounts</u>
2003	\$ 167,433
2004	132,007
2005	93,796
2006	80,982
2007	61,722
Thereafter	<u>233,923</u>
Minimum Lease Payments for all Capital Leases	769,863
Less: Amount Representing Interest	<u>94,597</u>
Present Value of Minimum Lease Payments	\$ <u>675,266</u>

CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 7: LONG-TERM DEBT (CONTINUED)

B. General Long-Term Debt (Continued)

Notes Payable

On November 1, 1999, the City obtained financing in the amount of \$3,850,000 through the Florida Municipal Loan Council (a special district) for the purpose of financing construction of a new police station, renovating City Hall and related facilities and the purchase of related furniture, fixtures and equipment. Semiannual payments will be made over a 30 year period, including interest which varies from 3.85% to 5.75%. The balance of this loan at September 30, 2002 is \$3,735,000.

<u>YEAR ENDING SEPTEMBER 30,</u>	<u>PRINCIPAL PAYMENTS</u>	<u>INTEREST</u>	<u>TOTAL</u>
2003	\$ 65,000	\$ 204,115	\$ 269,115
2004	65,000	201,369	266,369
2005	70,000	198,431	268,431
2006	70,000	195,316	265,316
2007	75,000	192,016	267,016
Thereafter	<u>3,390,000</u>	<u>2,675,612</u>	<u>6,065,612</u>
	\$ <u>3,735,000</u>	\$ <u>3,666,859</u>	\$ <u>7,401,859</u>

C. Changes in General Long-Term Debt

Changes in general long-term debt for the year ended September 30, 2002, were as follows:

	<u>BALANCE 2001</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE 2002</u>
GENERAL LONG-TERM DEBT PAYABLE:				
Loans Payable	\$ 3,795,000	\$	\$ 60,000	\$ 3,735,000
Obligations Under Capital Leases	<u>281,899</u>	<u>535,764</u>	<u>142,397</u>	<u>675,266</u>
	4,076,899	535,764	202,397	4,410,266
Estimated Liability for Compensated Absences	<u>854,943</u>		<u>36,301</u>	<u>818,642</u>
Total General Long- Term Debt Payable	\$ <u>4,931,842</u>	\$ <u>535,764</u>	\$ <u>238,698</u>	\$ <u>5,228,908</u>

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CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 7: LONG-TERM DEBT (CONTINUED)

D. Schedule of Debt Service Charges Until Maturity

WATER AND SEWER FUND DEBT

<u>YEAR ENDING SEPTEMBER 30,</u>	<u>LOAN PAYABLE FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (LIFT STATIONS 4 & 5)</u>		<u>LOAN PAYABLE FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION (LIFT STATIONS 1 & 2)</u>	
	<u>PRINCIPAL PAYMENTS</u>	<u>INTEREST</u>	<u>PRINCIPAL PAYMENTS</u>	<u>INTEREST</u>
2003	\$ 23,077	\$ 10,272	\$ 20,783	\$ 9,922
2004	24,041	9,309	21,610	9,095
2005	25,044	8,305	22,470	8,234
2006	26,090	7,259	23,364	7,340
2007	27,180	6,169	24,294	6,410
Thereafter	<u>120,554</u>	<u>12,844</u>	<u>136,767</u>	<u>16,754</u>
	\$ <u>245,986</u>	\$ <u>54,158</u>	\$ <u>249,288</u>	\$ <u>57,755</u>

LOAN PAYABLE
 FLORIDA DEPARTMENT OF
 ENVIRONMENTAL PROTECTION
(WASTEWATER TREATMENT)

<u>PRINCIPAL</u> <u>PAYMENTS</u>	<u>INTEREST</u>	<u>TOTAL</u>
\$ 477,572	\$ 211,974	\$ 753,600
490,042	199,503	753,600
502,839	186,706	753,598
515,970	173,576	753,599
529,443	160,102	753,598
<u>5,772,863</u>	<u>777,817</u>	<u>6,837,599</u>
\$ <u>8,288,729</u>	\$ <u>1,709,678</u>	\$ <u>10,605,594</u>

CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 8: ACCRUED VACATION AND SICK PAY

Accumulated unpaid vacation and sick pay are accrued when incurred in the enterprise fund. Only (a) the current portion of unpaid sick pay benefits and (b) the unpaid sick pay and accrued vacation for employees who have reached retirement age are accrued in the governmental funds. The long-term portion of the unpaid sick pay and the unpaid vacation pay are reported in the General Long-Term Debt Account Group. The methods of accrual are in accordance with Governmental Accounting Standards Board Statement No. 16.

Employees who resign after due notice, retire, or die are to be paid 100% of accrued medical leave up to a maximum of 112 days.

For employees with 10 years or less of continuous service with the City, a total of 20 days of annual leave is the maximum that may be carried over from one vacation year to the next. For employees with more than 10 years continuous service, a maximum of 30 days may be carried over. An employee will not be paid for earned annual leave in lieu of taking such leave, except upon separation.

In the General Fund, the amount of accrued sick, vacation and longevity pay included in current liabilities as "Accrued Liabilities" is \$16,006. The \$818,642 long-term portion is included in the General Long-Term Debt Account Group.

In the Water and Sewer Fund, \$31,345 of accrued sick and longevity pay is included in current liabilities as "Accrued Liabilities," and \$132,927 of accrued sick and vacation pay is included in long-term liabilities under the caption, "Estimated Liability for Compensated Absences."

NOTE 9: TOTALS MEMORANDUM ONLY

The combined financial statements of the City of Haines City include a total column which is a total of all funds and account groups presented on each statement. These total columns are for memorandum purposes only. They should not be thought of as presenting the financial information of the City on a consolidated basis.

NOTE 10: FRANCHISE FEES

On February 18, 1988, the City granted Florida Power the right to operate and maintain all electric power facilities for the purpose of supplying electricity within the corporate limits of the City for a period of thirty years. Six percent of revenues from the sale of electrical energy to residential and commercial customers is due monthly to the City.

On August 14, 1996, the City granted a non-exclusive franchise to Central Florida Gas Company to operate and maintain a gas system in the City for a period of ten years. The company pays the City a fee equal to 6% of gross annual revenues from gas charges within the City.

On January 5, 1998, the City granted an exclusive franchise to Florida Refuse Service, Inc., a Republic Industries, Inc. corporation, to provide sanitation collection service to customers within the City for a period of three years beginning January 1, 1998. The term of the contract has been extended for a term of 5 years until December 31, 2005. The Company pays the City an annual franchise fee of the greater of \$151,484 or 15% of gross billings.

CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 10: FRANCHISE FEES (CONTINUED)

	For the Year Ended September 30, 2002
FRANCHISE FEES:	
Electric	\$ 645,807
Solid Waste	151,484
Gas	<u>15,028</u>
Total	\$ <u>812,319</u>

All of the above fees are included under the caption "Taxes" on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances— All Governmental Fund Types.

NOTE 11: LOCAL SERVICES COMMUNICATION TAX

Effective October 1, 2001, the City established a local communications services tax on any company engaging in communications business within City limits. The local communications services tax rate for the City of Haines City is 5.62% and the amount collected was \$539,447 during the fiscal year ended September 30, 2002.

NOTE 12: CASH AND INVESTMENTS

The City pools the vast majority of its cash in a single bank account that is available for use by all funds, except the pension trust funds. Each fund type's portion of this pool is displayed on the combined balance sheet as part of Cash and Cash Equivalents. The City has entered into an agreement with the bank concerning the sweeping of this account to pay all cleared charges against other accounts and pay the City a stipulated variable rate of interest on the account's daily balance. At September 30, 2002, the carrying amount of this account is \$12,123,836 and the bank balance is \$12,421,118. All the banks' balances were covered either by the Federal Deposit Insurance Corporation or by the State of Florida Collateral Pool (Category 1). (The Florida Statutes authorize and the State administers a collateral pool which ensures no loss of public funds.) At year-end, the City's General Fund, Special Revenue Fund, Debt Service Fund, Water and Sewer Fund, Right-of-Way Agency Fund and General Employees' Pension Fund had \$35,795, \$122, \$69, \$677,327, \$10,635 and \$380,318, respectively, in other demand deposits with bank statement balances of \$36,995, \$122, \$69, \$677,383, \$10,635 and \$380,318, respectively. Cash on hand at year-end in the general fund totals \$300.

State statutes authorize the City to invest pooled cash in obligations of the U.S. Government, time deposits, and repurchase agreements. The pension funds' investment selections are also governed by Florida Statutes. The City's investments are categorized below to give an indication of the level of risk at year-end. Category I 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 II includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the City's name. Category III includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the City's name.

CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 12: CASH AND INVESTMENTS (CONTINUED)

Investments at September 30, 2002, consist of the following:

	<u>Market Value</u>
Annuity Contract	\$ 4,583,032
Money Market Fund	198,759
U.S. Obligations	516,772
Federal Agencies	1,634,772
Corporate Bonds	1,045,947
Common Stocks	<u>1,921,478</u>
 Total Investments	 <u>\$ 9,900,760</u>

The pension trust fund owns 100% of the above investments.

A further breakdown of the types of investments in the Police Officers' and the Firefighters' Pension Funds is presented below (at market):

<u>Types of Investments:</u>	<u>Category II</u>	<u>Category II</u>
	Police Officers' Pension Fund	Fire- fighters' Pension Fund
<u>Trust Account at Salem Trust:</u>		
Money Market Fund	\$ 93,854	\$ 104,905
U.S. Obligations	265,912	250,860
Federal Agencies	933,180	701,592
Corporate Bonds	597,295	448,652
Common Stocks	<u>1,078,528</u>	<u>842,950</u>
 Total Cash and Investments Held by Custodian	 <u>\$ 2,968,769</u>	 <u>\$ 2,348,959</u>

The General Fund holds \$606,367 in investments which are included in "Restricted Assets - Cash and Cash Equivalents" because the investments are considered cash equivalents. These investments consist of the following:

Local Government Surplus Trust Fund (SBA)	\$ 575,662
Florida Municipal Investment Trust - ST Bond Portfolio	30,675
Evergreen Institutional Treasury MM Fund	<u>30</u>
	<u>\$ 606,367</u>

The Police Officers' and Firefighters' Pension investments are classified as Category II investments. The General Employees' Pension Fund investment in Annuity Contract and the General Fund investments listed above are not classified into any risk category because these investments are not securities as defined by GASB Statement No. 3.

CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 12: CASH AND INVESTMENTS (CONTINUED)

The State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool is governed by Chapter 19-7 of the Florida Administrative Code. The Fund is not a registrant with the Securities and Exchange Commission; however, the State Board of Administration has adopted operating procedures consistent with the requirements for a 2a-7 fund. This investment pool purchases low risk government securities, high grade commercial debt and equity securities, commercial paper, investment companies, repurchase and reverse repurchase agreements, real estate, futures, options and a broad range of other instruments. The City's fair value for financial reporting is its share of the pool's account balance, which is reported by the pool at amortized cost, in accordance with GASB Statement 31. The fair value of investments is determined on a monthly basis. The method used by the pool to determine participants' shares sold and redeemed is the amortized cost method. The pool has not provided or obtained any legally binding guarantees during the year to support the value of its shares. There is no requirement for involuntary participation in the pool. This investment pool is not insured by the State of Florida or the Federal Deposit Insurance Corporation. GASB Statement 31 exempts such investments from the credit risk categorization requirement. Separate financial statements of the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool may be obtained by contacting the S.B.A. at P.O. Box 13300, Tallahassee, Florida 32317-3300.

NOTE 13: RIGHT-OF-WAY AGENCY FUND

The City holds \$10,635 in cash in custody for Southern Dunes right-of-way land maintenance.

NOTE 14: COMMITMENTS AND CONTINGENCIES

The City has received revenues and contributions related to grants from Federal agencies and the State of Florida. These grants are for specific purposes and are subject to review and audit by the grantor agencies. Such audits could result in request for reimbursement for expenditures disallowed under the terms of the grants. Based upon prior experience, City management believes such disallowances, if any, will be immaterial.

The City is a defendant in legal actions which, in the opinion of management, will not have a material effect on the financial statements of the City.

The City is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights and, therefore, the results of the lease agreements are not reflected in the City's account groups.

All of the City's operating leases are renewed on a monthly or quarterly basis; therefore, none of the leases have terms in excess of one year which would require disclosure of future minimum lease payments.

The rental expenditures were \$16,339 and \$915 for the General Fund and the Water and Sewer Fund, respectively, during the year.

The City's former workers' compensation insurer, Governmental Risk Insurance Trust (GRIT), a governmental insurance pool, filed for Chapter 11 bankruptcy on March 30, 2000. All claims arising on or after July 1, 1998, will be adjusted and handled as if there were no bankruptcy filing. As to claims arising before July 1, 1998, GRIT has not adjusted claims or made payments to claimants for either indemnity or medical expenses, or to any service providers with respect to claims. The amount of these pre-July 1, 1998 claims for the City of Haines City pursuant to GRIT's records is \$348,787. Additionally, premium overpayments of \$48,531 and City-funded claim payments of \$68,027 were made by the City. The sum of these three amounts, which are owed to the City and/or to its claimants, has been filed by the City in a "Proof of Claim/Interest" with the Bankruptcy Court. The amounts of any future liability or bankruptcy award are undeterminable at this time and have therefore not been accrued in the accompanying financial statements. The City is now responsible for administering the remaining open pre-July 1, 1998 claims, and has recorded a designation of fund balance of \$187,562 at September 30, 2002 to help fund future claims payments.

CITY OF HAINES CITY, FLORIDA

NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

NOTE 15: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage from the previous year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 16: INTERFUND ASSETS/LIABILITIES

There were no interfund assets or liabilities as of September 30, 2002.

NOTE 17: INTERFUND OPERATING TRANSFERS

Interfund operating transfers for the fiscal year ended September 30, 2001, were as follows:

<u>FUND</u>	<u>TRANSFER IN</u>	<u>TRANSFER OUT</u>
General	\$ 926,350	\$ 565,887
Special Revenue	117,859	
Debt Service	434,288	
Enterprise	<u>13,740</u>	<u>926,350</u>
	\$ <u>1,492,237</u>	\$ <u>1,492,237</u>

NOTE 18: CONDUIT DEBT OBLIGATIONS

In order to help alleviate the shortage of decent, safe and sanitary housing for persons of low income, including families and elderly, handicapped and disabled persons in the Polk County area, the City has consented to a determination by the U.S. Department of Housing and Urban Development that a certain private non-profit corporation constitutes an "instrumentality" of the City and a "public housing agency" for the purposes of financing a low-income housing project.

The related bond issues are not debts of the City, the State of Florida, or of any municipality, county, political subdivision or other body corporate and politic thereof, nor is the City liable for such bonds.

The original Series 1982 bonds were refunded as of September 1, 1995. Information on the current bond issues (which are FHA Insured Mortgage Loans - Section 8 Assisted Projects) as of September 30, 2002 is as follows:

<u>Bond Issue</u>	<u>Original Issue Amount</u>	<u>Balance Outstanding at September 30, 2002</u>
Harbor Court Development, Inc. Mortgage Revenue Refunding Bonds, Series 1995 A	\$ 1,375,000	\$ 1,375,000
Harbor Court Development, Inc. Taxable Mortgage Revenue Refunding Bonds, Series 1995 B	340,000	70,000
Harbor Court Development, Inc. Subordinated Mortgage Revenue Refunding Bonds, Series 1995 C	<u>250,000</u>	<u>250,000</u>
	\$ <u>1,965,000</u>	\$ <u>1,695,000</u>

APPENDIX H

Financial Information Regarding Village of Pinecrest

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VILLAGE OF PINECREST, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
FISCAL YEARS ENDED SEPTEMBER 30,

	<u>2003</u>	<u>2002</u>	<u>2001</u>
<u>REVENUES</u>			
Ad valorem taxes	\$5,234,419	\$7,403,931	\$8,147,923
Franchise fees	913,773	--	--
Utility taxes	1,730,870	--	--
Communications services tax	855,387	--	--
Licenses and permits	1,416,741	1,362,665	1,120,887
Intergovernmental	1,474,967	1,505,653	323,678
Charges for services	544,766	246,445	183,891
Fines and forfeitures	205,925	216,262	228,078
Interest	123,922	166,768	573,188
Miscellaneous	<u>353,892</u>	<u>319,550</u>	<u>110,428</u>
Total revenues	<u>\$12,854,662</u>	<u>\$11,221,274</u>	<u>\$10,972,174</u>
Expenditures:			
Current:			
General government	871,241	1,787,912	879,310
Public safety	6,299,776	6,230,498	4,869,315
Building, planning and zoning	1,300,217	1,139,562	1,050,427
Parks and recreation	1,581,134	878,495	835,350
Public works	766,733	960,870	1,378,236
Non-departmental	903,736	--	540,310
Capital outlay	--	--	884,298
Total expenditures	<u>\$11,722,837</u>	<u>\$10,997,337</u>	<u>\$10,437,246</u>
Excess (deficiencies) of revenues over expenditures	<u>1,131,825</u>	<u>223,937</u>	<u>534,928</u>
Other financing sources (uses):			
Transfers out	<u>(1,606,029)</u>	<u>(634,477)</u>	<u>(4,328,965)</u>
Total other financing sources (uses)	<u>(1,606,029)</u>	<u>(634,477)</u>	<u>(4,328,965)</u>
Net changes in fund balances	(474,204)	(410,540)	--
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	--	--	(3,794,037)
Fund balances, beginning	<u>7,351,381</u>	<u>7,761,921</u>	<u>11,555,958</u>
Fund balances, ending	<u>\$ 6,877,177</u>	<u>\$ 7,351,381</u>	<u>\$ 7,761,921</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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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor, Village Council and Village Manager
Village of Pinecrest, 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 Village of Pinecrest, Florida (the Village) as of and for the fiscal year ended September 30, 2003, which, collectively, comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village'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 Village, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 12, 2003 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the Required Supplementary Information on pages 3 to 11 and pages 33 to 34, 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.

MIAMI ■ FORT LAUDERDALE ■ WEST PALM BEACH ■ STUART

An Independent Member of Baker Tilly International

Honorable Mayor, Village Council and Village Manager
Village of Pinecrest, Florida
Page Two

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the Chapter 10.550, Rules of the Auditor General, and the combining and individual fund statements and schedules as listed in the table of contents and the required supplementary information on page 33 are presented for purposes of additional analysis and are 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 presented in all material respects in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion thereon.

Rachlin Cohen & Holtz LLP

Miami, Florida
December 12, 2003



VILLAGE OF PINECREST, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2003

	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 11,956,281	\$ 1,208,558	\$ 13,164,839
Receivables, net	1,091,352	25,560	1,116,912
Bond issue costs	129,174	-	129,174
Capital assets, not depreciated:			
Land	16,177,529	-	16,177,529
Construction in progress	2,573,248	-	2,573,248
Capital assets, net of accumulated depreciation:			
Buildings	3,386,390	-	3,386,390
Improvements	1,451,485	-	1,451,485
Equipment	935,888	-	935,888
Infrastructure	<u>102,993,670</u>	<u>2,126,691</u>	<u>105,120,361</u>
Total assets	<u>140,695,017</u>	<u>3,360,809</u>	<u>144,055,826</u>
<u>LIABILITIES</u>			
Liabilities:			
Accounts payable	1,044,937	-	1,044,937
Leases payable	71,102	-	71,102
Revenues collected in advance	-	113,600	113,600
Deferred revenue	640,201	-	640,201
Premium on bonds payable	245,089	-	245,089
Non-current liabilities:			
Compensated absences, due within one year	147,520	-	147,520
Compensated absences, due in more than one year	26,033	-	26,033
Bonds payable, due within one year	570,000	-	570,000
Bonds payable, due in more than one year	<u>13,930,000</u>	<u>-</u>	<u>13,930,000</u>
Total liabilities	<u>16,674,882</u>	<u>113,600</u>	<u>16,788,482</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	112,626,007	2,126,691	114,752,698
Restricted for transportation and public safety programs	1,091,999	-	1,091,999
Unrestricted	<u>10,302,129</u>	<u>1,120,518</u>	<u>11,422,647</u>
Total net assets	<u>\$ 124,020,135</u>	<u>\$ 3,247,209</u>	<u>\$ 127,267,344</u>

See notes to basic financial statements.

VILLAGE OF PINECREST, FLORIDA

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED SEPTEMBER 30, 2003

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
		<u>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>
Governmental activities:							
General government	\$ 2,261,985	\$ -	\$ -	\$ -	\$ (2,261,985)	\$ -	\$ (2,261,985)
Public safety	6,354,107	254,538	129,720	-	(5,969,849)	-	(5,969,849)
Building, planning and zoning	1,297,978	1,480,951	25,685	-	208,658	-	208,658
Parks and recreation	1,543,819	867,837	-	6,198,000	5,522,018	-	5,522,018
Public works	4,608,117	-	-	902,293	(3,705,824)	-	(3,705,824)
Interest on long-term debt	707,445	-	-	-	(707,445)	-	(707,445)
Total governmental activities	<u>16,773,451</u>	<u>2,603,326</u>	<u>155,405</u>	<u>7,100,293</u>	<u>(6,914,427)</u>	<u>-</u>	<u>(6,914,427)</u>
Business-type activities:							
Stormwater	<u>140,435</u>	<u>294,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,979</u>	<u>153,979</u>
Total business-type activities	<u>140,435</u>	<u>294,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>153,979</u>	<u>153,979</u>
Total	<u>\$16,913,886</u>	<u>\$2,897,740</u>	<u>\$ 155,405</u>	<u>\$ 7,100,293</u>	<u>(6,914,427)</u>	<u>153,979</u>	<u>(6,760,448)</u>
General revenues:							
Ad valorem taxes					5,234,419	-	5,234,419
Franchise fees on gross receipts					913,773	-	913,773
Utility taxes					1,730,870	-	1,730,870
Communications services tax					855,387	-	855,387
Intergovernmental grants not restricted to specific programs					1,319,561	-	1,319,561
Charges for services					110,454	-	110,454
Unrestricted interest earnings					325,637	16,110	341,747
Miscellaneous					<u>325,347</u>	<u>-</u>	<u>325,347</u>
Total general revenues					<u>10,815,448</u>	<u>16,110</u>	<u>10,831,558</u>
Change in net assets					3,901,021	170,089	4,071,110
Net assets - beginning					<u>120,119,114</u>	<u>3,077,120</u>	<u>123,196,234</u>
Net assets - ending					<u>\$124,020,135</u>	<u>\$ 3,247,209</u>	<u>\$127,267,344</u>

See notes to basic financial statements.

VILLAGE OF PINECREST, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2003

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 7,193,242	\$ 3,749,375	\$ 1,013,664	\$ 11,956,281
Receivables, net	990,789	-	100,563	1,091,352
Total assets	<u>8,184,031</u>	<u>3,749,375</u>	<u>1,114,227</u>	<u>13,047,633</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	666,653	339,705	6,946	1,013,304
Deferred revenues	640,201	-	-	640,201
Total liabilities	<u>1,306,854</u>	<u>339,705</u>	<u>6,946</u>	<u>1,653,505</u>
Fund balances:				
Reserved for encumbrances	205,745	-	15,282	221,027
Reserved for capital projects	-	3,232,429	-	3,232,429
Reserved for special revenue funds	-	-	1,091,999	1,091,999
Unreserved, undesignated	6,671,432	177,241	-	6,848,673
Total fund balances	<u>6,877,177</u>	<u>3,409,670</u>	<u>1,107,281</u>	<u>11,394,128</u>
Total liabilities and fund balances	<u>\$ 8,184,031</u>	<u>\$ 3,749,375</u>	<u>\$ 1,114,227</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.				127,518,210
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.				<u>(14,892,203)</u>
Net assets of governmental activities				<u>\$ 124,020,135</u>

See notes to basic financial statements.

VILLAGE OF PINECREST, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Ad valorem taxes	\$ 5,234,419	\$ -	\$ -	\$ 5,234,419
Franchise fees	913,773	-	-	913,773
Utility taxes	1,730,870	-	-	1,730,870
Communications services tax	855,387	-	-	855,387
Licenses and permits	1,416,741	-	-	1,416,741
Intergovernmental	1,474,967	6,198,000	902,292	8,575,259
Charges for services	544,766	-	-	544,766
Fines and forfeitures	205,925	-	8,599	214,524
Interest	123,922	177,893	10,923	312,738
Miscellaneous	353,892	505,836	3,368	863,096
Total revenues	<u>12,854,662</u>	<u>6,881,729</u>	<u>925,182</u>	<u>20,661,573</u>
Expenditures:				
Current:				
General government	871,241	1,054,827	-	1,926,068
Public safety	6,299,776	-	3,255	6,303,031
Building, planning and zoning	1,300,217	-	-	1,300,217
Parks and recreation	1,581,134	13,797,720	-	15,378,854
Public works	766,733	-	566,093	1,332,826
Non-departmental	903,736	-	-	903,736
Debt service:				
Principal	-	-	550,000	550,000
Interest	-	-	701,267	701,267
Total expenditures	<u>11,722,837</u>	<u>14,852,547</u>	<u>1,820,615</u>	<u>28,395,999</u>
Excess (deficiency) of revenues over expenditures	<u>1,131,825</u>	<u>(7,970,818)</u>	<u>(895,433)</u>	<u>(7,734,426)</u>
Other financing sources (uses):				
Transfers in	-	380,770	1,251,267	1,632,037
Transfers out	<u>(1,606,029)</u>	<u>-</u>	<u>(26,008)</u>	<u>(1,632,037)</u>
Total other financing sources (uses)	<u>(1,606,029)</u>	<u>380,770</u>	<u>1,225,259</u>	<u>-</u>
Net change in fund balances	(474,204)	(7,590,048)	329,826	(7,734,426)
Fund balances, beginning	<u>7,351,381</u>	<u>10,999,718</u>	<u>777,455</u>	<u>19,128,554</u>
Fund balances, ending	<u>\$ 6,877,177</u>	<u>\$ 3,409,670</u>	<u>\$ 1,107,281</u>	<u>\$ 11,394,128</u>

See notes to basic financial statements.

VILLAGE OF PINECREST, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2003

Amounts reported for governmental activities are different because:

Net change in fund balances - total governmental funds (Page 15)	\$(7,734,426)
--	---------------

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:

Loss on disposal of capital assets	\$ (463,104)	
Capital outlay	16,382,484	
Depreciation	<u>(4,807,419)</u>	
Net adjustment		11,111,961

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:

Issuance premium	\$ 12,899	
Issuance costs	(6,799)	
Principal payments	550,000	
Accrued interest	620	
Capital lease	<u>(58,926)</u>	
Net adjustment		497,794

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:

The detail of the difference is as follows:

Compensated absences	<u>25,692</u>
----------------------	---------------

Change in net assets of governmental activities (Page 13)	<u>\$ 3,901,021</u>
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See notes to basic financial statements.

VILLAGE OF PINECREST, FLORIDA

STATEMENT OF NET ASSETS
PROPRIETARY FUND

SEPTEMBER 30, 2003

	<u>Stormwater Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,208,558
Receivables	25,560
Capital assets, net	<u>2,126,691</u>
Total assets	<u>3,360,809</u>
 <u>LIABILITIES</u>	
Revenues collected in advance	<u>113,600</u>
 <u>NET ASSETS</u>	
Invested in capital assets	2,126,691
Unrestricted	<u>1,120,518</u>
Total net assets	<u>\$ 3,247,209</u>

See notes to basic financial statements.

VILLAGE OF PINECREST, FLORIDA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Stormwater <u>Fund</u>
Operating revenues:	
Utility fees	<u>\$ 294,414</u>
Operating expenses:	
Cost of sales	96,129
Depreciation	<u>44,306</u>
Total operating expenses	<u>140,435</u>
Operating income	153,979
Nonoperating revenue:	
Interest earnings	<u>16,110</u>
Change in net assets	170,089
Total net assets, beginning	<u>3,077,120</u>
Total net assets, ending	<u>\$3,247,209</u>

See notes to basic financial statements.

VILLAGE OF PINECREST, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUND

FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Stormwater <u>Fund</u>
Cash flows from operating activities:	
Receipts from customers and users	\$ 351,003
Payments to supplies	<u>(104,229)</u>
Net cash provided by operating activities	246,774
Cash flows from investing activities:	
Interest received	<u>16,110</u>
Net increase in cash and cash equivalents	262,884
Cash and cash equivalents, beginning	<u>945,674</u>
Cash and cash equivalents, ending	<u>\$ 1,208,558</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ <u>153,979</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	44,306
Change in operating assets and liabilities:	
Decrease in accounts receivable	18,233
Increase in revenues collected in advance	38,356
Decrease in accounts payable	<u>(8,100)</u>
Total adjustments	<u>92,795</u>
Net cash provided by operating activities	<u>\$ 246,774</u>

See notes to basic financial statements.

VILLAGE OF PINECREST

NOTES TO BASIC FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The Village of Pinecrest was incorporated on March 12, 1996 by the laws of the State of Florida 12635. The Village of Pinecrest operates under a Council-Manager form of government and provides the following services: public safety (police), public works, building, planning and zoning, code enforcement, stormwater management, and parks and recreation. The basic financial statements of the Village of Pinecrest have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles.

The 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 Village of Pinecrest, organizations for which the Village of Pinecrest is financially accountable, and other organizations for which the nature and significance of their relationship with the Village of Pinecrest are such that exclusion would cause the reporting entity's financials statements to be misleading or incomplete. The Village of Pinecrest 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 Village of Pinecrest. 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 statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Village of Pinecrest. 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 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.

VILLAGE OF PINECREST

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and fund financial statements (Continued)

Separate financial statements are provided for governmental funds and the proprietary fund. 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 is used for the proprietary 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 agency 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 Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, 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 Village.

The Village of Pinecrest reports the following major governmental funds:

- The general fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The capital projects fund receives transfers from the general fund as well as grants and accounts for purchases of land and improvements to the parks and buildings in the community.

The Village reports its only proprietary fund as a major fund:

- The stormwater fund (an enterprise fund) accounts for the stormwater control activities of the community. Funds are received from business and residential users and used to maintain the stormwater collection system.

VILLAGE OF PINECREST

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)

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. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village of Pinecrest 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. 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. 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 stormwater fund are charges to business and residential customers for stormwater system maintenance. Operating expenses report on the costs to maintain the stormwater system, the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, liabilities and net assets or equity

1. Deposits and investments

Cash and cash equivalents, which are cash and short-term investments with maturities of three months or less, include cash on hand, a repurchase agreement and investments with the State Board of Administration Investment Pool. Investments are reported at fair value.

2. Capital assets

Capital assets, which include property, land, equipment, and infrastructure assets (e. g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 (amount not rounded) and an estimated useful life in excess of three years. 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.

VILLAGE OF PINECREST

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Capital assets (Continued)

The costs or 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.

Capital assets of the Village are depreciated using the straight line method over the following estimated useful lives:

- Buildings – 40 years
- Improvements – 15 years
- Equipment :
 - Cars – 5 years
 - Trucks – 10 years
 - Equipment – 5 years
 - Computer equipment – 3 years
- Infrastructure:
 - Roads – 25 years
 - Stormwater system – 50 years

3. Compensated absences

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

The Village's sick leave policy is to permit employees to accumulate earned but unused sick pay benefits. Such leave is accrued and reported as a fund liability when it is probable that the Village will compensate the employee in the following fiscal year. Unused sick pay is not paid at termination.

The Village's vacation policy is that earned vacation must be taken within one year of the employee's anniversary. Carryover is limited to two hundred and forty (240) hours. Unused vacation pay, if any, is paid with the employee's termination or retirement. Those amounts estimated to be liquidated with expendable available financial resources from the general fund are reported as expenditures and a fund liability of the general fund.

4. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities. 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.

VILLAGE OF PINECREST

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities and net assets or equity (Continued)

4. Long-term obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as an other financing source. Premiums received on debt issuances are reported as an other financing source while discounts on debt issuances are reported as an other financing use. Issuance cost, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

5. Property taxes

Property taxes for the current year were assessed and collected by Miami-Dade County and subsequently remitted to the Village. Property taxes are assessed as of January 1 each year and are first billed (levied) and due the following November 1. Under Florida law, the assessment of all properties and the collection of all county, municipal, school board and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws for the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The millage rate assessed by the Village for the year ended September 30, 2003 was 2.40 mills.

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

All property is reassessed according to its fair market value as of January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statutes.

All real and tangible personal property taxes are due and payable on November 1, each year or as soon as practicable thereafter as the assessment roll is certified by the County Property Appraiser. Miami-Dade County mails to each property owner on the assessment roll a notice of the taxes due and Miami-Dade County also collects the taxes for the Village. Taxes may be paid upon receipt of such notice from Miami-Dade County, with discounts at the rate of four percent (4%) if paid in the month of November, three percent (3%) if paid in the month of December, two percent (2%) if paid in the month of January and one percent (1%) if paid in the month of February. Taxes paid during the month of March are without discount, and all unpaid taxes on real and tangible personal property become delinquent and liens are placed on April 1 of the year following the year in which taxes were assessed. Procedures for the collection of delinquent taxes by Miami-Dade County are provided for in the laws of Florida. There were no material delinquent property taxes at September 30, 2003.

VILLAGE OF PINECREST

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, liabilities and net assets or equity (Continued)

6. 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.

7. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The details of this difference are as follows:

Bonds payable	\$ 14,500,000
Issued premium (to be amortized against interest expense)	245,089
Issue costs (to be amortized over life of debt)	(129,174)
Accrued interest payable	31,633
Capital leases payable	71,102
Compensated absences	<u>173,553</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 14,892,203</u>

VILLAGE OF PINECREST

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or 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.

Investments

Village administration is authorized to invest in those instruments authorized by Florida statutes. Cash and cash equivalents as presented on the statement of net assets and the balance sheet include deposits (cash) and investments held under a repurchase agreement and the Local Government Surplus Funds Trust Fund administered by the State Board of Administration. The investment at the State Board of Administration, which is carried at \$11,259,172 at September 30, 2003, is not subject to risk categorization. The Investment Pool is reported at its fair value of its position in the Pool, which is the same as the value of the pool shares.

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

The investment in the repurchase agreement, which is carried at fair value of \$1,804,193 at September 30, 2003, is classified as a Category 1 risk – insured or registered, or securities held by the Village or its agent in the Village's name.

The reconciliation of the deposits and investments on the statement of net assets is as follows:

Cash and cash equivalents	<u>\$ 13,164,839</u>
Carrying amount of deposits	\$ 101,474
Carrying amount of investments	<u>13,063,365</u>
Total	<u>\$ 13,164,839</u>

VILLAGE OF PINECREST

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

Receivables as of September 30, 2003 for the Village's individual major and nonmajor funds, in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Storm- water</u>	<u>Total</u>
Note receivable	\$ 640,201	\$ -	\$ -	\$ 640,201
Intergovernmental	93,250	100,563	-	193,813
Franchise and utility	229,896	-	-	229,896
Ad valorem taxes	7,701	-	-	7,701
Other	19,741	-	25,560	45,301
Gross receivables	<u>990,789</u>	<u>100,563</u>	<u>25,560</u>	<u>1,116,912</u>
Less allowance for doubtful accounts	-	-	-	-
Total receivables	<u>\$ 990,789</u>	<u>\$ 100,563</u>	<u>\$ 25,560</u>	<u>\$ 1,116,912</u>

In December 2001, the Village executed a note receivable under a lease purchase agreement with Miami-Dade County School Board for land to be used as a parking lot. Under the terms of the agreement, the Village is to receive annual rentals of approximately \$91,600 including interest, payable in monthly installments of approximately \$7,600, including interest at 3.95% beginning in January, 2002 and through December 2011. The balance of the note receivable at September 30, 2003 of \$640,201 is included in deferred revenue.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Future minimum lease payments reflecting principal to be received are as follows:

For the year ended September 30:	
2004	\$ 67,637
2005	70,359
2006	73,189
2007	76,129
2008	79,553
2009-2011	<u>273,334</u>
	<u>\$ 640,201</u>

VILLAGE OF PINECREST

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets

Capital asset activity for the year ended September, 2003 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 6,336,243	\$ 9,841,286	\$ -	\$ 16,177,529
Construction in progress	52,645	2,520,603	-	2,573,248
Total capital assets, not being depreciated	<u>6,388,888</u>	<u>12,361,889</u>	<u>-</u>	<u>18,750,777</u>
Capital assets, being depreciated:				
Buildings	1,570,720	2,394,436	437,923	3,527,233
Improvements	1,385,946	307,217	-	1,693,163
Equipment	1,208,331	707,984	25,181	1,891,134
Infrastructure	148,336,838	610,958	-	148,947,796
Total capital assets, being depreciated	<u>152,501,835</u>	<u>4,020,595</u>	<u>463,104</u>	<u>156,059,326</u>
Less accumulated depreciation for:				
Buildings	(115,304)	(25,539)	-	(140,843)
Improvements	(149,281)	(92,397)	-	(241,678)
Equipment	(737,917)	(217,329)	-	(955,246)
Infrastructure	(41,481,972)	(4,472,154)	-	(45,954,126)
Total accumulated depreciation	<u>(42,484,474)</u>	<u>(4,807,419)</u>	<u>-</u>	<u>(47,291,893)</u>
Total capital assets, being depreciated, net	<u>110,017,361</u>	<u>(786,824)</u>	<u>463,104</u>	<u>108,767,433</u>
Governmental activities capital assets, net	<u>\$ 116,406,249</u>	<u>\$ 11,575,065</u>	<u>\$ 463,104</u>	<u>\$ 127,518,210</u>
Business type activities:				
Capital assets being depreciated:				
Infrastructure	\$ 4,850,941	\$ -	\$ -	\$ 4,850,941
Less accumulated depreciation				
for infrastructure	<u>(2,679,944)</u>	<u>(44,306)</u>	<u>-</u>	<u>(2,724,250)</u>
Total capital assets, being depreciated, net	<u>2,170,997</u>	<u>(44,306)</u>	<u>-</u>	<u>2,126,691</u>
Business type activities capital assets, net	<u>\$ 2,170,997</u>	<u>\$ (44,306)</u>	<u>\$ -</u>	<u>\$ 2,126,691</u>

VILLAGE OF PINECREST

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets (Continued)

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

Governmental activities:		
General government	\$	9,585
Public safety		187,156
Public works		4,540,334
Building, planning, and zoning		11,671
Recreation		<u>58,673</u>
Total depreciation expense, governmental activities		<u>\$4,807,419</u>
Business type activities:		
Stormwater	\$	<u>44,306</u>
Total depreciation expense, business type activities		<u>\$ 44,306</u>

D. Transfers

The composition of interfund transfers as of September 30, 2003, is as follows:

<u>Transfers out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Debt Service	\$ 1,251,267
General Fund	Capital Projects Fund	380,770
Transportation Fund	Debt Service	<u>(26,008)</u>
Total general fund		<u>\$ 1,606,029</u>

E. Capital Leases

The Village leases a vehicle and office equipment under non-cancelable capital leases expiring in 2009. Total liability for such leases was \$71,102 as of September 30, 2003. The future minimum lease payments for these leases are as follows:

Fiscal year ending September 30:		
2004	\$	21,598
2005		21,598
2006		11,274
2007		7,128
2008		7,128
2009		<u>2,376</u>
		<u>\$ 71,102</u>

VILLAGE OF PINECREST

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

F. Long-term debt

Florida Municipal Loan Revenue Bonds, Series 1999 and Series 2002. The Village of Pinecrest has issued two bonds as follows: The first issue was for \$8,155,000 for the development of Pinecrest Park, the Village Hall and other capital improvement projects; the second issue was for \$7,740,000 for the purchase and development of Parrot Jungle which is now known as Pinecrest Gardens. The bonds have an outstanding balance of \$14,500,000, and are due in varying installments through May 1, 2022 and bear interest rates from 3.2% to 5.5% with interest paid semiannually. The principal and interest on these bonds are payable from a pledge of non-ad valorem revenues, as defined.

A deferred charge for bond issuance costs of \$129,174 a decrease of \$6,799 from last years balance of \$135,973 has been recorded in the government-wide financial statements.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ended September 30:			
2004	\$ 570,000	\$ 707,589	\$ 1,277,589
2005	590,000	685,802	1,275,802
2006	615,000	659,449	1,274,449
2007	640,000	631,484	1,271,484
2008	665,000	605,244	1,270,244
2009-2013	3,785,000	2,571,901	6,356,901
2014-2018	4,810,000	1,527,731	6,337,731
2019-2022	<u>2,825,000</u>	<u>324,744</u>	<u>3,149,744</u>
	<u>\$ 14,500,000</u>	<u>\$ 7,713,944</u>	<u>\$ 22,213,944</u>

Changes in long-term debt of governmental activities during the year are summarized as follows:

	<u>Balance</u> <u>9/30/2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2003</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable	\$ 15,050,000	\$ -	\$ 550,000	\$ 14,500,000	\$ 570,000
Compensated absences	<u>199,245</u>	<u>173,553</u>	<u>199,245</u>	<u>173,553</u>	<u>147,520</u>
	<u>\$ 15,249,245</u>	<u>\$ 173,553</u>	<u>\$ 749,245</u>	<u>\$ 14,673,553</u>	<u>\$ 717,520</u>

Compensated absences are paid from the General Fund in the form of vacation pay.

VILLAGE OF PINECREST

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. COMMITMENTS AND CONTINGENCIES

A. Risk Management

The Village is exposed to various risks of loss related to torts, theft of or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters for which the Village carries insurance through the Florida League of Cities. There were no significant reductions in insurance coverage from the coverage in the prior year. There were no settled claims that have exceeded insurance coverage for each of the past three years.

B. Litigation

The Village is a defendant in various lawsuits incidental to its operations. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Village's management and legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the Village.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. In the opinion of management, future disallowances of grant expenditures, if any, would not have a material adverse effect on the Village's financial condition.

D. Interlocal agreement

On June 17, 1997 the Village entered into an interlocal agreement with Miami-Dade County to pass through the Village's share of franchise fees on electricity collected from Florida Power & Light. Under this agreement, the County remitted \$831,309 to the Village for the fiscal year ended September 30, 2003. This agreement will be in effect as long as the Ordinance establishing the collection of these fees is in place.

On July 17, 2003 the Village entered into another interlocal agreement with Miami-Dade County. Under this agreement, the County remitted \$240,577 to the Village for the fiscal year ended September 30, 2003 for the purpose of providing transportation services within the Village. This agreement shall remain in effect as long as the County receives net proceeds from the ½ cent County Transit System Surtax as authorized by Miami-Dade County Ordinance No. 02-116 pursuant to the authority of Section 212.055(1) Florida Statutes 2002.

E. Defined Contribution Plan

The Village of Pinecrest 401(a) Money Purchase Plan is a defined contribution plan established by the Village to provide benefits at retirement for its employees. All full time employees must be a member of the plan. Plan members are required to contribute 6% of base earnings for the plan year. The Village is required to contribute 12% of base earnings for each participant for the plan year. Plan provisions and contribution requirements are established and may be amended by the Village Council.

VILLAGE OF PINECREST

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 4. COMMITMENTS AND CONTINGENCIES (Continued)

E. Defined Contribution Plan (Continued)

The Plan's assets are administered by ICMA Retirement Corporation. The Village does not exercise any control over the plan assets. Village contributions to the plan were \$563,470. There are current year forfeitures of \$8,887, which will be used in lieu of Village contributions in fiscal 2004. Employee contributions were \$281,735 for the year ended September 30, 2003.

F. Construction Commitments

A construction commitment is defined as the difference between the contract price of a project and the amount paid on that contract through the fiscal year ended September 30, 2003. Outstanding construction commitments at September 30, 2003 are approximately \$2.9 million for projects which include the development of a new governmental center and various park renovations and improvements. These projects are all fully funded.

STATISTICAL INFORMATION
NOT PART OF THE AUDITED FINANCIAL STATEMENTS

TABLE 1

VILLAGE OF PINECREST, FLORIDA
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS (1)

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Building, Planning, and Zoning</u>	<u>Parks and Recreation</u>	<u>Public Works</u>	<u>Interest on Long-term Debt</u>	<u>Stormwater</u>	<u>Total</u>
2002	\$2,343,210	\$6,553,175	\$1,174,935	\$1,649,759	\$5,153,407	\$ 376,730	\$ 126,274	\$ 17,377,490
2003	2,261,985	6,354,107	1,297,978	1,543,819	4,608,117	707,445	140,435	16,913,886

(1) Information for fiscal years ended September 30, 2001 and prior is unavailable.

VILLAGE OF PINECREST, FLORIDA

GOVERNMENT-WIDE REVENUES
LAST TEN FISCAL YEARS (1)

Fiscal Year	Program Revenues			General Revenues				Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Taxes	Inter- Governmental General	Interest	Misc.	
2002	\$1,870,247	\$ 167,070	\$ 823,952	\$7,403,931	\$ 1,331,958	\$252,897	\$312,786	\$12,162,841
2003	3,008,194	155,405	7,100,293	8,734,449	1,319,561	341,747	325,347	20,984,996

(1) Information for fiscal years ended September 30, 2001 and prior is unavailable.

TABLE 3

VILLAGE OF PINECREST, FLORIDA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Building, Planning, and Zoning</u>	<u>Parks and Recreation</u>	<u>Public Works</u>	<u>Non-Departmental</u>	<u>Debt Service</u>	<u>Total</u>
1996	\$ 198,327	\$ 104,140	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 302,467
1997	4,418,431	2,095,487	-	3,129	126,825	-	-	6,643,872
1998	664,927	3,824,262	724,070	-	331,817	217,095	-	5,762,171
1999	942,252	3,188,554	695,314	1,976,906	1,054,790	354,434	-	8,212,250
2000	1,168,254	4,281,848	912,126	3,492,816	502,625	459,461	636,826	11,453,956
2001	2,672,903	8,629,942	1,067,392	1,099,937	1,413,193	540,310	634,110	16,057,787
2002	2,286,651	6,238,449	1,139,562	1,647,616	1,366,260	-	770,450	13,448,988
2003	2,829,804	6,303,031	1,300,217	15,378,854	1,332,826	-	1,251,267	28,395,999

Source: General fund for fiscal years 1996 through 1998.
 General fund and special revenue funds for fiscal year 1999.
 All governmental funds for fiscal years 2000 through 2003
 Capital outlay is distributed to the department level commencing in 2002.

Note: The Village incorporated in March, 1996.
 This schedule is prepared on a GAAP basis.

TABLE 4

VILLAGE OF PINECREST, FLORIDA
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-Governmental</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Interest</u>	<u>Misc.</u>	<u>Total</u>
1996	\$1,193,906	\$ -	\$ 220,611	\$ -	\$ -	\$ -	\$ 3,331	\$ 1,417,848
1997	7,277,312	126,514	293,924	4,604	6,779	83,376	10,762	7,803,271
1998	7,360,276	893,005	314,559	77,128	137,634	240,461	27,470	9,050,533
1999	8,318,873	829,305	463,889	385,923	193,163	472,792	87,193	10,751,138
2000	8,423,089	1,051,945	1,488,698	447,999	229,366	1,039,238	214,836	12,895,171
2001	8,673,171	1,120,887	979,321	390,716	231,873	892,535	110,428	12,398,931
2002	7,403,931	1,362,665	2,322,980	246,445	219,151	252,897	321,026	12,129,095
2003	8,734,449	1,416,741	8,575,259	544,766	214,524	312,738	863,096	20,661,573

Source: General fund for fiscal years 1996 through 1998.
 General fund and special revenue funds for fiscal year 1999.
 All governmental funds for fiscal years commencing 2000

Note: The Village incorporated in March, 1996.
 This schedule is prepared on a GAAP basis.

TABLE 5

VILLAGE OF PINECREST, FLORIDA
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 Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections Tax Levy</u>
1996	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
1997	3,505,000	3,505,000	100.0%	-	3,505,000	100.0%
1998	3,683,036	3,558,505	96.6%	5,411	3,563,916	96.8%
1999	3,553,794	3,421,100	96.3%	7,312	3,428,412	96.5%
2000	3,717,923	3,585,102	96.4%	14,277	3,599,379	96.8%
2001	3,829,974	3,766,677	98.3%	8,497	3,775,174	98.6%
2002	4,214,407	4,137,179	98.2%	7,872	4,145,051	98.4%
2003	5,303,627	5,221,224	98.4%	13,195	5,234,419	98.7%

Note: The Village incorporated in March, 1996

TABLE 6

VILLAGE OF PINECREST, FLORIDA
ASSESSED VALUE OF TAXABLE PROPERTY

<u>Fiscal Year</u>	<u>Real Property Assessed Value</u>	<u>Personal Property Assessed Value</u>	<u>Assessed Property Value</u>
1996	\$ -	\$ -	\$ -
1997	1,581,300,733	41,182,484	1,622,483,217
1998	1,657,437,548	42,538,893	1,699,976,441
1999	1,736,986,871	48,367,813	1,785,354,684
2000	1,832,884,111	49,266,728	1,882,150,839
2001	2,028,549,847	44,051,288	2,072,601,135
2002	2,231,723,235	45,728,441	2,277,451,676
2003	2,457,111,202	42,781,470	2,499,892,672

Note : The Village incorporated in March 1996.

VILLAGE OF PINECREST, FLORIDA

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year	<u>Village</u>	<u>School</u>		Everglades Project	<u>State</u>	FIN	<u>County</u>		<u>Special Districts</u>				Total Millage
	Operating Millage	Operating Millage	Debt Service		South Florida Water Management		Operating Millage	Debt Service	Children's Trust	Fire Rescue	Fire Debt	Library	
1996	-	-	-	-	-	-	-	-	-	-	-	-	-
1997	2.277	9.356	1.106	0.100	0.597	0.0500	6.023	0.929	-	2.650	0.075	0.316	23.479
1998	2.100	9.182	0.978	0.100	0.597	0.0470	6.023	0.837	-	2.796	0.068	0.334	23.062
1999	2.100	8.654	0.990	0.100	0.597	0.0440	5.809	0.816	-	2.683	0.069	0.321	22.183
2000	2.100	8.702	0.915	0.100	0.597	0.0410	5.751	0.652	-	2.683	0.069	0.351	21.961
2001	2.100	8.528	0.848	0.100	0.597	0.0385	5.713	0.552	-	2.683	0.069	0.451	21.680
2002	2.400	8.482	0.770	0.100	0.597	0.0385	5.889	0.390	-	2.582	0.079	0.486	21.814
2003	2.400	8.418	0.682	0.100	0.597	0.0385	5.969	0.285	0.500	2.582	0.079	0.486	22.137

Note: The Village incorporated in March 1996.

TABLE 8

VILLAGE OF PINECREST, FLORIDA

PRINCIPAL TAXPAYERS

SEPTEMBER 30, 2003

<u>Taxpayer</u>	<u>Type of Use</u>	<u>2003 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Spector & Sons	Shopping Center	\$22,557,677	0.90%
Kendall Imports LLC	Shopping Center	17,393,600	0.70%
Kendall Plaza, LTD	Shopping Center	13,907,613	0.56%
Bell South Telephone	Telecommunications	12,862,481	0.51%
Sumiland Associates	Shopping Center	11,469,079	0.46%
Kenneth L Shimm	Shopping Center	11,306,271	0.45%
Gator Dadeland Partners, LTD	Shopping Center	9,300,000	0.37%
Florida Power & Light Co.	Electric Power	7,425,330	0.30%
Kendall House Apartments	Apartments	6,500,000	0.26%
Raymond F. Forgarty, TT	Shopping Center	6,360,012	0.25%

Source: Miami-Dade County Tax Assessor's Office 2003 Tax Roll
Real/Personal Property taxable value - \$2,499,892,672

VILLAGE OF PINECREST, FLORIDA

RATIO OF SPECIAL OBLIGATION BONDED DEBT TO
ASSESSED VALUE AND BONDED DEBT PER CAPITA

SEPTEMBER 30, 2003

Fiscal Year	(1) Village Population	Assessed Value *	Special Bonded Debt (Pinecrest)*	Ratio of Bonded Debt to Assessed Value	Ratio of Annual Debt Service General Government Expenditures	Bonded Debt Per Capita
1999	17,984	\$ 1,736,987	\$ 8,155	0.47%	0.00%	\$ 453
2000	19,055	1,832,994	7,880	0.43%	5.56%	414
2001	19,064	2,028,550	7,600	0.37%	3.95%	399
2002	19,078	2,231,723	15,050	0.67%	5.73%	789
2003	19,286	2,457,111	14,500	0.59%	4.41%	752

Notes: *In thousands

(1) Fiscal year 2000, US Census.

Fiscal years 2002 and thereafter the population as estimated by the Bureau of Economic and Business Research, University of Florida as of April 1 each year.

The Village had no bonded debt prior to 1999.

VILLAGE OF PINECREST, FLORIDA
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
GENERAL OBLIGATION BONDS

SEPTEMBER 30, 2003

<u>Jurisdiction</u>	<u>Bonded Debt Outstanding</u>	<u>Percentage Applicable to Pinecrest</u>	<u>Amount Applicable to Pinecrest</u>	<u>Amount Per Capita Pinecrest (1)</u>
Direct:				
Village of Pinecrest	<u>\$ 14,500,000</u>	100.00%	<u>\$14,500,000</u>	<u>\$ 752</u>
Overlapping:				
School Board (2)	\$ 790,200,000	0.81%	\$ 6,434,245	\$ 334
County	<u>247,541,000</u>	0.81%	<u>2,015,616</u>	<u>105</u>
	<u>\$ 1,037,741,000</u>		<u>\$ 8,449,861</u>	<u>\$ 439</u>

Notes:

- (1) Based upon population; Village of Pinecrest and Miami-Dade County
(2) Amounts provided by School Board are as of June 30th.

VILLAGE OF PINECREST, FLORIDA

PROPERTY VALUES, BUILDING CONSTRUCTION AND BANK DEPOSITS

SEPTEMBER 30, 2003

<u>Fiscal Year</u>	<u>Assessed Property Value (1)</u>	<u>Building Construction</u>				<u>Bank Deposits (2)</u>
		<u>Residential Units</u>	<u>Residential Value</u>	<u>Commercial Units</u>	<u>Commercial Value</u>	
1997	\$ 1,622,483,217	4	\$ 1,750,000	\$ -	-	NA
1998	1,699,976,441	38	14,814,555	-	-	NA
1999	1,785,354,684	43	13,031,215	1	157,000	NA
2000	1,882,150,839	50	26,655,350	3	2,042,445	NA
2001	2,072,601,135	51	27,647,079	3	1,000,000	\$ 507,999,000 (3)
2002	2,277,451,676	41	25,751,072	5	18,560,000	\$ 76,081,000 (3)
2003	2,499,892,672	51	36,246,380	-	-	586,514,000 (3)

Note: a) Construction refers to new constructions only; improvements are not included in these figures.

b) The Village incorporated in March, 1996.

- Sources:
- 1) Property values are estimated at one hundred percent (100%) of assessed real and personal property values.
 - 2) State of Florida, Division of Banking, as of June 30 of each respective year.
 - 3) Reflects Pinecrest Banks only.

TABLE 12

VILLAGE OF PINECREST, FLORIDA

MISCELLANEOUS STATISTICS

SEPTEMBER 30, 2003

Date of Incorporation	March 12, 1996
Population	19,268
Form of Government	Council-Manager
Number of Employees	
Full-Time	113
Part-Time	44
Area in Square Miles	8.1
Village of Pinecrest Facilities and Services:	
Miles of Streets	108
Police Protection	
Number of Stations	1
Number of Police Personnel and Officers	78
Number of Police Vehicles	33
Facilities and Services provided by agencies other than the Village of Pinecrest:	
Culture and Recreation	
Parks	7
Park Acreage	60
Tennis Courts	6
Education	
Number of Public Elementary Schools (Palmetto & Pinecrest)	2
Number of Public Elementary Instructors	110
Number of Public Elementary Students	1608
Number of Public Middle Schools (Palmetto)	1
Number of Public Middle School Instructors	68
Number of Public Middle School Students	1780
Number of Public High Schools (Miami Palmetto)	1
Number of Public High School Instructors	165
Number of Public High School Students	3400
Facilities and Services provided by companies:	
Cable Television System	
Providers (Adelphia, Comcast, & Charter Communications)	3
Miles of Service	138.5

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APPENDIX I

Financial Information Regarding City of Oakland Park

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CITY OF OAKLAND PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GENERAL FUND
FISCAL YEARS ENDED SEPTEMBER 30,

	<u>2003</u>	<u>2002</u>	<u>2001</u>
REVENUES:			
Taxes:			
Ad Valorem	\$ 8,950,986	\$ 8,241,777	\$ 6,678,911
Utility taxes	4,848,291	4,842,239	3,770,529
Franchise fees	1,855,311	1,828,291	1,188,006
Licenses and permits	949,317	918,206	928,387
Intergovernmental	3,327,550	3,163,683	3,117,084
Charges for services	5,670,462	3,020,820	3,003,564
Fines and forfeitures	434,575	516,785	372,940
Investment earnings	47,797	--	--
Other	<u>244,970</u>	<u>65,487</u>	<u>247,639</u>
Total revenues	\$ <u>26,309,259</u>	\$ <u>22,597,288</u>	\$ <u>20,307,060</u>
EXPENDITURES:			
Current:			
General government	6,442,951	5,988,212	5,368,410
Public safety	10,056,236	10,242,528	11,765,114
Public works	1,532,554	1,889,020	2,750,826
Community development	1,510,328	--	--
Library	560,589	609,621	562,945
Parks and recreation	1,666,333	1,847,829	--
Capital outlay	<u>843,560</u>	<u>336,991</u>	<u>477,816</u>
Total expenditures	<u>22,612,551</u>	<u>20,914,201</u>	<u>20,925,111</u>
Excess (deficiency) of revenues over expenditures	3,696,708	1,683,087	(618,051)
OTHER FINANCING SOURCES (USES):			
Transfers in	--		
Transfers out	(505,000)		
Capital leases	--		
Total other financing sources (uses)	<u>(505,000)</u>		
Net change in fund balances	3,191,708		
Fund balances, beginning	<u>5,101,059</u>	1,290,163	<u>1,908,214</u>
Residual equity transfer in	--	<u>2,127,809</u>	--
Fund balances, ending	<u>\$ 8,292,767</u>	<u>\$ 5,101,059</u>	<u>\$ 1,290,163</u>

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

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Vice Mayor, City Commissioners and City Manager
City of Oakland Park, 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 Oakland Park, Florida (the City) as of and for the fiscal year then ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audits.

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.

As described in Note 1, the City adopted provisions of the Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*; GASB No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments: Omnibus*; GASB No. 38, *Certain Financial Statement Note Disclosures*; and *Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*; as of October 1, 2002. This resulted in a change in the format and content of the basic financial statements.

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oakland Park, Florida as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

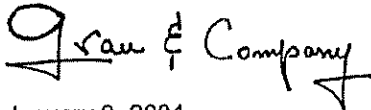
In accordance with *Government Auditing Standards*, we have also issued a report dated January 9, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain laws, regulations, grants and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Honorable Mayor, City Commission and City Manager
City of Oakland Park, Florida
Page 2

Management's Discussion and Analysis and the Required Supplementary Information identified in the table of contents, 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 an opinion on the basic financial statements taken as a whole. The accompanying information identified in the table of contents as combining financial statements and capital assets used in the operation of governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Similarly, the accompanying schedule of expenditures of federal awards programs is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The information shown in the introductory and statistical sections listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion thereon.

Graub & Company

January 9, 2004

CITY OF OAKLAND PARK, FLORIDA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2003

ASSETS	Governmental Activities	Business Type Activities	Total
Cash and cash equivalents	\$ 10,748,932	\$ 5,296,980	\$ 16,045,912
Accounts receivables - net	2,812,855	2,139,559	4,952,414
Inventories	44,610	86,650	131,260
Prepays	161,203	-	161,203
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	6,511,824	6,014,972	12,526,796
Intergovernmental receivable	598,751	-	598,751
Capital assets, net of accumulated depreciation			
Land	6,503,157	58,100	6,561,257
Construction in progress	1,816,994	1,318,833	3,135,827
Buildings	2,991,670	-	2,991,670
Improvements other than buildings	927,067	200,401	1,127,468
Machinery and equipment	2,194,859	1,584,147	3,779,006
Infrastructure	<u>4,557,349</u>	<u>20,230,725</u>	<u>24,788,074</u>
Total capital assets, net	<u>18,991,096</u>	<u>23,392,206</u>	<u>42,383,302</u>
Net pension asset	<u>354,096</u>	-	<u>354,096</u>
Total assets	<u>40,223,367</u>	<u>36,930,367</u>	<u>77,153,734</u>
 LIABILITIES			
Accounts payable	1,734,537	923,073	2,657,610
Accrued liabilities	318,895	52,267	371,162
Customer deposits	-	1,002,265	1,002,265
Accrued interest payable	310,907	131,542	442,449
Other liabilities	215,136	-	215,136
Deferred revenues	480,816	58,484	539,300
Claims payable	400,000	-	400,000
Noncurrent liabilities:			
Due within one year	877,061	379,525	1,256,586
Due in more than one year	<u>14,503,270</u>	<u>8,496,034</u>	<u>22,999,304</u>
Total Liabilities	<u>18,840,622</u>	<u>11,043,190</u>	<u>29,883,812</u>
 NET ASSETS			
Invested in capital assets, net of related debt	12,674,416	20,751,202	33,425,618
Restricted for:			
Public safety	669,498	-	669,498
Unrestricted	<u>8,038,831</u>	<u>5,135,975</u>	<u>13,174,806</u>
Total net assets	<u>\$ 21,382,745</u>	<u>\$ 25,887,177</u>	<u>\$ 47,269,922</u>

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

CITY OF OAKLAND PARK, FLORIDA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2003

Functions/programs	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental activities	Business-type activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 1,466,069	\$ 360,012	\$ -	\$ -	\$ (1,106,057)	\$ -	\$ (1,106,057)
Public safety	16,811,156	7,181,523	300,700	-	(9,328,933)	-	(9,328,933)
Public works	1,688,833	-	-	-	(1,688,833)	-	(1,688,833)
Community development	1,735,333	1,099,968	128,791	1,435,100	928,526	-	928,526
Library	574,839	5,305	-	-	(569,534)	-	(569,534)
Parks and recreation	1,777,871	136,082	80,430	48,250	(1,513,109)	-	(1,513,109)
Interest on long-term debt	776,634	-	-	-	(776,634)	-	(776,634)
Total governmental activities	24,830,735	8,782,890	509,921	1,483,350	(14,054,574)	-	(14,054,574)
Business-type activities:							
Water and sewer	9,742,433	11,798,134	-	-	-	2,055,701	2,055,701
Solid waste	5,881,851	6,138,710	-	-	-	256,859	256,859
Stormwater	1,322,179	1,190,608	-	-	-	(131,571)	(131,571)
Total business activities	16,946,463	19,127,452	-	-	-	2,180,989	2,180,989
Total primary government	\$ 41,777,198	\$ 27,910,342	\$ 509,921	\$ 1,483,350	\$ (14,054,574)	\$ 2,180,989	\$ (11,873,585)
GENERAL REVENUES:							
Property taxes					8,950,986	-	8,950,986
Franchise fees					1,855,311	-	1,855,311
Utility taxes					4,828,291	-	4,828,291
Unrestricted investment earnings					278,358	187,943	466,301
Intergovernmental					3,327,550	-	3,327,550
Transfers					(154,641)	154,641	-
Total general revenues and transfers					19,085,855	342,584	19,428,439
Change in net assets					5,031,281	2,523,573	7,554,854
Net assets, October 1					16,351,464	23,363,604	39,715,068
Net assets, September 30					\$ 21,382,745	\$ 25,887,177	\$ 47,269,922

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

CITY OF OAKLAND PARK, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003

	<u>Major Funds</u>				
	<u>General</u>	<u>Special Revenue Fire Rescue</u>	<u>Small Town Renaissance Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 8,674,519	\$ 900,411	\$ -	\$ 1,174,002	\$ 10,748,932
Accounts receivables - net	1,887,741	735,191	14,325	175,598	2,812,855
Due from other funds	68,723	-	-	-	68,723
Inventories	44,610	-	-	-	44,610
Prepalds	154,603	600	-	6,000	161,203
Temporarily restricted assets:					
Cash and cash equivalents	-	-	6,113,652	398,172	6,511,824
Intergovernmental receivable- restricted	-	-	598,751	-	598,751
Total assets	<u>\$ 10,830,196</u>	<u>\$ 1,636,202</u>	<u>\$ 6,726,728</u>	<u>\$ 1,753,772</u>	<u>\$ 20,946,898</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,038,617	\$ 390,702	\$ 75,328	\$ 229,890	\$ 1,734,537
Due to other funds	-	-	-	68,723	68,723
Accrued liabilities	184,923	133,972	-	-	318,895
Compensated absences	395,433	112,108	-	-	507,541
Other liabilities	215,136	-	-	-	215,136
Claims payable	400,000	-	-	-	400,000
Deferred revenues	303,320	104,770	-	72,728	480,816
Total liabilities	<u>2,537,429</u>	<u>741,552</u>	<u>75,328</u>	<u>371,339</u>	<u>3,725,648</u>
Fund balances:					
Reserved for:					
Inventories	44,610	-	-	-	44,610
Prepaid costs	154,603	-	-	-	154,603
Educational training	20,221	-	-	-	20,221
Library services	44,804	-	-	-	44,804
Recreation services	46,721	-	-	-	46,721
City beautification	1,968	-	-	-	1,968
Fire department education	30,653	-	-	-	30,653
Encumbrances	120,153	10,657	1,877,227	395,585	2,403,622
Public safety	-	883,993	-	669,498	1,553,491
Capital projects	-	-	4,774,173	314,199	5,088,372
Unreserved, reported in:					
General fund, designated for:					
Community Redevelopment Agency	200,000	-	-	-	200,000
Equipment repairs and replacements	2,133,459	-	-	-	2,133,459
General Employee's Pension/Benefits	300,000	-	-	-	300,000
Natural disaster/public emergency	2,641,883	-	-	-	2,641,883
General fund, unreserved, undesignated	2,553,692	-	-	-	2,553,692
Special revenue fund	-	-	-	3,151	3,151
Total fund balances	<u>8,292,767</u>	<u>894,650</u>	<u>6,651,400</u>	<u>1,382,433</u>	<u>17,221,250</u>
Total liabilities and fund balances	<u>\$ 10,830,196</u>	<u>\$ 1,636,202</u>	<u>\$ 6,726,728</u>	<u>\$ 1,753,772</u>	<u>\$ 20,946,898</u>

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

CITY OF OAKLAND PARK, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003

Fund balances - total government funds (Page 17)		\$ 17,221,250
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets		30,873,733
Less accumulated depreciation		(11,882,637)
<p>Net pension assets resulting from overfunding in the police, fire, and general employees pension plans is not reported in the funds as they are not available to pay current period expenditures.</p>		
Net pension asset		354,096
<p>Bond interest payable not reported in the governmental funds</p>		
		(310,907)
<p>Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Governmental bonds payable	(12,575,000)	
Capital leases	<u>(1,102,864)</u>	(13,677,864)
Compensated absences		<u>(1,194,926)</u>
Net assets of governmental activities (Page 15)		<u>\$ 21,382,745</u>

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

CITY OF OAKLAND PARK, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Major Funds</u>				<u>Total Governmental Funds</u>
	<u>General</u>	<u>Special Revenue Fire Rescue</u>	<u>Small Town Renaissance Capital Projects Fund</u>	<u>Other Governmental Funds</u>	
REVENUES:					
Taxes:					
Ad Valorem	\$ 8,950,986	\$ -	\$ -	\$ -	\$ 8,950,986
Utility taxes	4,828,291	-	-	-	4,828,291
Franchise fees	1,855,311	-	-	-	1,855,311
Licenses and permits	849,317	-	-	-	849,317
Intergovernmental	3,327,550	-	-	-	3,327,550
Charges for services	5,670,462	4,353,337	-	1,868	10,025,767
Fines and forfeitures	434,575	-	-	34,184	468,759
Fire assessment	-	2,279,676	-	-	2,279,676
Grants	-	-	1,483,350	509,921	1,993,271
Investment earnings	47,797	15,036	192,027	23,498	278,358
Other	244,970	174	117,961	-	363,105
Total revenues	<u>26,309,259</u>	<u>6,648,223</u>	<u>1,793,338</u>	<u>569,571</u>	<u>35,320,391</u>
EXPENDITURES:					
Current:					
General government	6,442,951	-	-	-	6,442,951
Public safety	10,056,236	6,172,209	-	339,653	16,568,098
Public works	1,532,554	-	-	-	1,532,554
Community development	1,510,328	-	95,241	115,158	1,720,727
Library	560,589	-	-	-	560,589
Parks and recreation	1,666,333	-	-	21,302	1,687,635
Debt service:					
Principal	-	-	205,000	75,351	280,351
Interest	-	-	664,803	19,784	684,597
Capital outlay	843,560	5,419	3,309,762	753,208	4,911,949
Total expenditures	<u>22,612,551</u>	<u>6,177,628</u>	<u>4,274,806</u>	<u>1,324,466</u>	<u>34,389,451</u>
Excess (deficiency) of revenues over expenditures	3,696,708	470,595	(2,481,468)	(754,895)	930,940
OTHER FINANCING SOURCES (USES):					
Transfers in	-	-	505,000	95,145	600,145
Transfers out	(505,000)	(81,824)	-	(167,962)	(754,786)
Capital leases	-	-	-	1,178,215	1,178,215
Total other financing sources (uses)	<u>(505,000)</u>	<u>(81,824)</u>	<u>505,000</u>	<u>1,105,398</u>	<u>1,023,574</u>
Net change in fund balances	3,191,708	388,771	(1,976,468)	350,503	1,954,514
Fund balances, beginning	<u>5,101,059</u>	<u>505,879</u>	<u>8,627,868</u>	<u>1,031,930</u>	<u>15,266,736</u>
Fund balances, ending	<u>\$ 8,292,767</u>	<u>\$ 894,650</u>	<u>\$ 6,651,400</u>	<u>\$ 1,382,433</u>	<u>\$ 17,221,260</u>

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

CITY OF OAKLAND PARK, FLORIDA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2003

Amounts reported for governmental activities in the statement of activities (Page 18) are different because:

Net change in fund balances - total government funds (Page 19)	\$	1,954,514
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital outlays	\$ 4,911,949	
Less current year depreciation	<u>(671,988)</u>	4,239,961

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

BONDS

Principal payments		205,000
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CAPITAL LEASES

Proceeds	(1,178,215)	
Principal payments	75,351	
Pension plan expenditures	<u>(7,369)</u>	<u>(1,110,233)</u>

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.

Compensated absences	(165,924)	
Accrued interest on long term debt	<u>(82,037)</u>	<u>(257,961)</u>

Change in net assets of governmental activities (Page 16)	\$	<u>5,031,281</u>
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The notes to the basic financial statements are an integral part of this statement.

CITY OF OAKLAND PARK, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2003

	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Stormwater</u>	<u>Totals</u>
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 5,150,295	\$ 146,685	\$ -	\$ 5,296,980
Accounts receivable, net	1,340,610	627,544	171,405	2,139,559
Due from other funds	211,867	-	-	211,867
Inventories	<u>86,650</u>	<u>-</u>	<u>-</u>	<u>86,650</u>
Total current assets	6,789,422	774,229	171,405	7,735,056
Restricted cash and cash equivalents	583,366	-	5,431,606	6,014,972
Capital assets:				
Land	50,500	-	7,599	58,099
Construction in progress	887,327	-	431,506	1,318,833
Buildings	440,600	-	92,394	532,994
Machinery and equipment	1,403,321	2,458,589	314,920	4,176,830
Infrastructure	<u>27,376,513</u>	<u>-</u>	<u>6,722,750</u>	<u>34,099,263</u>
Total capital assets	30,158,261	2,458,589	7,569,169	40,186,019
Less accumulated depreciation:	<u>(12,318,863)</u>	<u>(1,368,585)</u>	<u>(3,106,365)</u>	<u>(16,793,813)</u>
Total capital assets, net	<u>17,839,398</u>	<u>1,090,004</u>	<u>4,462,804</u>	<u>23,392,206</u>
Total non-current assets	<u>18,422,764</u>	<u>1,090,004</u>	<u>9,894,410</u>	<u>29,407,178</u>
Total assets	<u>25,212,186</u>	<u>1,864,233</u>	<u>10,065,815</u>	<u>37,142,234</u>
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	559,302	321,158	42,613	923,073
Accrued liabilities	23,322	18,846	10,099	52,267
Due to other funds	-	-	211,867	211,867
Accrued interest	15,175	-	116,367	131,542
Compensated absences	19,028	13,179	7,318	39,525
Customer deposits	839,010	163,255	-	1,002,265
Deferred revenues	50,484	8,000	-	58,484
Current portion of bonds payable	<u>250,000</u>	<u>-</u>	<u>90,000</u>	<u>340,000</u>
Total current liabilities	<u>1,756,321</u>	<u>524,438</u>	<u>478,264</u>	<u>2,759,023</u>
Non-current liabilities:				
Compensated absences	86,684	60,037	33,337	180,058
Revenue bonds payable	3,234,670	-	-	3,234,670
Loan payable	<u>-</u>	<u>-</u>	<u>5,081,306</u>	<u>5,081,306</u>
Total non-current liabilities	<u>3,321,354</u>	<u>60,037</u>	<u>5,114,643</u>	<u>8,496,034</u>
Total liabilities	<u>5,077,675</u>	<u>584,475</u>	<u>5,592,907</u>	<u>11,255,057</u>
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	14,938,094	1,090,004	4,723,104	20,751,202
Unrestricted	<u>5,196,417</u>	<u>189,754</u>	<u>(250,196)</u>	<u>5,135,975</u>
Total net assets	<u>\$ 20,134,511</u>	<u>\$ 1,279,758</u>	<u>\$ 4,472,908</u>	<u>\$ 25,887,177</u>

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

CITY OF OAKLAND PARK, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Business-type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Stormwater</u>	
Operating revenues:				
Charges for sales and services:				
Metered water sales	\$ 6,019,730	\$ -	\$ -	\$ 6,019,730
Sewer fees pledged as security for revenue bonds	5,339,983	-	-	5,339,983
Residential solid waste service	-	1,834,873	-	1,834,873
Commercial solid waste service	-	4,073,275	-	4,073,275
Water installation and other	131,657	230,562	-	362,219
Stormwater fees pledged as security for the FMLC Loan	-	-	1,190,608	1,190,608
Total operating revenues	<u>11,491,370</u>	<u>6,138,710</u>	<u>1,190,608</u>	<u>18,820,688</u>
Operating expenses:				
Water system operation	3,852,198	-	-	3,852,198
Sewer collection and maintenance	2,840,414	-	-	2,840,414
General and administrative	2,345,983	1,627,660	397,362	4,371,005
Solid waste collection	-	902,878	-	902,878
Incinerator and landfill fees	-	3,107,687	-	3,107,687
Stormwater system operation	-	-	512,032	512,032
Depreciation	504,532	239,484	117,235	861,251
Total operating expenses	<u>9,543,125</u>	<u>5,877,709</u>	<u>1,028,629</u>	<u>16,447,463</u>
Operating income	<u>1,948,245</u>	<u>261,001</u>	<u>163,979</u>	<u>2,373,225</u>
Non-operating revenues (expenses):				
Regional system refund	308,764	-	-	308,764
Investment earnings	80,890	-	107,053	187,943
Interest and fiscal charges	(199,308)	(4,142)	(295,550)	(499,000)
Total non-operating revenues (expenses)	<u>188,346</u>	<u>(4,142)</u>	<u>(188,497)</u>	<u>(4,293)</u>
Income (loss) before transfers	<u>2,136,591</u>	<u>256,859</u>	<u>(24,518)</u>	<u>2,368,932</u>
Transfer in	-	167,962	-	167,962
Transfer out	-	(13,321)	-	(13,321)
Changes in net assets	<u>2,136,591</u>	<u>411,500</u>	<u>(24,518)</u>	<u>2,523,573</u>
Total net assets- beginning (as restated)	<u>17,997,920</u>	<u>868,258</u>	<u>4,497,426</u>	<u>23,363,604</u>
Total net assets- ending	<u>\$ 20,134,511</u>	<u>\$ 1,279,758</u>	<u>\$ 4,472,908</u>	<u>\$ 25,887,177</u>

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

CITY OF OAKLAND PARK, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2003

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Stormwater</u>	<u>Totals</u>
Cash flows from operating activities:				
Cash received from customers and other governments	\$ 10,861,648	\$ 6,059,162	\$ 1,223,169	\$ 18,143,979
Other operating cash receipts	438,421	230,562	-	668,983
Cash paid to suppliers	(5,698,172)	(3,111,393)	(126,767)	(8,936,332)
Cash paid to employees	(891,251)	(748,510)	(324,739)	(1,964,500)
Cash paid for interfund services used	(1,681,308)	(2,263,583)	(426,114)	(4,371,005)
Net cash provided by operating activities	<u>3,029,338</u>	<u>166,238</u>	<u>345,549</u>	<u>3,541,125</u>
Cash flows from noncapital financing activities:				
Regional system refund	306,764	-	-	306,764
Transfer from other funds	-	167,962	-	167,962
Transfer to other funds	-	(13,321)	-	(13,321)
Net cash provided by noncapital financing activities	<u>306,764</u>	<u>154,641</u>	<u>-</u>	<u>461,405</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of fixed assets	(428,808)	(170,052)	(315,072)	(913,932)
Principal retirements of capital debt	(240,000)	-	(85,000)	(325,000)
Interest paid on capital debt	(200,188)	(4,142)	(297,099)	(501,429)
Net cash (used in) capital and related financing activities	<u>(868,996)</u>	<u>(174,194)</u>	<u>(697,171)</u>	<u>(1,740,361)</u>
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	-	-	3,228,585	3,228,585
Interest on investments	80,890	-	107,053	187,943
Net cash provided by investing activities	<u>80,890</u>	<u>-</u>	<u>3,335,638</u>	<u>3,416,528</u>
Net increase in cash and cash equivalents	2,547,996	146,685	2,984,016	5,678,697
Cash and cash equivalents, October 1	3,185,665	-	2,447,590	5,633,255
Cash and cash equivalents, September 30	<u>\$ 5,733,661</u>	<u>\$ 146,685</u>	<u>\$ 5,431,606</u>	<u>\$ 11,311,952</u>
Cash and cash equivalents per statement of net assets:				
Unrestricted	\$ 5,150,295	\$ 146,685	\$ -	\$ 5,296,980
Restricted	583,366	-	5,431,606	6,014,972
Total, September 30	<u>\$ 5,733,661</u>	<u>\$ 146,685</u>	<u>\$ 5,431,606</u>	<u>\$ 11,311,952</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 1,948,245	\$ 261,001	\$ 163,979	\$ 2,373,225
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	504,532	239,484	117,235	861,251
Amortization	6,534	-	11,016	17,550
Provision for uncollectible accounts	75,517	64,658	9,367	149,542
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(269,815)	77,132	12,178	(180,505)
Decrease in due from other funds	664,675	-	-	664,675
(Increase) in inventories	(3,195)	-	-	(3,195)
Increase in accounts payable	56,157	132,258	33,654	222,069
Increase in accrued liabilities	8,278	3,920	5,097	17,295
(Decrease) in due to other funds	-	(635,923)	(28,752)	(664,675)
Increase in compensated absences	42,188	14,484	21,775	78,447
Increase in customer deposits	16,567	12,224	-	28,791
(Decrease) in deferred revenues	(20,345)	(3,000)	-	(23,345)
Total adjustments	<u>1,081,093</u>	<u>(94,763)</u>	<u>181,570</u>	<u>1,167,900</u>
Net cash provided by operating activities	<u>\$ 3,029,338</u>	<u>\$ 166,238</u>	<u>\$ 345,549</u>	<u>\$ 3,541,125</u>

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

CITY OF OAKLAND PARK, FLORIDA
NOTES TO BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of the City of Oakland Park, Florida's (the City) significant accounting policies is presented to assist the reader in interpreting the basic financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying basic financial statements.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. This report, the accounting systems and classification of accounts conform to standards of the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accounting policies of the City conform to Accounting Principles Generally Accepted in the United States (GAAP) as applicable to governments.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement #34 "Basic Financial Statements and Management Discussion and Analysis for the State and Local Governments". This statement provides for significant changes in financial reporting. For the fiscal year ended September 30, 2003, 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. Reporting Entity

The City of Oakland Park, Florida is a political subdivision of the State of Florida. The City, which was incorporated on June 7, 1929, is located in Broward County and operates under the Commission-Manager form of government. The legislative branch of the City is composed of a five member elected Commission, including a rotating mayor. The City Commission is governed by the City Charter and by state and local laws and regulations.

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 City, organizations for which the City is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. 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 which met the criteria described above.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**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 and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, utility 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)*

The reporting practices of the Proprietary Fund Types closely parallel comparable commercial financial reporting. Both recognize revenue when earned and expenses when incurred (the accrual basis) including, in the case of the Enterprise Fund, depreciation on its exhaustible fixed assets. Earned, but unbilled service receivables have been accrued as revenue in the Enterprise Funds. The City has elected to follow all GASB pronouncements and all FASB pronouncements issued on or before November 30, 1989, except for those that contradict a GASB pronouncement.

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 **special revenue fund** (Fire rescue) accounts for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects).

The **capital projects fund** (Small Town Renaissance Capital Projects Fund) accounts for the acquisition of equipment and construction of major capital projects not being financed by proprietary funds.

The City reports the following major proprietary funds:

The **water and sewer fund** is used to account for the provision of water and sewer services to the residents and the commerce of the City.

The **solid waste fund** is used to account for the provision of solid waste collection, disposal and recycling for all residential and commercial customers within the City.

The **stormwater fund** is used to account for the provision of stormwater management and drainage services to the residents and businesses of the City.

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 utilities function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes, whose purpose has not been restricted to a specific program.

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

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

c. ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)***

operations. The principal operating revenues of the City's water and sewer, solid waste and stormwater enterprise funds, are charges to customers for sales and services. The enterprise funds also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

d. ***Deposits and Investments***

The City maintains a pooled cash account for all funds. This enables the City to invest large amounts of idle cash for short periods of time and to optimize earnings potential. Equity in pooled cash and cash equivalents represents the amount owned by each fund of the City. Interest earned on pooled cash is allocated monthly based upon equity balances of the respective funds.

The City's investments are reported at fair value. The City's investment in the State Board of Administration Investment Pool (2A-7 pool) is reported at its fair value of its position in the pool, which is the same as its value of the pool shares.

For the purpose of the Statement of Cash Flows for the Proprietary Fund, cash and investments mean short term, highly liquid investments with an original maturity of three months or less.

In addition, GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and External Investment Pools", requires disclosure of investments at fair value and recognition of unrealized gain or losses, if material, for investments with remaining maturities of more than one year at the time of purchase. Investments with remaining maturities of one year or less at the time of purchase are recorded at amortized cost. The City calculated the unrealized gain or loss for investments with remaining maturities of more than one year at the time of purchase and determined that the amount of unrealized loss is immaterial for the fiscal year ended September 30, 2003.

e. ***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" or "advances to/from other funds. Any residual balances outstanding between the governmental activities and business activities are reported in the government-wide financial statements as "internal balances".

Operating revenues in the water and sewer 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 by September 30 are accrued based on meter readings for the applicable consumption period and billed in October.

Revenues and the associated receivable balances are accrued for taxes, franchise fees, and other utility services based on collections within 60 days of year-end.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. *Receivables and Payables (Continued)*

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivables in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

The City's contracted service provider processes receivables associated with Emergency Medical Services (EMS). An allowance account is established for EMS receivables based on historical collection rates.

f. *Property Taxes*

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed for the City by Broward County on or about October 1 of each year and are payable with discounts of up to 4% offered for early payment. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by seizure of the personal property or by the sale of interest-bearing tax certificates to satisfy unpaid property taxes.

Assessed values are established by the Broward County Property Appraiser. In November 1992, a Florida constitutional amendment was approved by the voters which provides for limiting the increases in homestead property valuations for ad valorem tax purposes to a maximum of 3% annually and also provides for reassessment of market values upon changes in ownership. The County bills and collects all property taxes and remits them to the City. Procedures for the collection of delinquent taxes by Broward County are provided for in the Laws of Florida. There were no material delinquent property taxes at September 30, 2003.

State statutes permit municipalities to levy property taxes at a rate of up to 10 mills (\$10 per \$1,000 of assessed taxable valuation). The tax levy of the City is established by the City Commission and the Broward County Property Appraiser incorporates the City's millage into the total tax levy, which includes the County and the County School Board tax requirements. The millage rate assessed by the City for the year ended September 30, 2003 was 5.9715 mills (\$5.9715 per \$1,000 of taxable assessed valuation).

g. *Inventories and Prepaid Costs*

Inventories are valued at cost using the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased (consumption method). Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid costs.

h. *Restricted Assets*

Certain proceeds from the City's enterprise fund revenue bonds and the Florida Municipal Loan Council loans, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by the applicable bond covenants.

The City's enterprise fund revenue bonds require certain reserves. The "revenue bonds reserve" account is used to account for resources set aside to subsidize potential deficiencies from the City's operations that could adversely affect debt service payments.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

h. Restricted Assets (Continued)

The "renewal and replacement" account is used to account for those funds available to pay current costs of operation and maintenance to the extent monies on deposit in the Revenue Bond Reserves are insufficient for such purposes. The "revenue bond sinking reserve" account is used to segregate resources accumulated for debt service payments over the next twelve months.

i. Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, machinery and equipment, and infrastructure assets (e.g., roads, sidewalks, culverts, pump stations, stormwater lines, catch basins, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets is defined by the City 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 they are completed.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Improvements other than buildings	20
Machinery and Equipment	5-20
System Infrastructure	50-65
Public Domain Infrastructure	50-65

j. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay is accrued when earned in proprietary funds and is reported as a fund liability. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental funds that will pay it. Amounts not expected to be liquidated with expendable available financial resources are reported as a reconciling item between the fund and government-wide presentations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k. 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 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 bonds 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 proceeds and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether not withheld from the actual debt proceeds received, are reported as debt service expenditures.

l. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific future purpose. The description of each reserve indicates the purpose for which each was intended.

Designations of fund balance represent tentative management plans that are subject to change. Unreserved undesignated fund balance is the portion of fund equity available for any lawful use.

m. Deferred Revenues

Deferred revenues include amounts collected before revenue recognition criteria are met and receivables, which, under the modified accrual basis of accounting, are measurable, but not yet available. The deferred items consist primarily of license and permit revenues and special assessment revenues.

n. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

2 DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires every qualified public depository to deposit with the Treasurer eligible collateral. Statutes provide that if a loss to public depository is not covered by deposit insurance and the proceeds from the sale of securities pledged by the defaulting depository, the difference will be provided by an assessment levied against other public depositories of the same type as the depository in default.

Investments

City administration is authorized to invest in those instruments authorized by the Florida Statutes including the Local Government Surplus Trust Fund administered by the State Board of Administration (the Board). The Local Government Surplus Funds Trust Fund is governed by Chapter 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission; however, the Board has adopted operating procedures consistent with the requirements for a 2A-7 fund.

Investments are classified as to credit risk, which are summarized below:

Accordingly, all City deposits are Category 1 credit risk as defined by GASB Statement No. 3, which are insured or collateralized with securities held by the City or by its agent in the City's name.

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

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

At year end, the City's investment balances were as follows:

Investments not subject to categorization:	
State Board of Administration Investment Pool	<u>\$ 24,628,392</u>
Per combined balance sheet:	
Cash and cash equivalents	\$ 16,045,912
Restricted cash and cash equivalents	<u>12,526,796</u>
	<u>\$ 28,572,708</u>
By category:	
Deposits	\$ 3,944,316
Investments	<u>24,628,392</u>
	<u>\$ 28,572,708</u>

3. RECEIVABLES AND PAYABLES

Receivables at September 30, 2003, were as follows:

	<u>Accounts</u>	<u>Taxes</u>	<u>Special Assessments</u>	<u>Other</u>	<u>Allowance Uncollectible Accounts</u>	<u>Total</u>
Governmental Activities						
General	\$ 1,059,361	\$ 1,792,038	\$ -	\$ 388,440	\$(1,352,098)	\$ 1,887,741
Fire Rescue	1,544,870	-	-	305,394	(1,115,073)	735,191
Capital Projects	-	-	-	14,325	-	14,325
Nonmajor and other funds	-	-	-	175,598	-	175,598
Total government activities	<u>\$ 2,604,231</u>	<u>\$ 1,792,038</u>	<u>\$ -</u>	<u>\$ 883,757</u>	<u>\$(2,467,171)</u>	<u>\$ 2,812,855</u>
Business-type Activities						
Water and sewer	\$ 1,464,714	\$ -	\$ 74,684	\$ 119,804	\$(318,592)	\$ 1,340,610
Solid waste	879,940	-	-	26,185	(278,581)	627,544
Stormwater	215,612	-	-	-	(44,207)	171,405
Total business-type activities	<u>\$ 2,560,266</u>	<u>\$ -</u>	<u>\$ 74,684</u>	<u>\$ 145,989</u>	<u>\$(641,380)</u>	<u>\$ 2,139,559</u>

Payables at September 30, 2003, were as follows:

	<u>Vendors</u>
Governmental Activities:	
General	\$ 1,038,617
Fire Rescue	390,702
Capital Projects	75,328
Nonmajor and other funds	229,890
Total government activities	<u>\$ 1,734,537</u>
Business-type Activities:	
Water and sewer	\$ 559,302
Solid waste	321,158
Stormwater	42,613
Total business-type activities	<u>\$ 923,073</u>

Revenues of the Water and Sewer, Solid Waste, Stormwater and Fire Rescue funds are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to water sales and sewer charges	\$ 72,490
Uncollectibles related to solid waste fees	64,658
Uncollectibles related to stormwater fees	9,367
Uncollectibles related to EMS fees	801,719
Total uncollectibles of the current fiscal year	<u>\$ 948,234</u>

4 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2003 was as follows:

	Balance October 1, 2002	Increases	Decreases	Balance Sept. 30, 2003
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,547,174	\$ 4,955,983	\$ -	\$ 6,503,157
Construction in progress	3,706,947	4,209,557	6,099,510	1,816,994
Total assets not being depreciated	<u>5,254,121</u>	<u>9,165,540</u>	<u>6,099,510</u>	<u>8,320,151</u>
Capital assets being depreciated:				
Buildings	\$ 4,595,489	\$ 43,715	\$ -	\$ 4,639,204
Improvements other than buildings	1,315,185	593,890	-	1,909,075
Machinery and equipment	6,053,566	1,055,484	-	7,109,050
Infrastructure	8,817,663	78,590	-	8,896,253
Total capital assets being depreciated	<u>20,781,903</u>	<u>1,771,679</u>	<u>-</u>	<u>22,553,582</u>
Less accumulated depreciation for:				
Buildings	(1,555,310)	(92,224)	-	(1,647,534)
Improvements other than buildings	(927,455)	(54,552)	-	(982,007)
Machinery and equipment	(4,528,165)	(386,026)	-	(4,914,191)
Infrastructure	(4,199,719)	(139,186)	-	(4,338,905)
Total accumulated depreciation	<u>(11,210,649)</u>	<u>(671,988)</u>	<u>-</u>	<u>(11,882,637)</u>
Total capital assets being depreciated, net	<u>9,571,254</u>	<u>1,099,691</u>	<u>-</u>	<u>10,670,945</u>
Governmental activities capital assets, net	<u>\$ 14,825,375</u>	<u>\$ 10,265,231</u>	<u>\$ 6,099,510</u>	<u>\$ 18,991,096</u>

The following is a summary of capital assets in the Enterprise Funds at September 30, 2003:

	Balance October 1, 2002	Increases	Decreases	Balance Sept. 30, 2003
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 58,100	\$ -	\$ -	\$ 58,100
Construction in progress	633,199	724,793	39,159	1,318,833
Total capital assets not being depreciated	<u>691,299</u>	<u>724,793</u>	<u>39,159</u>	<u>1,376,933</u>
Capital assets being depreciated:				
Buildings	\$ 532,994	\$ -	\$ -	\$ 532,994
Machinery and equipment	3,987,694	189,134	-	4,176,828
Infrastructure	34,060,104	39,159	-	34,099,263
Total capital assets being depreciated	<u>38,580,792</u>	<u>228,293</u>	<u>-</u>	<u>38,809,085</u>
Less accumulated depreciation for:				
Buildings	(321,933)	(10,660)	-	(332,593)
Machinery and equipment	(2,130,243)	(462,438)	-	(2,592,681)
Infrastructure	(13,480,385)	(388,153)	-	(13,868,538)
Total accumulated depreciation	<u>(15,932,561)</u>	<u>(861,251)</u>	<u>-</u>	<u>(16,793,812)</u>
Total capital assets being depreciated, net	<u>22,648,231</u>	<u>(632,958)</u>	<u>-</u>	<u>22,015,273</u>
Business-type activities capital assets, net	<u>\$ 23,339,530</u>	<u>\$ 91,835</u>	<u>\$ 39,159</u>	<u>\$ 23,392,206</u>

4. CAPITAL ASSETS (Continued)

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

Governmental Activities:		
General government		\$ 311,843
Public safety		128,234
Public works		168,527
Community development		3,948
Library		3,289
Parks and recreation		56,147
Total depreciation expense – governmental activities		<u>\$ 671,988</u>
Business-type Activities:		
Water and sewer		\$ 504,533
Solid waste		239,484
Stormwater		117,235
Total depreciation expense – business-type activities		<u>\$ 861,252</u>

5. INTERFUND BALANCES AND TRANSFERS

Interfund balances at September 30, 2003 consisted of the following:

<u>Due To</u>	<u>Stormwater Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
General fund	\$ -	\$ 68,723	\$ 68,723
Water and Sewer fund	<u>211,867</u>	<u>-</u>	<u>211,867</u>
	<u>\$ 211,867</u>	<u>\$ 68,723</u>	<u>\$ 280,590</u>

The balances of \$68,723 due to the General Fund resulted from loans to the Community Development Block Grant (CDBG) fund for \$61,812 and Summer Food Program Fund for \$6,911. The balance of \$211,867 due to the Water and Sewer Fund resulted from loans to the Stormwater Fund. These interfund balances resulted from the time lag between payment of expenditures and when revenues or reimbursements are received.

Interfund Transfers for the year ended September 30, 2003, consisted of the following:

<u>Transfer to</u>	<u>General Fund</u>	<u>Fire Rescue Fund</u>	<u>Transfer from Solid Waste Fund</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Capital projects fund	\$ 505,000	\$ -	\$ -	\$ -	\$ 505,000
Solid waste fund	-	-	-	167,962	167,962
Nonmajor governmental funds	-	<u>81,824</u>	<u>13,320</u>	-	<u>95,144</u>
	<u>\$ 505,000</u>	<u>\$ 81,824</u>	<u>\$ 13,320</u>	<u>\$ 167,962</u>	<u>\$ 768,106</u>

5. INTERFUND BALANCES AND TRANSFERS (CONTINUED)

Transfers are used to (1) move revenues from the fund that the budget requires to collect them to the fund that budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various capital projects accounted for in other funds in accordance with budgetary authorizations. The following transfers are explained below:

- \$505,000 was transferred from General Fund to Capital Projects Fund for matching requirements of capital grants;
- \$81,824 was transferred from the Fire Rescue Fund to the Debt Service Fund for debt service;
- \$13,320 was transferred from Solid Waste Fund to the Debt Service Fund for debt service;
- \$167,962 was transferred from the Vehicle Replacement Capital Fund to Solid Waste Fund for reimbursement of vehicles purchased.

6. RESTRICTED ASSETS

Capital Projects Fund

Restricted assets and the related reservations of fund balance of the Capital Projects Fund consists of \$6,113,652 investments in the State Treasurer's Investment Pool at September 30, 2003. These amounts relate to the loan received from the Florida Municipal Loan Council and can only be expended on the approved projects.

Water and Sewer Fund

Restricted assets of the Water and Sewer Fund consist of the following balances in the State Treasurer's Investment Pool at September 30, 2003:

Revenue Bonds Sinking Reserve	\$ 36,816
Revenue Bonds Reserve	444,437
Revenue and Replacement Reserve	<u>102,113</u>
Total Restricted Assets	\$ <u>583,366</u>

Stormwater Fund

Restricted assets of the Stormwater Fund consists of \$5,431,606 invested in the State Treasurer's Investment Pool at September 30, 2003. These amounts relate to the loan received from the Florida Municipal Loan Council and can only be expended on the approved projects.

7. LEASES

Operating Lease

During fiscal year 1997, the City entered into an operating lease agreement for a new radio system with another city. In 1998, the City paid \$1,086,093, which represented the total cost of the system. The cost is being amortized over the eight year useful life of the system on a straight-line basis. The unamortized portion of the prepaid cost at September 30, 2003 was \$124,297 and is recorded in the General Fund.

7. LEASES (CONTINUED)

Capital Leases

The City has entered into capital lease agreement through the use of a Master Lease Agreement for the purchase of various capital assets within the City. The Master Lease Agreement requires no down payment and interest rates are set at lease inception. Upon final payment of the lease, the capital asset title will revert to the City.

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2003 were as follows:

Year ending September 30	Governmental <u>Activities</u>
2004	\$ 190,289
2005	190,289
2006	190,289
2007	190,289
2008	190,289
2009-2010	<u>285,434</u>
Total minimum lease payments	1,236,879
Less: amount representing interest at 3.36%	<u>(134,015)</u>
Present value of minimum lease payments	<u>\$ 1,102,864</u>

The assets acquired through the capital lease are as follows:

Asset:	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Machinery and equipment	\$ 1,010,253	\$ 167,962
Less: Accumulated Depreciation	<u>-</u>	<u>-</u>
Total	<u>\$ 1,010,253</u>	<u>\$ 167,962</u>

8. LONG-TERM DEBT

Business Type Activities- Long-Term Debt

Revenue Bond

Utility System Revenue Refunding and Improvement Bonds, Series 1994

On March 3, 1994, the City of Oakland Park issued \$5,500,000 of Utility System Revenue Bonds. The proceeds of the Series 1994 bonds and other funds made available through the refunding program were used to (i) refund and defease the Utility System Revenue Bonds, Series 1965, Series 1966, and Series 1973, totaling \$2,215,000, (ii) make a deposit to the Reserve Account established under the bond resolution to fund the Reserve Requirement, (iii) set aside funds to pay the cost of improvement to a portion of the sewer system with an estimated cost of \$3,100,000, and (iv) pay certain costs of issuance for the bonds. The portion of the net proceeds from the issuance of the bonds attributed to the defeasance were used to purchase U.S. government securities and these securities were deposited in an irrevocable trust with an escrow agent to provide for the interest and principal payments on the old bonds. All the defeased bonds were subsequently called.

8. LONG-TERM DEBT (CONTINUED)

Business Type Activities- Long-Term Debt (Continued)

Revenue Bond (Continued)

The Utility System Revenue Refunding and Improvement Bonds Series 1994 is composed of both serial and term bonds. The serial bonds are due in varying annual installments from the year 1994 through 2006 and the term bonds are due in varying annual installments from the year 2007 through 2014. Bond interest rates vary from 2.50% to 5.30% with interest payable semi-annually. These bonds are limited obligations of the City, payable solely from water and sewer revenues of the Utility System. Net revenues are defined as being the excess of the gross revenues over the cost of operation and maintenance.

The Series 1994 Serial Bonds maturing on or prior to September 1, 2003 are not subject to redemption prior to maturity. The Series 1994 Serial Bonds maturing on and after September 1, 2004, are subject to redemption prior to their respective dates of maturity at the option of the City on or after September 1, 2003 in whole or in part, at any time in such order to maturity as the City selects, such redemption to be at the redemption prices set forth below (expressed as a percentage of the principal amount).

<u>Redemption Period</u>	<u>Redemption Price</u>
September 1, 2003 to August 31, 2004	102%
September 1, 2004 to August 31, 2005	101
September 1, 2005 and thereafter	100

The covenants of the Series 1994 Serial bond resolutions require that certain accounts be maintained as follows:

Revenue Bond Sinking Reserve - Deposits, representing one-sixth of the amount of the next interest payment due on the serial and term bonds, on a semi-annual basis, and one-twelfth of the next annual principal payment due on the serial bonds, are required to be made monthly to this Sinking Fund. The City is in compliance with the Revenue Bonds Sinking Reserve.

Renewal and Replacement Reserve - In addition, the bond resolution requires the establishment of a Renewal and Replacement Reserve. The City is required to fund this reserve in an amount equal to the lesser of 5% of the previous fiscal year's gross revenues or \$100,000, or such other amount as recommended to the City by its consulting engineer. No further deposits shall be required to be made to the Renewal and Replacement Reserve when there shall be on deposit therein an amount equal to or greater than \$100,000 or such greater amount as recommended by the consulting engineer. Funds on hand in the Renewal and Replacement Reserve may be used to pay current cost of operation and maintenance to the extent monies on deposit in the Revenue Bonds Reserve are insufficient for such purposes. The City is in compliance with the Renewal and Replacement Reserves requirement.

The City is required by the bond resolution to establish, maintain and collect reasonable charges for the services furnished by the Utility System and that it will adjust such charges as needed so that the gross revenues in each fiscal year will always be sufficient to pay 115% of the debt service requirements becoming due in the fiscal year on all bonds, in addition to the requirements to cover the cost of operations and maintenance and pay 100% of all reserve requirements set forth above. The City is in compliance with this requirement.

8. LONG-TERM DEBT (CONTINUED)

Business Type Activities- Long-Term Debt (Continued)

Revenue Bond (Continued)

The following table reflects the debt service requirements of the Utility System Revenue Refunding and Improvement Bonds, Series 1994 as of September 30, 2003:

Fiscal year ending <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	250,000	182,095	432,095
2005	260,000	170,845	430,845
2006	275,000	158,885	433,885
2007	285,000	145,960	430,960
2008	300,000	130,855	430,855
2009 – 2013	1,770,000	396,615	2,166,615
2014	410,000	21,525	431,525
	<u>\$ 3,550,000</u>	<u>\$ 1,206,780</u>	<u>\$ 4,756,780</u>

Florida Municipal Loan Council - Loans

On November 15, 2000, the City entered in a loan agreement with the Florida Municipal Loan Council for \$18,500,000. This amount will be used for various capital projects to improve the City. The loan is divided into two parts, \$5,500,000 for stormwater projects and \$13,000,000 for general government projects. In accordance with the loan agreement, the \$5,500,000 was recorded as a debt of the Stormwater Fund and the \$13,000,000 was recorded as debt in the government-wide financial statements for governmental activities

Principal payments are due on October 20th each year with interest payments due on October 20th and April 20th and a final payment due in October 2030. The loan bears interest at variable rates ranging from 4.250% to 5.375%. As security for loan repayment, the City covenants and agrees to appropriate in its annual budget amounts of Non-Ad valorem revenues sufficient to satisfy its annual debt service requirements under the loan agreement. As of September 30, 2003, the City was in compliance with this covenant.

The following table reflects the debt service requirements of the Florida Municipal Loan Council – Loans as of September 30, 2003:

Fiscal year ending <u>September 30,</u>	<u>Business Type Activities</u>		<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 90,000	\$ 277,301	\$ 215,000	\$ 655,589
2005	95,000	273,208	225,000	645,853
2006	100,000	268,844	235,000	635,559
2007	105,000	264,205	245,000	624,698
2008	110,000	259,286	255,000	613,259
2009 – 2013	625,000	1,212,335	1,465,000	2,870,788
2014 – 2018	800,000	1,025,419	1,895,000	2,426,425
2019 – 2023	1,040,000	777,700	2,470,000	1,839,994
2024 – 2028	1,355,000	458,353	3,205,000	1,084,944
2029 – 2031	1,000,000	82,506	2,365,000	194,987
	<u>\$ 5,320,000</u>	<u>\$ 4,899,157</u>	<u>\$ 12,575,000</u>	<u>\$ 11,592,096</u>

8) **LONG-TERM DEBT (CONTINUED)**

Non-Commitment Debt- Industrial Development Revenue Bonds

Under provisions of the Florida Industrial Development Financing Act, to promote the City's economy and to increase the purchasing power and opportunities for gainful employment, the City authorized and issued Industrial Development Revenue Bonds, Series 1996 (Girl Scouts of Broward County Project) in the amount of \$1,600,000.

These bonds do not constitute a debt or pledge of the faith and credit of the City, and, accordingly, are not reported in the accompanying basic financial statements. There is approximately \$924,511 outstanding as of September 30, 2003 in Industrial Development Revenue Bonds.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2003 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:					
Florida Municipal Loan Council Loan	\$ 12,780,000	\$ -	\$ 205,000	\$ 12,575,000	\$ 215,000
Capital lease	-	1,178,215	75,351	1,102,864	154,520
Total bonds and notes payable	12,780,000	1,178,215	280,351	13,677,864	369,520
Other Liabilities:					
Compensated absences	1,655,818	800,092	753,443	1,702,467	507,541
Governmental activity long-term Liabilities	\$ 14,435,818	\$ 1,978,307	\$ 1,033,794	\$ 15,380,331	\$ 877,061
Business-type Activities:					
Bonds and notes payable:					
Utility System Revenue Refunding and Improvement Bond, Series 1994	\$ 3,790,000	\$ -	\$ 240,000	\$ 3,550,000	\$ 250,000
Florida Municipal Loan Council Loan	5,405,000	-	85,000	5,320,000	90,000
Less deferred amounts for issuance discounts	(231,574)	-	(17,550)	(249,124)	-
Total bonds and notes payable	8,963,426	-	307,450	8,655,976	340,000
Other liabilities:					
Compensated absences	141,136	103,851	25,404	219,583	39,525
Business-type activity long-term Liabilities	\$ 9,104,562	\$ 103,851	\$ 332,854	\$ 8,875,559	\$ 379,525

9. **EMPLOYEE RETIREMENT PLANS**

a. **Plan Description**

The City's Public Employee Retirement System (PERS) administers two single employer defined benefit pension plans established to provide pension, disability, and death benefits for its employees and beneficiaries. The two plans are the City of Oakland Park General Employees' Pension Plan and the City of Oakland Park Retirement System for Police and Firefighters.

9. **EMPLOYEE RETIREMENT PLANS (CONTINUED)**

a. **Plan Description (Continued)**

The City of Oakland Park General Employees' Pension Plan was established by Referendum in 1963 (collectively known as the "Referendum") as amended September 1, 1968, as amended by Ordinances O-76-5 and O-76-25 dated April 1, 1976 and Ordinance O-77-11 dated August 13, 1977.

The City of Oakland Park Retirement System for Police and Firefighters was established December 3, 1975 by Ordinance O-75-15, as amended by Ordinance O-76-23 dated September 15, 1976, Ordinance O-83-23 dated December 21, 1983, and Ordinance O-95-10 dated July 5, 1995, (collectively known as the "Ordinances").

Each of the Plans issues a publicly available financial report that includes financial statements and required supplementary information. These financial reports may be obtained by writing to the Board of Trustees c/o City of Oakland Park, 3650 N.E. 12th Avenue, Oakland Park, Florida 33334

b. **Funding Policy**

Full-time employees of the City must participate in the Plan appropriate to their position, except for the executive management under contract. There are no employee contributions to the General Employees' Pension Plan and participants of the Retirement System for Police and Firefighters are required to contribute 8.5% of their compensation. The employer's annual required contributions for the current year were determined as part of the most recent actuarial valuations. Contribution requirements of the Plan members and the City are established and may be amended by City Ordinance.

c. **Annual Pension Cost and Net Pension Asset**

The City's annual pension costs and net pension obligations/asset of the City's pension plans for the current year were as follows:

	<u>General Employees</u>	<u>Police and Firefighters</u>
Annual required contribution	\$ 872,977	\$ 164,957
Interest on net pension asset	(19,396)	(10,108)
Adjustment to annual required asset	<u>26,482</u>	<u>10,391</u>
Annual pension cost	880,063	165,240
Contributions made	<u>(872,977)</u>	<u>(164,957)</u>
(Increase) decrease in net pension obligation	7,086	283
Net pension (asset), beginning of year	<u>(235,109)</u>	<u>(126,356)</u>
Net pension (asset), end of year	<u>\$ (228,023)</u>	<u>\$ (126,073)</u>

d. **General Employees' Pension Plan**

The City's annual required contribution for the current year was determined as part of the October 1, 2002 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 8.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5% per year. Both (a) and (b) included an inflation component of 4.5%. 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 unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period is 21 to 30 years.

b. EMPLOYEE RETIREMENT PLANS (CONTINUED)

d. General Employees' Pension Plan (Continued)

General Employees' Pension Plan Three-Year Trend Information (In Thousands)			
<u>Fiscal year ending</u>	<u>Annual Pension cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
September 30, 2001	\$ 459	100%	211
September 30, 2002	484	100%	235
September 30, 2003	880	100%	228

e. Retirement System for Police and Firefighters

Participants are required to contribute 8.5% of compensation. The employees annual required contribution for the current year was determined as part of the October 1, 2001 (most recent) actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 6.25% per year. Both (a) and (b) included an inflation component of 4.0%. 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 three-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an closed basis. The remaining amortization period was 30 years.

Retirement System for Police and Firefighters Three-Year Trend Information (In Thousands)			
<u>Fiscal year ending</u>	<u>Annual Pension cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
September 30, 2000	\$331	100%	-
September 30, 2001	20	100%	126
September 30, 2002	165	100%	126

f. DROP Plan

Effective January 3, 2001, the City created a Deferred Retirement Option Plan (DROP) under Ordinance 2001-001. This plan is a defined contribution plan created in accordance with Section 401(a) of the Internal Revenue Code. An active participant of the Police Officers' and Fire Fighters' Retirement System becomes eligible to participate in the DROP upon eligibility for normal service retirement at age 42 with 20 years of creditable service. Upon entry into the DROP, the member's average final compensation and accrued benefits shall be calculated. No change in the plan benefits made subsequent to entry into the DROP shall apply to the member unless otherwise applicable to retired members. Payments shall be made into the employee's DROP account in an amount determined by the employee's selection of the payment option as if the employee had terminated employment in the City. The maximum period of DROP participation is five (5) years.

g. Defined Contribution Plan

The City offers a defined contribution plan, titled the "401(a) Executive Plan" (the Plan) created in accordance with Internal Revenue Service Code Section 401(a) and Ordinance Number 0-77-11. The Plan provides a portable retirement program for new executive management. If a participant separates from service and subsequently becomes employed

9. EMPLOYEE RETIREMENT PLANS (CONTINUED)

g. Defined Contribution Plan (Continued)

with another unit of a state or local government, then the participant may rollover the benefits into the new employers' pension plan providing the plan permits rollovers. At September 30, 2003, there were only the six (6) Plan members. Plan members are not required to contribute to the Plan. The City is required to contribute 10% of the employees annual covered payroll to the Plan. The City contributed \$34,398 to the Plan for the year ended September 30, 2003. Provisions of the Plan may be amended by the City Commission. The Plan is administered by ICMA Retirement Corporation. The Plan is held in a trust for the exclusive benefit of the participants and their beneficiaries, consequently, the City has no fiduciary responsibility, and therefore, the net assets of the Plan are not included in the City's financial statements.

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 and natural disasters for which the City carries commercial insurance. The City has not had a significant reduction in insurance coverage from coverage in the prior year by major categories of risk, and settled claims have not exceeded the City's retention and excess coverage in force for each of the past three years.

In prior years, the City was self-insured under Professional Administration, Inc. and as of September 30, 2003, three cases covered under the old plan remain open while the carrier attempts to close the cases. The City has accrued \$400,000 in the General Fund as claims payable for the open cases.

11. COMMITMENTS AND CONTINGENCIES

Contingencies

The City is currently a defendant in several pending claims and legal proceedings incidental to the operations of the City. The City is aggressively defending each action. The ultimate liability related to these claims is not presently determinable. Furthermore, it is the opinion of the City's management and legal counsel that the final resolution of these claims and legal proceedings would not have a material adverse effect on the financial condition of the City.

Grants

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

Fire Protection and Emergency Medical Services

On August 2002, the City executed an Interlocal Agreement with Broward County for the delivery of Fire Protection and Emergency Medical Services by the City to a portion of Unincorporated Broward County. The agreement is effective October 15, 2002 and continues through September 30, 2008.

1. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Fire Protection and Emergency Medical Services (Continued)

Compensation to the City for these services is as follows:

September 30

2004	\$ 1,257,000
2005	1,319,000

Thereafter, for the remaining term of this Interlocal Agreement, compensation for the services provided by the City increase by the Consumer Price Index of the South Florida Region up to a maximum of five percent (5%) per year.

Police Services

Effective August 1, 2000, the City entered into a five year contract with the Broward Sheriff's Office (BSO) for police services. This contract included the transfer of all of the City's police force to the BSO. The contract calls for the City to pay BSO approximately \$646,000 plus fuel usage monthly and BSO reimburses the City for any staffing shortages. With the transfer of these services, the City also transferred its police vehicles, but maintained ownership of the property and buildings that was previously used by the City's police department, and are currently used by BSO. The City recorded expenses of \$7,815,696 under the contract for the fiscal year ended September 30, 2003.

At the date of the contract, the City had eleven police officers that were eligible for retirement. The accrued compensated absence amount for these officers was approximately \$246,097 at September 30, 2003, which remains the responsibility of the City. This liability is recorded in the General Fund as accrued compensated absences with the funds maintained in a separate bank account. The compensated absences liability for the remaining officers was transferred to the BSO.

Wastewater Services Interlocal Agreement

On November 2, 1988, the City entered into an agreement with Broward County, Florida for the transmission, treatment and disposal of wastewater. The charges for service provided by the County include operating, maintenance and debt service charges for the facilities and the County Improvement, Repair, and Replacement Fund Surcharge. The charges are adjusted annually based upon actual costs incurred in the prior year.

For the fiscal year ended September 30, 2003, the City recorded expenses of \$532,982 under this agreement. The agreement will continue in existence and cannot be canceled on any condition except by mutual cancellation agreement between the City and Broward County. Management considers cancellation of this agreement as remote. In addition, future payments under this agreement cannot be estimated.

11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Construction Commitments

The City has the following outstanding construction as of September 30, 2003:

Sewer improvements	\$ 112,624
Stormwater drainage and improvements	924,710
Street repair and construction	<u>1,766,373</u>
Total construction commitments	<u>\$ 2,803,707</u>

12. PRIOR PERIOD ADJUSTMENTS

The schedule below details changes made to capital assets and the beginning net assets of the enterprise funds due to physical inventories and appraisals performed with the adoption of GASB 34:

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Stormwater Fund</u>
Fund balance at October 1, 2002, as previously reported	\$ 20,863,048	\$(101,619)	\$ 4,880,434
Adjustments to capital assets	<u>(2,865,128)</u>	<u>969,877</u>	<u>(383,008)</u>
Fund balance at October 1, 2002, as restated	<u>\$17,997,920</u>	<u>\$ 868,258</u>	<u>\$ 4,497,426</u>

STATISTICAL INFORMATION
NOT PART OF THE AUDITED FINANCIAL STATEMENTS

CITY OF OAKLAND PARK, FLORIDA
GOVERNMENT-WIDE REVENUES BY SOURCE ⁽¹⁾
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Property Taxes</u>	<u>Franchise Fees</u>	<u>Utility Taxes</u>	<u>Unrestricted Investment Earnings</u>	<u>Inter-governmental</u>	<u>Total</u>
1994	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1995	-	-	-	-	-	-	-	-	-
1996	-	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-	-	-
2003	27,910,342	509,921	1,483,350	8,950,986	1,855,311	4,828,291	466,301	3,327,550	49,332,052

(1) Information for fiscal years ended September 30, 1994 to 2002 are unavailable.

CITY OF OAKLAND PARK, FLORIDA
GOVERNMENT-WIDE EXPENSES BY FUNCTION ⁽¹⁾
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Community Development</u>	<u>Library</u>	<u>Parks and Recreation</u>	<u>Interest on Long Term Debt</u>	<u>Water and Sewer</u>	<u>Solid Waste</u>	<u>Stormwater</u>	<u>Total</u>
1994	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
1995	-	-	-	-	-	-	-	-	-	-	-
1996	-	-	-	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-	-	-	-	-
2003	1,066,069	16,811,156	1,688,833	1,735,333	574,839	1,777,871	776,634	9,742,434	5,881,851	1,322,179	41,377,199

(1) Information for fiscal years ended September 30, 1994 to 2002 are unavailable.

**CITY OF OAKLAND PARK, FLORIDA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTIONS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works (1)</u>	<u>Library</u>	<u>Other</u>	<u>Total</u>
1994	2,567,757	8,883,621	2,162,276	348,131	1,999,462	15,961,247
1995	2,732,047	9,893,401	2,338,441	383,611	2,083,245	17,430,745
1996	3,224,584	9,885,657	2,330,580	372,126	785,026	16,597,973
1997	3,481,843	10,774,330	2,627,133	475,897	1,083,594	18,442,797
1998	3,302,876	11,070,769	2,216,132	409,353	811,075	17,810,205
1999	3,643,321	11,594,091	2,276,009	500,559	1,037,128	19,051,108
2000	4,510,409	11,948,032	2,628,597	546,128	901,280	20,534,446
2001	5,368,410	11,765,114	2,750,826	562,945	477,816	20,925,111
2002	6,607,587	10,242,528	3,117,474	609,621	336,991	20,914,201
2003	6,042,951	10,056,236	4,709,215	560,589	843,560	22,212,551

Note: General fund only

(1) Includes Community Development and Parks and Recreation

**CITY OF OAKLAND PARK, FLORIDA
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Franchise Fees and Utility Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-Governmental</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Other</u>	<u>Totals</u>
1994	6,198,636	4,851,440	853,996	2,729,212	2,134,954	448,113	257,766	17,474,117
1995	5,864,673	5,205,691	879,669	2,959,719	2,209,302	390,091	493,135	18,002,280
1996	5,734,839	5,102,172	773,061	2,964,559	1,846,081	387,050	339,590	17,147,352
1997	5,743,689	5,405,865	923,151	2,840,027	2,196,212	418,733	439,928	17,967,605
1998	5,530,202	5,190,127	1,062,920	2,930,428	2,172,369	318,935	556,306	17,761,287
1999	5,659,603	5,347,076	1,307,834	3,289,644	2,333,846	254,575	448,106	18,640,684
2000	6,214,725	5,538,854	1,156,187	3,017,903	2,880,244	255,010	721,839	19,784,762
2001	6,678,911	5,958,535	928,387	3,117,084	3,003,564	372,940	247,639	20,307,060
2002	8,241,777	6,670,530	918,206	3,163,683	3,020,820	516,785	65,487	22,597,288
2003	8,950,986	6,683,602	949,317	3,327,550	5,670,462	434,575	292,767	26,309,259

Note: General fund only

**CITY OF OAKLAND PARK, FLORIDA
PROPERTY TAX LEVIES AND COLLECTION
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>Total Tax Levy *</u>	<u>Amount of Current Taxes Collected *</u>	<u>Percent of Current Taxes Collected</u>	<u>Amount of Delinquent Taxes Collected</u>	<u>Total Collected for Year</u>	<u>Ratio of Total Taxes Collected Total Current Levy</u>
1994	1993	6,302,282	6,049,477	95.99	149,159	\$6,198,636	98.36
1995	1994	6,045,690	5,771,367	95.46	93,306	\$5,864,673	97.01
1996	1995	5,948,455	5,702,992	94.33	37,630	\$5,740,622	96.50
1997	1996	6,034,054	5,701,053	94.48	42,636	\$5,743,689	95.19
1998	1997	5,773,154	5,475,281	94.84	54,921	\$5,530,202	95.79
1999	1998	5,948,045	5,593,914	94.04	65,689	\$5,659,603	95.15
2000	1999	6,531,028	6,156,100	94.25	58,325	\$6,214,425	95.15
2001	2000	6,986,562	6,576,308	94.13	102,603	\$6,678,911	95.60
2002	2001	8,771,481	8,214,594	93.66	27,183	\$8,241,777	93.97
2003	2002	9,565,701	8,929,742	93.35	21,244	\$8,950,986	93.57

* Gross taxes before discounts exclusive of voted debt levies.

Source: Broward County Revenue Collector

**CITY OF OAKLAND PARK, FLORIDA
 ASSESSED VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>Total Assessed Value</u>	<u>Homestead Exemption</u>	<u>Other Exemption</u>	<u>Assessed Value For Operations</u>
1994	1993	1,276,570,231	131,926,435	72,031,281	1,072,612,515
1995	1994	1,298,381,234	134,978,195	78,833,040	1,084,569,999
1996	1995	1,365,680,155	132,917,190	138,274,055	1,094,488,910
1997	1996	1,386,961,717	139,974,280	152,770,717	1,094,216,720
1998	1997	1,405,371,303	141,856,370	138,648,107	1,124,866,826
1999	1998	1,509,760,392	140,548,510	172,092,143	1,197,119,739
2000	1999	1,573,841,477	142,745,400	176,552,586	1,254,543,491
2001	2000	1,690,690,333	144,886,880	205,481,616	1,340,321,837
2002	2001	1,867,500,123	149,803,580	248,805,800	1,468,890,743
2003	2002	2,113,055,051	152,273,630	358,213,197	1,602,568,224

Note: Local law requires that assessed values be established at 100% of estimated actual value.

Source: Broward County Property Appraiser

**CITY OF OAKLAND PARK, FLORIDA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(Per \$1,000 of Assessed Valuation)**

<u>Fiscal Year</u>	<u>Tax Roll</u>	<u>Total City Operations</u>	<u>Broward County Operations</u>	<u>Broward County Schools</u>	<u>South Florida Water Management District</u>	<u>Hospital District</u>	<u>Florida Inland Navigation District</u>	<u>Total City Wide</u>
1994	1993	6.0000	8.1327	9.8197	0.5970	2.4753	0.0510	27.0757
1995	1994	5.6283	8.0343	10.0259	0.5970	2.4459	0.0490	26.7804
1996	1995	5.5395	8.1165	10.0366	0.6470	2.4327	0.0400	26.8100
1997	1996	5.5145	7.1487	9.4460	0.6970	2.1132	0.0500	24.9694
1998	1997	5.1323	7.8380	9.9745	0.6970	2.4087	0.0500	26.1005
1999	1998	4.9715	7.5710	9.7256	0.6970	2.5000	0.0470	25.5121
2000	1999	5.2059	7.5710	9.1283	0.6970	2.4895	0.0440	25.1357
2001	2000	5.2126	7.5250	8.9553	0.6970	2.4803	0.0410	24.9112
2002	2001	5.9715	7.4005	8.7541	0.6970	2.4803	0.0385	25.6474
2003	2002	5.9715	7.3650	8.8825	0.6970	2.4803	0.0385	25.7664

State law requires all counties to assess values at 100% of estimated values and limits millage for operating purposes to ten mills.

Source: Broward County Property Appraiser.

**CITY OF OAKLAND PARK, FLORIDA
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Total Amount Of Special Assessments Receivable Beginning of Year</u>	<u>Amount of Special Assessments Becoming Due During Fiscal Year</u>	<u>Special Assessment Collected</u>	<u>Total Amount of Special Assessments Receivable End of Year</u>
1994	16,810	28,627	36,109	9,328
1995	9,328	11,792	14,394	6,726
1996	6,726	8,791	13,013	2,504
1997	2,504	14,175	6,667	10,012
1998	10,012	4,078	4,468	9,622
1999	9,622	176	2,887	6,911
2000	6,911	19	19	6,911
2001	6,911	-	2,599	4,312
2002	4,312	-	2,253	2,059
2003	2,059	-	2,059	-

Note: General fund only

**CITY OF OAKLAND PARK, FLORIDA
COMPUTATION OF LEGAL DEBT MARGIN
SEPTEMBER 30, 2003**

Assessed valuation 2003 roll		<u>\$ 2,113,055,051</u>
Bonded debt limit - 15% of assessed value		\$ 316,958,258
Total bonded debt- Water and Sewer Fund	\$ 3,550,000	
Amount of debt applicable		<u>3,550,000</u>
Legal debt margin		<u>\$ 313,408,258</u>

Note: City Charter sets limit of bond indebtedness at 15% of assessed valuations.

CITY OF OAKLAND PARK, FLORIDA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
GENERAL OBLIGATION DEBT
SEPTEMBER 30, 2003

	<u>Net Debt</u>	<u>Percent Applicable *</u>	<u>Overlapping Net Debt</u>
City of Oakland Park	\$ 12,575,000	100%	\$ 12,575,000
Broward County School Districts	125,882,169	1.295%	1,630,175
Broward County	330,957,970	1.295%	<u>4,285,906</u>
Total Direct and Overlapping Debt			<u>\$ 18,491,081</u>

* Percentage based on assessed valuations.

**CITY OF OAKLAND PARK, FLORIDA
REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Gross Revenue</u>	<u>Operating Expenses *</u>	<u>Net Revenue Available For Debt Service</u>	<u>Debt Service**</u>	<u>Coverage</u>
1994	8,148,315	6,912,435	1,935,880	526,725	3.675
1995	8,115,027	6,695,656	1,420,523	433,115	3.280
1996	8,653,057	6,920,429	1,732,628	433,165	4.000
1997	8,156,932	7,219,051	937,881	432,245	1.000
1998	8,145,082	7,266,001	879,081	430,595	2.042
1999	8,351,272	7,642,361	708,911	433,380	2.042
2000	8,344,723	7,642,361	702,362	435,385	1.613
2001	9,279,666	8,078,342	1,201,324	448,580	2.604
2002	10,344,470	8,573,795	1,770,675	439,254	4.031
2003	11,798,134	9,543,126	2,255,008	439,300	5.134

Note: Water and Sewer Fund

* Total expenditures excluding debt service on revenue bonds.

** Includes principal and interest.

**CITY OF OAKLAND PARK, FLORIDA
PRINCIPAL TAXPAYERS**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation</u>
Sbilake, Inc.	Apartments	\$ 159,894	1.82%
Bridgewater Place Association	Apartments	136,537	1.56%
Weingarten Nostat, Inc.	Shopping Center	109,123	1.24%
SEC Property Holdings Inc.	Warehouse	98,569	1.12%
Waterton Park LLC	Apartments	98,051	1.12%
QMD Southwest, Inc.	Office Building	91,099	1.04%
Mohammad R Mazaheri	Apartments	90,426	1.03%
Florida Health Complex, Inc.	Hospital	88,660	1.01%
Summerlake-Oakland Park, Ltd.	Apartments	87,663	1.00%
Southern Tier Southeast	Apartments	<u>73,774</u>	<u>0.84%</u>
		<u>\$ 1,033,796</u>	<u>11.79%</u>

Source: Broward County Tax Records

**CITY OF OAKLAND PARK, FLORIDA
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Property Value</u>	<u>Construction **</u>	<u>Commercial Bank Deposits *</u>
1994	1,276,570,231	24,078,203	453,702,000
1995	1,298,361,234	14,921,351	681,363,000
1996	1,365,680,155	17,663,379	715,055,000
1997	1,386,961,717	29,509,329	1,863,205,000
1998	1,405,371,303	33,058,260	808,844,000
1999	1,509,069,292	61,241,039	1,382,264,000
2000	1,573,841,477	37,317,302	1,380,262,000
2001	1,690,690,333	21,730,564	1,374,147,000
2002	1,867,500,123	23,650,057	1,672,159,000
2003	2,113,055,051	23,174,303	455,218,000

* Florida Bankers Association commercial deposits as of September 30

** City of Oakland Park Building Permits

**CITY OF OAKLAND PARK, FLORIDA
DEMOGRAPHIC AND MISCELLANEOUS STATISTICS
SEPTEMBER 30, 2003**

<u>Date of Incorporation</u>		<u>Public Education</u>	
June 10, 1929		Number of Schools	4
		Number of Teachers	218
<u>Date of Adoption of City Charter</u>		Number of Students	4,520
July 15, 1959 (Amended)		Total of all faculty	200
<u>Form of City Government</u>		<u>Area</u>	
Commission / Manager		Squares miles	6.8
<u>Building Permits this Period</u>		<u>Streets, Sidewalks, Sewers,</u>	
		<u>Storm Drainage</u>	
Permits issued	2,948	Miles of streets	107.1
Estimated value	23,174,303	Miles of sidewalks	28
		Miles of sanitary sewers	101.8
		Miles of storm drainage	21
<u>Recreation</u>		<u>Waterways</u>	
Public park facilities	179 acres	Miles of canals and waterways	9.2
Tennis courts, boat ramp		Acres of lakes	347
Baseball, basketball, picnic areas, soccer, football,			
Handball, volleyball, par course, etc.		<u>Water and Sewer Utilities</u>	
In-line Roller Hockey Rink		Active accounts	9084
		Miles of mains	197.38
		Fire hydrants	1,125
		Wastewater pump stations	N/A
<u>Employees as of September 30, 2003</u>			
Civil service	98		
Exempt classification	8		
Fire Union	68		
Fed. or Public Empl.	63		

**Population and Growth Comparison
Per Bureau Of Census and Bureau of Economic and Business Research**

Year	<u>Oakland Park</u>		<u>Broward County</u>		<u>United States</u>	
	<u>Population</u>	<u>% of Change</u>	<u>Population</u>	<u>% of Change</u>	<u>Population</u>	<u>% of Change</u>
1940	815	0.00%	39,794	0.00%	131,160,000	0.00%
1950	1,295	58.89%	83,933	110.91%	151,326,000	58.89%
1960	5,331	311.66%	333,946	74.87%	179,323,000	311.66%
1970	16,261	205.03%	620,100	85.69%	203,235,000	205.03%
1980	23,035	41.66%	1,048,133	69.03%	226,505,000	41.66%
1990	26,326	14.28%	1,255,488	19.78%	248,709,873	14.28%
2000	30,966	9.67%	1,623,018	8.90%	281,421,906	13.15%

APPENDIX J

Financial Information Regarding City of St. Augustine Beach

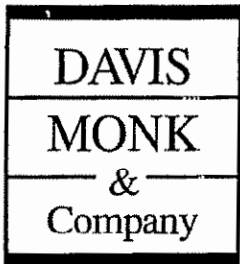
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CITY ST. AUGUSTINE BEACH, FLORIDA
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GENERAL FUND
 FISCAL YEARS ENDED SEPTEMBER 30,

	<u>2003</u>	<u>2002</u>	<u>2001</u>
<u>REVENUES</u>			
Taxes	\$ 1,888,541	\$ 1,839,928	\$1,593,205
Licenses and Permits	201,989	258,617	148,026
Intergovernmental	465,179	503,927	401,114
Charges for Services	144,355	161,456	108,737
Fines and Forfeitures	72,031	76,042	52,171
Interest	27,118	82,434	74,893
Miscellaneous	<u>5,916</u>	<u>41,315</u>	<u>11,774</u>
TOTAL REVENUES	<u>2,805,129</u>	<u>2,963,719</u>	<u>2,389,920</u>
<u>EXPENDITURES</u>			
Current:			
General Government	554,046	452,103	1,322,432
Public Safety	1,251,075	1,346,910	1,247,915
Physical Environment	465,637	460,131	345,689
Transportation	--	--	--
Economic Environment	200	190	190
Human Services	19,544	16,794	16,790
Culture and Recreation	988	3,258	1,930
Debt Service:			
Principal	27,630	24,560	24,800
Interest and fiscal charges	<u>65,318</u>	<u>66,267</u>	<u>67,992</u>
TOTAL EXPENDITURES	<u>2,384,438</u>	<u>2,370,213</u>	<u>3,027,738</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>420,691</u>	<u>593,506</u>	<u>(637,818)</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds of bond	--	14,060	917,957
Interfund Transfers In	--	--	--
Interfund Transfers Out	<u>(207,405)</u>	<u>(116,866)</u>	<u>(200,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(207,405)</u>	<u>(102,806)</u>	<u>717,957</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	213,286	490,700	80,139
FUND BALANCES, beginning (as restated)	<u>1,877,210</u>	<u>1,386,510</u>	<u>1,194,303</u>
FUND BALANCES, ending	<u>\$2,090,496</u>	<u>\$1,877,210</u>	<u>\$1,274,442</u>

The obligation of the City of St. Augustine Beach 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.

INDEPENDENT AUDITORS' REPORT



Certified Public Accountants
& Business Consultants

A Partnership Consisting of
Professional Associations

Mailing address:

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Palatka, Florida 32177

Location:

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The Honorable Mayor,
Members of the City Commission, and City Manager
City of St. Augustine Beach, Florida

We have audited the general purpose financial statements of the City of St. Augustine Beach, Florida (the "City") as of and for the year ended September 30, 2003, 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of September 30, 2003, and the results of its operations 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 January 16, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

January 16, 2004
Palatka, Florida

Members:

CPAmerica International

Florida Institute of
Certified Public Accountants

American Institute of
Certified Public Accountants

Horwath
International

**COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2003
CITY OF ST. AUGUSTINE BEACH, FLORIDA**

	<u>GOVERNMENTAL FUND TYPES</u>		<u>ACCOUNT GROUPS</u>		<u>TOTALS (MEMORANDUM ONLY)</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>GENERAL FIXED ASSETS</u>	<u>GENERAL LONG-TERM DEBT</u>	
<u>ASSETS</u>					
Cash and Equivalents	\$ 290,194	\$ 32,957	\$ --	\$ --	\$ 323,151
Investment in State Pool	1,731,725	519,248	--	--	2,250,973
Accounts Receivable	66,265	--	--	--	66,265
Due From Other Governments	88,977	51,037	--	--	140,014
Due From Other Funds	1,189	3,093	--	--	4,282
Inventory	1,249	336	--	--	1,585
General Fixed Assets	--	--	5,331,072	--	5,331,072
Amount to be Provided	--	--	--	2,245,685	2,245,685
TOTAL ASSETS	<u>\$2,179,599</u>	<u>\$606,671</u>	<u>\$5,331,072</u>	<u>\$2,245,685</u>	<u>\$10,363,027</u>
<u>LIABILITIES AND FUND EQUITY</u>					
<u>LIABILITIES</u>					
Accounts Payable and Accrued Liabilities	\$ 79,340	\$ 23,606	\$ --	\$ --	102,946
Due to Other Funds	3,093	1,189	--	--	4,282
Deferred Revenue	6,670	--	--	--	6,670
General Long-Term Debt	--	--	--	2,245,685	2,245,685
TOTAL LIABILITIES	<u>89,103</u>	<u>24,795</u>	<u>--</u>	<u>2,245,685</u>	<u>2,359,583</u>
<u>FUND EQUITY</u>					
Investment in General Fixed Assets	--	--	5,331,072	--	5,331,072
Fund Balances:					
Reserved:					
Inventory	1,249	336	--	--	1,585
Unexpended Restricted Funds	38,518	4,356	--	--	42,874
Designated:					
Capital Projects	120,450	235,150	--	--	355,600
Compensated Absences	110,685	--	--	--	110,685
Emergencies and Contingencies	46,600	25,000	--	--	71,600
Unreserved, Undesignated	<u>1,772,994</u>	<u>317,034</u>	<u>--</u>	<u>--</u>	<u>2,090,028</u>
TOTAL FUND EQUITY	<u>2,090,496</u>	<u>581,876</u>	<u>5,331,072</u>	<u>--</u>	<u>8,003,444</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$2,179,599</u>	<u>\$606,671</u>	<u>\$5,331,072</u>	<u>\$2,245,685</u>	<u>\$10,363,027</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003
CITY OF ST. AUGUSTINE BEACH, FLORIDA**

	GENERAL	SPECIAL REVENUE	TOTALS (MEMORANDUM ONLY)
<u>REVENUES</u>			
Taxes	\$1,888,541	\$223,801	\$2,112,342
Licenses and Permits	201,989	--	201,989
Intergovernmental	465,179	41,959	507,138
Charges for Services	144,355	38,809	183,164
Fines and Forfeitures	72,031	--	72,031
Interest	27,118	9,260	36,378
Miscellaneous	<u>5,916</u>	<u>2,081</u>	<u>7,997</u>
TOTAL REVENUES	<u>2,805,129</u>	<u>315,910</u>	<u>3,121,039</u>
<u>EXPENDITURES</u>			
Current:			
General Government	554,046	--	554,046
Public Safety	1,251,075	--	1,251,075
Physical Environment	465,637	--	465,637
Transportation	--	644,218	644,218
Economic Environment	200	--	200
Human Services	19,544	--	19,544
Culture and Recreation	988	--	988
Debt Service:			
Principal	27,630	17,370	45,000
Interest	<u>65,318</u>	<u>41,063</u>	<u>106,381</u>
TOTAL EXPENDITURES	<u>2,384,438</u>	<u>702,651</u>	<u>3,087,089</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>420,691</u>	<u>(386,741)</u>	<u>33,950</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Interfund Transfers In	--	207,405	207,405
Interfund Transfers Out	<u>(207,405)</u>	<u>--</u>	<u>(207,405)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(207,405)</u>	<u>207,405</u>	<u>--</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	213,286	(179,336)	33,950
FUND BALANCES, October 1, 2002	<u>1,877,210</u>	<u>761,212</u>	<u>2,638,422</u>
FUND BALANCES, September 30, 2003	<u>\$2,090,496</u>	<u>\$581,876</u>	<u>\$2,672,372</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003
CITY OF ST. AUGUSTINE BEACH, FLORIDA**

	GENERAL FUND			SPECIAL REVENUE FUND		
	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES						
Taxes	\$1,804,194	\$1,888,541	\$ 84,347	\$185,000	\$223,801	\$38,801
Licenses and Permits	210,000	201,989	(8,011)	--	--	--
Intergovernmental	371,000	465,179	94,179	38,100	41,959	3,859
Charges for Services	130,500	144,355	13,855	35,000	38,809	3,809
Fines and Forfeitures	73,050	72,031	(1,019)	--	--	--
Interest	35,200	27,118	(8,082)	10,527	9,260	(1,267)
Miscellaneous	4,500	5,916	1,416	25,000	2,081	(22,919)
TOTAL REVENUES	2,628,444	2,805,129	176,685	293,627	315,910	22,283
EXPENDITURES						
Current:						
General Government	608,989	554,046	54,943	--	--	--
Public Safety	1,347,173	1,251,075	96,098	--	--	--
Physical Environment	508,161	465,637	42,524	--	--	--
Transportation	--	--	--	680,720	644,218	36,502
Economic Environment	225	200	25	--	--	--
Human Services	19,550	19,544	6	--	--	--
Culture and Recreation	2,000	988	1,012	--	--	--
Reserve for Contingencies	11,603	--	11,603	--	--	--
Debt Service:						
Principal	27,630	27,630	--	17,370	17,370	--
Interest	65,877	65,318	559	41,438	41,063	375
TOTAL EXPENDITURES	2,591,208	2,384,438	206,770	739,528	702,651	36,877
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	37,236	420,691	383,455	(445,901)	(386,741)	59,160
OTHER FINANCING SOURCES (USES)						
Interfund Transfers In	--	--	--	207,405	207,405	--
Interfund Transfers Out	(207,405)	(207,405)	--	--	--	--
TOTAL OTHER FINANCING SOURCES (USES)	(207,405)	(207,405)	--	207,405	207,405	--
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(170,169)	213,286	383,455	(238,496)	(179,336)	59,160
FUND BALANCES, October 1, 2002	1,877,210	1,877,210	--	761,212	761,212	--
FUND BALANCES, September 30, 2003	\$1,707,041	\$2,090,496	\$383,455	\$522,716	\$581,876	\$59,160

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
CITY OF ST. AUGUSTINE BEACH, FLORIDA**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of St. Augustine Beach (the “City”) conform to U.S. generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

The City was constituted a municipality on June 20, 1959, under the provisions of Chapter 59-1790, Laws of Florida, Acts of 1959. The City operates under a commission/manager form of government and provides the following services as authorized by its charter: law enforcement, planning and zoning, code enforcement, building inspection, solid waste collections, road and right of way maintenance, maintenance of City buildings, drainage and storm water management, and street lighting.

As required by U.S. generally accepted accounting principles, the accompanying financial statements present the City as a primary government. Component units, if any, would also be presented. Component units are entities for which a primary government is considered to be financially accountable.

There are no component units included in the City’s financial reporting entity.

The City did not participate in any joint ventures during the 2002-03 fiscal year.

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. In the accompanying financial statements, there are two generic fund types and one broad fund category as follows:

GOVERNMENTAL FUNDS

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 Fund – The City has one Special Revenue Fund, used to account for specific revenue sources which are legally restricted to expenditures for specified purposes.

Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources.” Governmental fund operating statements present increases and decreases in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
CITY OF ST. AUGUSTINE BEACH, FLORIDA

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets and Long-Term Liabilities (concluded)

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 are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

General fixed assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated general fixed assets are valued at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds 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.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures 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.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Generally, taxes and intergovernmental revenues constitute the most significant revenue sources that are considered to be susceptible to accrual.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, principal and interest on general long-term debt are recognized when due.

Budgets and Budgetary Accounting

Budgets are prepared and adopted on a basis which does not differ materially from generally accepted accounting principles. The preparation, adoption, and amendment of the budgets are governed by Chapter 166, Florida Statutes. The fund is the legal level of control. Budgetary data presented in the accompanying financial statements represent the “final” budget data; i.e., the effects of budget amendments have been applied to “original” budgetary data. Appropriations lapse at year-end.

Investments

The City follows the provisions of Section 218.415, Florida Statutes, which allows for surplus funds to be invested in the Local Government Surplus Funds Trust fund (the “State Pool”) or any intergovernmental investment pool; Securities and Exchange Commission registered money market funds; certificates of deposits and savings accounts in state-certified qualified public depositories and direct obligations of the U.S. Treasury.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
CITY OF ST. AUGUSTINE BEACH, FLORIDA

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Inventory is accounted for under the consumption method and is valued at cost based on the first-in, first-out method.

Compensated Absences

The City's policies allow limited vesting of unused employee leave time for full-time employees.

The City's liability for compensated absences has been accrued. 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, rather than in the governmental funds.

Fund Balance Reserves/Designations

In the accompanying financial statements, use of the term "reserved" is limited to indicating that a portion of reported fund equity is legally restricted to a specific use, or is not available for appropriation or expenditures. "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.

Total Columns on Combined Statements

The 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 or results of operations 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.

Property Taxes

The St. Johns County Tax Collector bills and collects property taxes for the City. Property tax revenues are recognized when levied, to the extent that they result in current receivables.

Details of the City's property tax calendar are presented below:

Lien Date	January 1
Levy Date	October 1
Discount Period	November – February
Delinquent Date	April 1

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make various estimates and assumptions. Actual results could vary from the estimates that were used.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
CITY OF ST. AUGUSTINE BEACH, FLORIDA

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Impending Change in Accounting Principle

Statement No. 34 of the Governmental Accounting Standards Board is not yet required to be implemented and the City has not elected to adopt the standard early. The future implementation of this standard will require the restatement of the financial statements because of the retroactive application of the new standard.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

All deposits are placed in a bank that qualifies as a public depository, as required by law (Florida Security For Public Deposits Act). Accordingly, all deposits are insured by Federal depository insurance and/or entirely collateralized pursuant to Chapter 280, Florida Statutes.

Investment in State Pool

The State Pool is not a registrant with the Securities and Exchange Commission; however, the pool has adopted operating procedures consistent with the requirements for a 2a-7 like fund. The fair value of the position in the pool is equal to the value of the pool shares.

The City's investment cannot be classified in any credit risk category pursuant to GASB Statement 3 because the investment is not evidenced by securities that exist in physical or book entry form.

NOTE 3 – CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	BALANCE OCTOBER 1,2002 (Restated)	ADDITIONS	DELETIONS	BALANCE SEPTEMBER 30, 2003
Land	\$1,309,259	\$ 600	\$ --	\$1,309,859
Buildings and Improvements	2,926,695	1,225	--	2,927,920
Machinery and Equipment	<u>937,323</u>	<u>155,970</u>	<u>--</u>	<u>1,093,293</u>
Total	<u>\$5,173,277</u>	<u>\$157,795</u>	<u>\$ --</u>	<u>\$5,331,072</u>

The balances at October 1, 2002 were restated to reflect \$232,204 of machinery and equipment that was disposed of in the prior year but reported in previously-issued financial statements for the year ended September 30, 2002.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
CITY OF ST. AUGUSTINE BEACH, FLORIDA**

NOTE 4 – GENERAL LONG-TERM DEBT

A summary of changes in general long-term debt follows:

	BALANCE OCTOBER 1, 2002	ADDITIONS	DEDUCTIONS	BALANCE SEPTEMBER 30, 2003
Bonds Payable	\$2,180,000	\$ --	\$45,000	\$2,135,000
Compensated Absences	<u>117,518</u>	<u>--</u>	<u>6,833</u>	<u>110,685</u>
Total	<u>\$2,297,518</u>	<u>\$ --</u>	<u>\$51,833</u>	<u>\$2,245,685</u>

Bonds Payable

The City has a \$2,180,000 serial bond to Florida Municipal Loan Council at interest rates between 3.52% and 5.13%. The bond issue is payable from and secured by non-ad valorem revenues. Principal and interest are due semi-annually on April 1 and October 1, maturing on April 1, 2029. The bond issue contains certain covenants requiring that debt service payments be budgeted, non-ad valorem revenues cover projected maximum annual debt service by at least 1.5-times and that annual debt service requirements not exceed 20% of non-ad valorem taxes. The City was in compliance with these covenants.

Aggregate maturities of the bonds are as follows:

<u>YEAR ENDING SEPTEMBER 30,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2004	\$ 45,000	\$ 102,472	\$ 147,472
2005	45,000	100,808	145,808
2006	50,000	99,706	149,706
2007	50,000	97,076	147,076
2008	50,000	95,076	145,076
2009-2013	295,000	440,394	735,394
2014-2018	380,000	362,819	742,819
2019-2023	475,000	259,788	734,788
2024-2028	605,000	128,750	733,750
2029	<u>140,000</u>	<u>7,000</u>	<u>147,000</u>
Totals	<u>\$2,135,000</u>	<u>\$1,693,889</u>	<u>\$3,828,889</u>

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
CITY OF ST. AUGUSTINE BEACH, FLORIDA

NOTE 5 – DEFINED BENEFIT PENSION PLAN

Plan Description. The City contributes to the Florida Retirement System (“System”), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The System provides retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The System issues 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, 2639 North Monroe Street, Tallahassee, Florida 32399, or by calling (850) 488-5706.

Funding Policy. The System is employee noncontributory. The City is required to contribute at an actuarially determined rate. The rates at September 30, 2003 were as follows: Regular Employees 7.39%; Special Risk Employees 18.53%; Senior Management 9.37%; Elected Officials 15.23%. The contribution requirements of plan members and the City are established and may be amended by the Florida Legislature. The City’s contributions to the System for the years ending September 30, 2003, 2002 and 2001 were approximately \$132,000, \$136,000 and \$153,000, respectively, equal to the required contributions for each year.

NOTE 6 – RISK MANAGEMENT

The City is exposed to various risks of loss related to general liability, workers’ compensation, public liability, health benefits, property damage, and errors and omissions. To manage its risks, the City participates in the Florida League of Cities Self Insurance Fund (the Fund) a public entity risk pool currently operating as a common risk management and insurance program for member cities. The City pays an annual premium to the Fund for its coverage. The premiums are designed to fund the liability risks assumed by the Fund and are based on certain actual exposures of each member. The City’s settled claims have not exceeded coverage in any of the past three fiscal years.

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