

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.

**\$25,200,000
FLORIDA MUNICIPAL LOAN COUNCIL
REVENUE BONDS,
SERIES 2005D**

Dated: Date of Delivery

Due: October 1, as shown on the inside cover

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

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

Interest on the Bonds is payable semiannually on each April 1 and October 1, commencing April 1, 2006. 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 seven State of Florida municipalities (City of Bartow, City of Dania Beach, City of Fort Walton Beach, Village of Palmetto Bay, City of Parkland, City of West Melbourne and City of Port Richey) (collectively referred to as the "Borrowers") pursuant to loan agreements between the Issuer and each of the Borrowers (the "Loan Agreements") for the purposes of (i) providing funds to 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 September 1, 2005 between the Issuer and the Trustee (the "Indenture").

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

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



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

The Bonds are offered when, as, and if issued and received by the Underwriter, subject to the approval of legality and tax-exempt status by Bryant Miller & Olive P.A., Tampa, Florida, Bond Counsel. Certain legal matters will be passed upon for the Issuer by its counsel Kraig A. Conn, Esq. counsel to the Issuer, as assistant general counsel to the Florida League of Cities, Inc., for the Insurer by its counsel Kutak Rock, LLP, Omaha, Nebraska, and for the Underwriter by its counsel, Moyle, Flanigan, Katz, Raymond & Sheehan, P.A., West Palm Beach, Florida. 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 September 23, 2005.

Banc of America Securities LLC

AMOUNTS, MATURITIES, INTEREST RATES AND PRICES

\$12,560,000 Serial Bonds

Maturity (October 1)	<u>Amount</u>	Interest <u>Rate</u>	<u>Price</u>
2006	\$830,000	4.000%	101.180%
2007	905,000	3.000	100.077
2008	950,000	3.250	100.716
2009	975,000	3.250	100.562
2010	1,010,000	3.100	99.630
2011	1,035,000	3.250	99.674
2012	1,080,000	3.375	99.720
2013	1,110,000	3.400	98.891
2014	970,000	3.500	98.779
2015	1,000,000	3.625	98.634
2018	860,000	4.000	99.396
2019	900,000	4.000	98.835
2020	935,000	4.000	98.225

\$1,625,000 4.000% Term Bonds Due October 1, 2017 - Price 99.715%
\$5,385,000 5.000% Term Bonds Due October 1, 2025 - Price 106.488%
\$2,500,000 4.500% Term Bonds Due October 1, 2030 - Price 98.961%
\$3,130,000 4.500% Term Bonds Due October 1, 2035 - Price 98.540%

Florida Municipal Loan Council

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

Directors

Raul Martinez, Chairman, Mayor, City of Hialeah
Dottie K. Reeder, Vice-Chair, 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

Attorney

Kraig A. Conn, Esq.
Tallahassee, Florida

Bond Counsel

Bryant Miller & Olive P.A.
Tampa, Florida

Financial Advisor

Waters and Company, LLC
Birmingham, Alabama

Program Administrator

Florida League of Cities, Inc.
Tallahassee, Florida

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

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

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

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

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

TABLE OF CONTENTS

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

	<u>Page</u>
INTRODUCTION	1
THE BONDS	3
General Description	3
Redemption Provisions	4
Book-Entry Only System	6
THE ISSUER	8
THE ADMINISTRATOR AND THE ADMINISTRATION AGREEMENT	9
The Administrator	9
The Administration Agreement	10
THE BORROWERS	10
PURPOSE OF THE BONDS	11
In General	11
Estimated Sources and Uses	13
SECURITY AND SOURCES OF PAYMENT	13
Limited Obligations; Trust Estate	13
Reserve Fund	14
Anti-Dilution Covenant	16
Additional Bonds; Permitted Parity Indebtedness	16
The Covenants to Budget and Appropriate	16
The Dania Beach General Obligation Loan	17
City of West Melbourne Loan	21
Financial Statements of the Borrowers	25
FINANCIAL GUARANTY INSURANCE	25
General	25
Financial Guaranty Insurance	25
MBIA Insurance Corporation	26
Regulation	27
Financial Strength Ratings of the Insurer	27
MBIA Financial Information	27
Incorporation of Certain Documents by Reference	28
DEBT SERVICE REQUIREMENTS	29
TAX MATTERS	31
General	31
Tax Treatment of Bond Premium	32
Tax Treatment of Original Issue Discount	33
LITIGATION	33
VALIDATION	34
LEGAL MATTERS	34
RATINGS	34
UNDERWRITING	34
FINANCIAL ADVISOR TO THE ISSUER	35
CONTINUING DISCLOSURE	35
ENFORCEABILITY OF REMEDIES	35
MISCELLANEOUS	36

APPENDIX A --	Form of Continuing Disclosure Agreement for Borrowers
APPENDIX B --	Form of Continuing Disclosure Agreement for Issuer
APPENDIX C --	Form of the Indenture
APPENDIX D --	Form of the Covenant Loan Agreement
APPENDIX E --	Form of Opinion of Bond Counsel
APPENDIX F --	Specimen Financial Guaranty Insurance Policy
APPENDIX G --	Financial Information Regarding City of Bartow
APPENDIX H --	Financial Information Regarding City of Dania Beach
APPENDIX I --	Financial Information Regarding City of Fort Walton Beach
APPENDIX J --	Financial Information Regarding Village of Palmetto Bay
APPENDIX K --	Financial Information Regarding City of Parkland
APPENDIX L --	Financial Information Regarding City of Port Richey
APPENDIX M --	Financial Information Regarding City of West Melbourne

OFFICIAL STATEMENT

Relating To

\$25,200,000

FLORIDA MUNICIPAL LOAN COUNCIL

Revenue Bonds

Series 2005D

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 \$25,200,000 Florida Municipal Loan Council Revenue Bonds, Series 2005D (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 August 18, 2005 and a Trust Indenture (the "Indenture"), dated as of September 1, 2005, between the Issuer and Wachovia Bank, National Association, as trustee (the "Trustee").

The Bonds are being issued to provide funds to make loans to seven 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 Bartow, the City of Dania Beach, the City of Fort Walton Beach, the Village of Palmetto Bay, the City of Parkland, the City of West Melbourne and the City of Port Richey (collectively, the "Borrowers," and individually, a "Borrower") pursuant to Loan Agreements, dated as of September 1, 2005, between the Issuer and each Borrower (collectively, the "Loan Agreements"). Each Borrower will use proceeds of the loan made to it by the Issuer (a "Loan") to 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."

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

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

The Loan Agreement between the City of West Melbourne and the Issuer is referred to herein as the "West Melbourne Loan Agreement." The Loan Repayment obligations of the City of West Melbourne will be payable from and secured solely by a pledge of and lien upon the Pledged Funds (hereinafter described) related to the water and sewer utility system of the City (hereinafter described). Further information concerning the West Melbourne Loan Agreement is contained herein under the caption "Security and Sources of Payment - City of West Melbourne 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 the (i) payments to be made by the Borrowers pursuant to the Loan Agreements (as defined herein) (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) all Revenues, any proceeds of the Bond Insurance Policy (as defined in the Indenture), any proceeds of the Surety Bond (as defined in the Indenture) any and all other property, rights and interest of every kind and nature from time to time hereafter by delivery or by writing of any kind subjected to the Indenture, as and for additional security for the Bonds, by the Issuer or by any other person on its behalf or with its written consent (collectively, the "Trust Estate"), as more fully described herein. Except with respect to the Loan to the City of Dania Beach (the "Dania G.O. Loan"), the obligations of the respective Borrowers pursuant to the Loan Agreements are not a general debt, liability or obligation of the respective Borrowers, but are limited obligations of the

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

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

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

THE BONDS

General Description

The Bonds are being issued as fully registered bonds without coupons in principal denominations of \$5,000 or any integral multiple thereof (the "Authorized Denominations"). The Bonds will be dated as of the date of their initial issuance and delivery, will bear interest from that date at the rates per annum and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. The Bonds will be subject to the redemption provisions set forth below. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months and will be payable semiannually on each April 1 and October 1 (each, an "Interest Payment Date,"), commencing April 1, 2006.

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 October 1, 2015 are not subject to optional redemption prior to maturity. The Bonds maturing after October 1, 2015 are subject to redemption at the option of the Issuer on or after October 1, 2015 as a whole or in part at any time, in any manner as determined by the Trustee in its discretion taking into consideration the maturity of the Loan being prepaid by a particular Borrower, at the redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

Scheduled Mandatory Redemption. The Bonds maturing on October 1, 2017 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 October 1, 2016 and on each October 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2016	\$800,000
2017 *	825,000

*Maturity, not a redemption.

The Bonds maturing on October 1, 2025 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2021 and on each October 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2021	\$ 970,000
2022	1,025,000
2023	1,075,000
2024	1,130,000
2025 *	1,185,000

*Maturity, not a redemption.

The Bonds maturing on October 1, 2030 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2026 and on each October 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2026	\$ 455,000
2027	480,000
2028	495,000
2029	525,000
2030 *	545,000

*Maturity, not a redemption.

The Bonds maturing on October 1, 2035 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 October 1, 2031 and on each October 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2031	\$ 570,000
2032	600,000
2033	625,000
2034	650,000
2035 *	685,000

*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, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard and Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults and proposed amendments to Bond documents. Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent only to Cede & Co. for so long as it is the registered owner of the Bonds. If less than all of the Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct

Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal, premium, if any, and interest on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Direct or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to DTC is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

NONE OF THE ISSUER, THE BORROWERS OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSON FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS. THE ISSUER CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

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

THE ISSUER

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

The Issuer is a separate legal entity created for the purpose of enabling participating municipalities and counties or other participating governmental entities to finance or refinance (including reimbursement of prior expenditures) undertakings on a cooperative and cost effective basis and to benefit from the economies of scale associated with larger scale financings which might otherwise be unrealized if separate financings were undertaken. The Bonds are being issued in furtherance of the Issuer's program (the "Program") of making loans to participating governmental units. Pursuant to the Interlocal Agreement, the Issuer has the power to issue, from time to time, in various series, bonds, notes or other obligations to finance and re-finance loans to participating governmental entities.

Membership in the Issuer consists of those governmental entities which from time to time have been admitted to membership by the affirmative vote of two-thirds of the board of directors of the Issuer and which have joined in the Interlocal Agreement. While membership in the Issuer is open to other governmental entities, membership in the Issuer is not a pre-condition to becoming a Borrower under the Program.

The Issuer is governed by a board of directors which consists of not less than one or more than seven elected public officials, each of which shall be appointed by the President of the Florida League of Cities, Inc. There is no limitation upon the term of office of a director, and directors serve until the expiration of their term in elected office, their resignation or their removal. A director may be removed upon the affirmative vote of at least two-thirds of the members of the Issuer.

The duration of the Issuer shall continue so long as any obligation of the Issuer or any obligation of any participating governmental entity issued under the Program remains outstanding.

The Bonds constitute the sixteenth series of bonds to be issued by the Issuer.

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

<u>Name</u>	<u>Elected Position</u>
Raul Martinez	Mayor, City of Hialeah
Dottie K. Reeder	Mayor, City of Seminole
Lizbeth Benaquisto	Council Member, Village of Wellington
H.M. (Roy) Tyler	Commissioner, City of Haines City
Larry Ady	Commissioner, City of Belle Isle

THE ADMINISTRATOR AND THE ADMINISTRATION AGREEMENT

The Administrator

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

The Administrator is a Florida corporation not-for-profit. The Administrator is organized on a non-stock membership basis. The members of the Administrator consist of over 400 Florida cities and counties.

The Administrator is governed by a Board of Directors consisting of 54 members. Directors are elected by the members of the Administrator.

In addition to the Issuer's fifteen 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 seven 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 M hereof.

The City of Bartow - The City of Bartow is located in Polk County, Florida and was incorporated in 1963. The City of Bartow has an estimated population of approximately 15,500 people.

The City of Dania Beach - The City of Dania Beach is located in Broward County, Florida and was incorporated in 1904. The City of Dania Beach has an estimated population of approximately 28,000 people.

The City of Fort Walton Beach - The City of Fort Walton Beach is located in Okaloosa County, Florida and was incorporated in 1937. The City of Fort Walton Beach has an estimated population of approximately 21,000 people.

The Village of Palmetto Bay - The Village of Palmetto Bay is located in Miami-Dade County, Florida and was incorporated in 2002. The Village of Palmetto Bay has an estimated population of approximately 24,000 people.

The City of Parkland - The City of Parkland is located in Broward County, Florida and was incorporated in 1963. The City of Parkland has an estimated population of approximately 21,000 people.

The City of Port Richey - The City of Port Richey is located in Pasco County, Florida and was incorporated in 1925. The City of Port Richey has an estimated population of approximately 3,000 people.

The City of West Melbourne - The City of West Melbourne is located in Brevard County, Florida and was incorporated in 1959. The City of West Melbourne has an estimated population of approximately 12,000 people.

PURPOSE OF THE BONDS

In General

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

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

City of Bartow - The City of Bartow is borrowing the proceeds of \$2,655,000 principal amount of the Bonds (which inclusive of net original issue premium is \$2,703,037.80) for the purposes of constructing a gymnasium and purchasing and renovating land and a building for use by the City. The Bartow Loan is expected to be repaid over a period of 20 years.

City of Dania Beach - The City of Dania Beach is borrowing the proceeds of \$6,775,000 principal amount of the Bonds (which inclusive of net original issue premium is \$6,795,680.05) for the purposes of financing various capital expenditures. The Dania Beach Loan is expected to be repaid over a period of 30 years.

City of Fort Walton Beach - The City of Fort Walton Beach is borrowing the proceeds of \$2,045,000 principal amount of the Bonds (which inclusive of net original issue discount is \$2,039,191.40) for the purpose of purchasing land to be used for various municipal purposes. The Fort Walton Beach Loan is expected to be repaid over a period of 10 years.

Village of Palmetto Bay - The Village of Palmetto Bay is borrowing the proceeds of \$1,495,000 principal amount of the Bonds (which inclusive of net original issue premium is \$1,499,143.20) for the purpose of constructing a library building and funding interest on its Loan through April 1, 2006. The Palmetto Bay Loan is expected to be repaid over a period of 30 years.

City of Parkland - The City of Parkland is borrowing the proceeds of \$2,775,000 principal amount of the Bonds (which inclusive of net original issue premium is \$2,824,849.05) for the purpose of financing recreational facility improvements. The Parkland Loan is expected to be repaid over a period of 20 years.

City of Port Richey - The City of Port Richey is borrowing the proceeds of \$4,545,000 principal amount of the Bonds (which inclusive of net original issue premium is \$4,555,170.00) for the purpose of refinancing existing debt and financing water system improvements. The Port Richey Loan is expected to be repaid over a period of 30 years.

City of West Melbourne - The City of West Melbourne is borrowing the proceeds of \$4,910,000 principal amount of the Bonds (which inclusive of net original issue premium is \$4,998,551.05) for the purposes of financing expansion of a wastewater treatment plant. The West Melbourne Loan is expected to be repaid over a period of 20 years.

The annual debt service on each Loan is set forth herein 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	\$25,200,000.00
Net Original Issue Premium	<u>215,622.55</u>
TOTAL SOURCES:	\$25,415,622.55
USES OF FUNDS:	
Deposit to Project Loan Fund	\$24,908,215.77
Deposit to Revenue Fund ⁽¹⁾	33,458.78
Costs of Issuance ⁽²⁾	<u>473,948.00</u>
TOTAL USES:	\$25,415,622.55

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

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

service on the Bonds. The aggregate principal and interest payments included in the Basic Payments scheduled to be made by the Borrowers equal the scheduled debt service on the Bonds.

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

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

The Loan Agreement between the City of West Melbourne and the Issuer is referred to herein as the "West Melbourne Loan Agreement." The Loan Repayment obligations of the City of West Melbourne will be payable from and secured solely by a pledge of and lien upon the Pledged Funds (hereinafter described) related to the water and sewer utility system of the City (hereinafter described). Further information concerning the West Melbourne Loan Agreement is contained herein under the caption "Security and Sources of Payment - City of West Melbourne 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 \$80,895,000, (ii) Revenue Bonds, Series 2002A, issued May 17, 2002, and outstanding as of the date of this Official Statement in the principal amount of \$45,330,000, (iii) Revenue Bonds, Series 2002B, issued August 15, 2002, and outstanding as of the date of this Official Statement in the principal amount of \$66,385,000, (iv) Revenue Bonds, Series 2002C, issued November 22, 2002, and outstanding as of the date of this Official Statement in the principal amount of \$25,235,000, (v) Revenue Bonds, Series 2003A, issued May 16, 2003, and outstanding as of the date of this Official Statement in the principal amount of \$73,910,000, (vi) Revenue Bonds, Series 2003B, issued December 17, 2003, and outstanding as of the date of this Official Statement in the principal amount of \$45,545,000 (vii) Revenue

Bonds, Series 2004A-1, issued July 14, 2004, and outstanding as of the date of this Official Statement in the principal amount of \$15,585,000, (viii) Revenue Bonds, Series 2005A, issued February 15, 2005, and outstanding as of the date of this Official Statement in the principal amount of \$55,630,000, (ix) Revenue Refunding Bonds, Series 2005B, issued May 26, 2005, and outstanding as of the date of this Official Statement in the principal amount of \$18,145,000 and (x) Revenue Refunding Bonds, Series 2005C, issued July 12, 2005, and outstanding as of the date of this Official Statement in the principal amount of \$15,610,000. The Insurer has also issued financial guaranty insurance policies with respect to these prior bonds of the Issuer.

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

Moneys on deposit in the Reserve Fund (including the Debt Service Reserve Fund Surety Bond) shall be applied to cure any deficiency in the Revenue Fund other than with respect to the Dania Beach G.O. Loan. Under the provisions of the Internal Revenue Code applicable to the Bonds, it is generally not feasible to establish a debt service reserve fund with respect to general obligation bonds or the portion of bonds ultimately payable from a general obligation pledge. Thus, amounts on deposit in the Reserve Fund are available to cure a deficiency in the Revenue Fund resultant from the failure of any Borrower other than the City of Dania Beach 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 \$17,605,000 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 \$921,250 (five percent of the stated principal amount of the Bonds other than the Bonds attributable to the City of Dania Beach Loan) to \$18,526,250, and the premium for such increase will be paid by the Issuer at the time of delivery of the Bonds.

Anti-Dilution Covenant

Each of the Borrowers other than the City of Dania Beach and the City of West Melbourne (such Borrowers are referred to as the "Covenant Borrowers") pursuant to their respective Loan Agreement, has covenanted (such covenant being referred to as the "Anti-Dilution Covenant") that as soon as practicable upon the issuance of debt which is secured by its Non-Ad Valorem Revenues, it will deliver to the Issuer and the Insurer a certificate setting forth the calculations of the financial ratios described below and certifying that it is in compliance with such covenants:

(i) Non-Ad Valorem Revenues (average of actual receipts over the prior two years) must cover projected maximum annual debt service on debt secured by and/or payable solely from such Non-Ad Valorem Revenues by at least 150%; and

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

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

Additional Bonds; Permitted Parity Indebtedness

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

There is no limitation on the issuance of additional debt by the Borrowers except as may result from compliance with the obligations described above under the caption "Anti-dilution Covenant" or with respect to the City of West Melbourne as described below under "West Melbourne Loan."

The Covenants to Budget and Appropriate

The information under this caption applies to each Borrower (the "Covenant Borrowers") other than the City of Dania Beach and the City of West Melbourne, and it applies to the Additional Payment obligations of the City of Dania Beach and the City of West Melbourne.

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

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

The Dania Beach General Obligation Loan

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

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

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

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

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

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

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

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

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

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

procedures upon delinquency to collect assessed taxes. Delay in the mailing of tax notices to taxpayers results in a delay throughout the process.

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

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

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

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

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

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

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

to the tax collector but not any amount to redeem any other outstanding certificates covering the land. Thereafter, the property is advertised for public sale. Any outstanding certificates will be satisfied from the proceeds received at such public sale.

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

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

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

Once the issuance of general obligation indebtedness of a municipality has been authorized by the voters in a bond referendum, and such debt is issued, such a debt may be refinanced, subject to certain restrictions under Florida law, without further approval by the voters. The indebtedness represented by the Dania Beach G.O. Loan was approved by the voters of the City of Dania Beach in a bond referendum held for such purpose.

The City of Dania Beach will use proceeds of its Loan to finance various municipal capital expenditures.

City of West Melbourne Loan

Purpose of Loan. The City of West Melbourne intends to use proceeds of its Loan to finance expansion of its wastewater treatment plant.

Security for Loan. The Loan Repayment obligations of the City of West Melbourne in connection with the West Melbourne Loan Agreement are not secured by or payable from the Covenant to Budget and Appropriate. Rather, the Loan Repayment obligations of the City of West Melbourne with respect to the West Melbourne Loan Agreement are payable from and are secured by a pledge of and lien upon the "Pledged Funds" described herein. Except as described under this caption, the West Melbourne Loan Agreement is substantially similar to the standard Covenant Loan Agreement.

The obligation of the City to make the Loan Repayments pursuant to the Loan Agreement will be secured under and pursuant to Resolution No. 95-2 of the City, adopted November 15, 1994, as amended and supplemented (as so amended and supplemented, the "West Melbourne Resolution"), on a parity with the City's outstanding Water and Sewer Revenue Refunding Bonds, Series 1999 and outstanding Water and Sewer Revenue Refunding and Improvement Bonds, Series 2004.

Pursuant to the West Melbourne Loan Agreement, the City agrees to make payments in such amounts and as such times as shall be sufficient to pay the principal of, premium, if any, and interest on the Loan to the City when due.

Pursuant to the West Melbourne Resolution, the City grants a pledge of and a lien upon the Pledged Funds to secure the West Melbourne Loan Agreement. The City has issued and has outstanding under the West Melbourne Resolution its Water and Sewer Revenue Refunding Bonds, Series 1999 and its Water and Sewer Revenue Refunding and Improvement Bonds, Series 2004. In addition to the West Melbourne Loan Agreement and such Bonds, the City may in the future issue additional indebtedness payable from and secured by a lien upon the Pledged Funds, as further described herein under "Additional West Melbourne Bonds." The existing Bonds and any other obligations of the City issued pursuant to the West Melbourne Resolution and secured on a parity with the West Melbourne Loan Agreement are, together with the West Melbourne Loan Agreement, referred to herein as "West Melbourne Bonds."

"**Pledged Funds**" include the Net Revenues received by the City from the products, services and facilities provided by the West Melbourne System, the Water Connection Fees and the Sewer Connection Fees (collectively, the "Connection Fees"), and until applied as provided in the West Melbourne Resolution, the amounts on deposit in certain funds and accounts established under the West Melbourne Resolution.

"**West Melbourne System**" means any and all water production, transmission, storage, treatment and distribution facilities and wastewater collection, transmission, treatment and disposal facilities now owned and operated or hereafter owned and operated by the City, which West Melbourne System shall also include any and all improvements, extensions and additions thereto hereafter constructed or acquired either from the proceeds of West Melbourne Bonds or from any other sources, together with all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith. "West Melbourne System" shall also include any stormwater utility, effluent reuse facilities or any other utility facilities if and to the extent (i) the City determines to include such utility or facilities within the West Melbourne System and (ii) such action will not cause the City to fail to meet the rate covenant set forth in the West Melbourne Resolution.

"**Net Revenues**" means Gross Revenues less Operating Expenses.

"Gross Revenues" means all income and moneys received by the City from the rates, fees, rentals, charges and other income to be made and collected by the City for the use of the products, services and facilities to be provided by the West Melbourne System, or otherwise received by the City or accruing to the City in the ownership, management and operation of the West Melbourne System, calculated in accordance with generally accepted accounting methods employed in the operation of public utility systems similar to the West Melbourne System. Gross Revenues does not include (1) Government Grants and investment earnings thereon, (2) Connection Fees and investment earnings thereon (3) special assessments and investment earnings thereon and (4) non-cash items contributed to the City.

"Operating Expenses" are defined as the City's expenses for operation, maintenance, repairs and replacements with respect to the West Melbourne System and shall include, without limiting the generality of the foregoing, the costs of purchased water from the City or any other source, administration expenses, payments for the purchase of materials essential to or used in the operation of the West Melbourne System, costs of management of the wastewater treatment facility, insurance and surety bond premiums, the fees to the provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit (but excluding any expenses or reimbursement obligations for draws made thereunder), legal and engineering expenses, ordinary and current rentals of equipment or other property pursuant to operating or capital leases, refunds of moneys lawfully due to others, payments to others for disposal of sewage or other wastes, payments to pension, retirement, health and hospitalization funds, and any other expenses required to be paid for or with respect to proper operation or maintenance of the West Melbourne System, all to the extent properly characterized as an expense and attributable to the West Melbourne System in accordance with generally accepted accounting principles employed in the operating of public utility systems similar to the West Melbourne System, and disbursements for the expenses, liabilities and compensation of any Paying Agent or Registrar under the Resolution, but does not include: (i) any costs or expenses in respect of original construction or improvement other than expenditures necessary to prevent an interruption or continuance of an interruption of Gross Revenues or minor capital expenditures necessary for the proper and economical operation or maintenance of the West Melbourne System in accordance with generally accepted accounting principles, (ii) any provision for interest, depreciation, depletion, amortization or similar charges, (iii) any fee in lieu of taxes or other transfers to the general fund of the City, (iv) any non-cash items paid by the City with respect to the West Melbourne System, or (v) extraordinary, non-recurring expenses.

"Connection Fees" are defined as the charges levied upon and collected from new users of the water and sewer facilities of the West Melbourne System as a contribution toward the equitable share of the cost of capital improvements required to be constructed in order to serve new users of the water and sewer facilities of the West Melbourne System, to the extent the same are lawfully levied, collected and pledged.

Under Florida law, impact fees such as the City's Connection Fees may be validly imposed against new construction in order to fund capital improvements which are necessitated by such new construction or for debt service for bonds or other obligations issued for such purposes.

The West Melbourne System in General. The City's water and sewer system (the "West Melbourne System") provides service to customers within the City limits and to a few commercial customers located outside of the City limits. City ordinances require all properties within the City to be connected to the West Melbourne System, including properties which may be annexed into the City in the future, to the extent that facilities of the West Melbourne System are available. A small number of properties which received metered water service directly from the City of Melbourne prior to the facilities of the West Melbourne System becoming available continue to be served directly by the City of Melbourne. The West Melbourne Resolution defines the West Melbourne System to include any and all water production, transmission, treatment and distribution facilities and wastewater collection, transmission, treatment and disposal facilities now owned and operated or hereafter owned and operated by the City, which West Melbourne System shall also include

any and all improvements, extensions and additions thereto hereafter constructed or acquired, together with all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith. During fiscal year 2003 the West Melbourne System provided service to approximately 6,101 water customer accounts and approximately 5,769 sewer customer accounts

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

Rate Covenant. The City covenants in the West Melbourne Resolution, to the extent permitted by law, to fix, establish and maintain such rates and collect such fees, rates or other charges for the products, services and facilities of the West Melbourne System and to revise the same from time to time whenever necessary, as will always provide in such Fiscal Year (A) (1) Net Revenues adequate at all times to pay in such Fiscal Year at least one hundred ten percent of Annual Debt Service on all Outstanding West Melbourne Bonds and any amounts required by the West Melbourne Resolution to be deposited in the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy as a result of a withdrawal from the Reserve Account, or (2) Net Revenues, Water Connection Fees and Sewer Connection Fees in each Fiscal Year adequate to pay in such Fiscal Year at least one hundred twenty five percent of the Annual Debt Service on all Outstanding West Melbourne Bonds and any amounts required by the terms of the West Melbourne Resolution to be deposited in the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy as a result of a withdrawal from the Reserve Account and (B) Net Revenues (not including any transfers to the Revenue Fund from the Surplus Fund or Rate Stabilization Fund) adequate at all times to pay in such Fiscal Year 100% of Annual Debt Service on all Outstanding West Melbourne Bonds. Such rates, fees or other charges shall not be modified so as to reduce the rate at which Net Revenues, Water Connection Fees and Sewer Connection Fees are imposed.

If, in any Fiscal Year, the City shall fail to comply with the requirements contained in the preceding paragraph, it shall immediately cause the Consulting Engineers to review its rates, fees, charges, income, Gross Revenues, Operating Expenses and methods of operation and to, within sixty days of such request by the City, make written recommendations as to the methods by which the City may promptly seek to comply with the requirements set forth in the preceding paragraph. The City is required to, within thirty days after receipt of such recommendations, commence to implement such recommendations to the extent required so as to cause it to thereafter comply with said requirements.

Additional West Melbourne Bonds. The City may in the future issue one or more series of Additional West Melbourne Bonds for the purposes of financing the Cost of a Project, or the completion thereof, and/or refunding of any or all Outstanding West Melbourne Bonds or any Subordinated Indebtedness of the City. However, no Additional West Melbourne Bonds shall be issued unless, in addition to the other requirements contained in the West Melbourne Resolution, the following conditions are complied with:

(A) Except in the case of Additional West Melbourne Bonds issued for the purpose of refunding Outstanding West Melbourne Bonds, the City shall certify that it is current in all deposits into the various funds and accounts established under the West Melbourne Resolution and all payments theretofore required to have been deposited or made by it under the provisions of the West Melbourne Resolution have been made and has complied with the covenants and agreements of the West Melbourne Resolution.

(B) An independent certified public accountant or the Rate Consultant shall certify to the City that the amount of the Net Revenues received during the immediately preceding Fiscal Year or any twelve (12) consecutive months selected by the City of the twenty-four (24) months immediately preceding the issuance of said Additional West Melbourne Bonds, adjusted as described in paragraph (C) below, will (a) be equal to at least one hundred ten percent of the Maximum Annual Debt Service of the Outstanding West Melbourne Bonds and the Additional West Melbourne Bonds then proposed to be issued and any amount owed to the issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy as a result of a drawdown on such Reserve Account Letter of Credit or Reserve Account Insurance Policy, and (b) when added to the Connection Fees, adjusted as described in paragraph (C) below, received by the City during such 12 month period, be equal to at least one hundred twenty-five percent of the Maximum Annual Debt Service of the Outstanding West Melbourne Bonds and the Additional West Melbourne Bonds then proposed to be issued and any amounts owed to the issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy as a result of a drawdown on such Reserve Account Letter of Credit or Reserve Account Insurance Policy. To the extent Connection Fees are necessary to meet the test in (b) above, the City is required to supply each Insurer with an opinion of counsel to the City that such Connection Fees are legally levied, collected and pledged to the payment of debt service on the West Melbourne Bonds.

(C) The Net Revenues and Connection Fees calculated pursuant to the foregoing paragraph may be adjusted at the option of the City: (i) if the City prior to the issuance of the proposed Additional West Melbourne Bonds, shall have increased the rates, fees or other charges for the products, services or facilities of the System, (ii) if the City shall have acquired or has contracted to acquire any privately or publicly owned existing water and/or sewer system, the cost of which shall be paid from all or part of the proceeds of the issuance of the proposed Additional West Melbourne Bonds (iii) in the event the City shall be constructing or acquiring additions, extensions or improvements to the System from the proceeds of such Additional West Melbourne Bonds and shall have established fees, rates or charges to be charged and collected from existing commercial enterprises or dwelling units that will become users of such facilities when service is rendered, (iv) if the City, in connection with the issuance of Additional West Melbourne Bonds, shall enter into a contract (with a duration not less than the final maturity of such Additional West Melbourne Bonds) with any public or private entity whereby the City agrees to furnish services in connection with any utilities system, (v) if the City covenants to levy Special Assessments against property to be benefited by the improvements, the cost of which shall be paid from the proceeds of the proposed Additional West Melbourne Bonds, and (vi) for any period the System or any portion thereof was not owned by the City to reflect government ownership of the System or such portion.

If any customer of the City shall have commenced service by the System during the twelve (12) consecutive months, the Net Revenues shall be adjusted to take into account the Net Revenues which would have been derived during such twelve (12) consecutive months if such customer had been serviced by the System for such entire twelve (12) consecutive month period.

Subordinated Indebtedness. The City may at any time or from time to time issue evidences of indebtedness payable in whole or in part out of the Pledged Funds and which may be secured by a pledge of the Pledged Funds, junior and subordinate in all respects to the pledge of the Pledged Funds to the outstanding West Melbourne Bonds. The City has agreed in the West Melbourne Resolution not to issue any Subordinate Indebtedness unless it reasonably anticipates that Net Revenues and Connection Fees will be sufficient to pay all West Melbourne Bonds outstanding and such Subordinate Indebtedness.

Management of the West Melbourne System. The City is responsible for the operation and management of the West Melbourne System. The wastewater system is currently managed by Viola Water North America Operating Services, LLC ("System Manager") pursuant to a management contract, which expires on September 30, 2010 unless extended by the parties. Operation and maintenance of the water

portion of the West Melbourne System falls under the direction of the West Melbourne Public Works Department.

Historical Revenues and Pro-Forma Coverage. The following table sets for the amount of Net Revenues collected by West Melbourne during the fiscal years ended September 30, 2002 through 2004, and pro-forma debt service coverage for the West Melbourne Bonds:

Historical Coverage of Maximum Annual Debt Service Fiscal Years Ended September 30			
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Net Revenues ⁽¹⁾	\$1,335,562	\$1,562,763	\$2,021,800
Maximum Annual Debt Service on Bonds ⁽²⁾	\$736,825	\$736,825	\$736,825
West Melbourne Loan Debt Service ⁽³⁾	\$376,500	\$378,523	\$378,523
Maximum Total Annual Debt Service ⁽³⁾	\$1,113,325	\$1,113,325	\$1,113,325
Pro-Forma Debt Service Coverage	1.20x	1.40x	1.82x

(1) Source: City of West Melbourne Finance Department.

(2) Approximate maximum annual debt service on the Series 1999 and 2004 Bonds.

(3) Maximum annual debt service for the Basic Payments portion of West Melbourne Loan.

Financial Statements of the Borrowers

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

FINANCIAL GUARANTY INSURANCE

General

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

Financial Guaranty Insurance

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

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

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

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

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

MBIA Insurance Corporation

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain.

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

Regulation

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

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

Financial Strength Ratings of the Insurer

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

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

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

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

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

MBIA Financial Information

As of December 31, 2004, MBIA had admitted assets of \$10.4 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$3.4 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2005, MBIA had admitted assets of \$10.7 billion (unaudited), total liabilities of \$7.0 billion (unaudited), and total capital and surplus of \$3.7 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning the Insurer, see the consolidated financial statements of the Insurer and its subsidiaries as of December 31, 2004 and December 31, 2003 and for each of the three years in the period ended December 31, 2004, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2004 and the consolidated financial statements of the Insurer and its subsidiaries as of June 30, 2005 and for the six month periods ended June 30, 2005 and June 30, 2004 included in the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2005, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

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

Incorporation of Certain Documents by Reference

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

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2004; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2005.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of the Company's most recent Quarterly Report on Form 10-Q and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and (2) the Company's Quarterly Report on Form 10-Q for the quarters ended March 31, 2005 and June 30, 2005) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to the Insurer at its principal executive offices.

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

[Remainder of page intentionally blank.]

DEBT SERVICE REQUIREMENTS

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

Year Ending October 1 (Inclusive)	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Debt Service</u>
2006	\$830,000	\$1,050,486.68	\$1,880,486.68
2007	905,000	994,450.02	1,899,450.02
2008	950,000	967,300.02	1,917,300.02
2009	975,000	936,425.02	1,911,425.02
2010	1,010,000	904,737.52	1,914,737.52
2011	1,035,000	873,427.52	1,908,427.52
2012	1,080,000	839,790.02	1,919,790.02
2013	1,110,000	803,340.04	1,913,340.04
2014	970,000	765,600.04	1,735,600.04
2015	1,000,000	731,650.04	1,731,650.04
2016	800,000	695,400.00	1,495,400.00
2017	825,000	663,400.00	1,488,400.00
2018	860,000	630,400.00	1,490,400.00
2019	900,000	596,000.00	1,496,000.00
2020	935,000	560,000.00	1,495,000.00
2021	970,000	522,600.00	1,492,600.00
2022	1,025,000	474,100.00	1,499,100.00
2023	1,075,000	422,850.00	1,497,850.00
2024	1,130,000	369,100.00	1,499,100.00
2025	1,185,000	312,600.00	1,497,600.00
2026	455,000	253,350.00	708,350.00
2027	480,000	232,875.00	712,875.00
2028	495,000	211,275.00	706,275.00
2029	525,000	189,000.00	714,000.00
2030	545,000	165,375.00	710,375.00
2031	570,000	140,850.00	710,850.00
2032	600,000	115,200.00	715,200.00
2033	625,000	88,200.00	713,200.00
2034	650,000	60,075.00	710,075.00
2035	<u>685,000</u>	<u>30,825.00</u>	<u>715,825.00</u>
Total	\$25,200,000	\$15,600,681.92	\$40,800,681.92

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

Year Ending October 1 (inclusive)	City of <u>Bartow</u>	City of <u>Dania Beach</u>	City of Fort <u>Walton Beach</u>	Village of <u>Palmetto Bay</u>
2006	\$200,709.22	\$411,556.89	\$245,615.11	\$65,493.78
2007	199,702.50	410,510.00	242,080.00	94,070.00
2008	201,852.50	411,760.00	246,680.00	93,170.00
2009	198,602.50	412,535.00	245,505.00	92,195.00
2010	200,352.50	413,147.50	244,167.50	91,220.00
2011	202,097.50	413,807.50	242,967.50	90,290.00
2012	203,522.50	409,095.00	246,305.00	94,315.00
2013	199,641.26	414,201.26	244,048.76	93,133.76
2014	200,731.26	413,931.26	246,568.76	91,943.76
2015	201,531.26	413,331.26	243,518.76	90,718.76
2016	202,000.00	412,350.00	-	94,450.00
2017	201,800.00	410,550.00	-	92,850.00
2018	201,400.00	413,550.00	-	91,250.00
2019	200,800.00	411,150.00	-	94,650.00
2020	200,000.00	413,550.00	-	92,850.00
2021	204,000.00	410,550.00	-	91,050.00
2022	201,000.00	415,300.00	-	93,800.00
2023	202,750.00	414,300.00	-	91,300.00
2024	204,000.00	412,800.00	-	93,800.00
2025	204,750.00	415,800.00	-	91,050.00
2026	-	413,050.00	-	93,300.00
2027	-	416,125.00	-	95,600.00
2028	-	413,525.00	-	92,675.00
2029	-	415,475.00	-	94,750.00
2030	-	416,750.00	-	91,600.00
2031	-	417,350.00	-	93,450.00
2032	-	417,275.00	-	95,075.00
2033	-	416,525.00	-	91,475.00
2034	-	415,100.00	-	92,875.00
2035	-	418,000.00	-	94,050.00
Total	<u>\$4,031,243.00</u>	<u>\$12,412,950.67</u>	<u>\$2,447,456.39</u>	<u>\$2,758,450.06</u>

Year Ending October 1 (inclusive)	City of <u>Parkland</u>	City of <u>Port Richey</u>	City of West <u>Melbourne</u>
2006	\$210,654.22	\$376,726.79	\$369,730.67
2007	209,340.00	375,067.52	368,680.00
2008	211,340.00	384,067.52	368,430.00
2009	207,927.50	382,080.02	372,580.00
2010	209,515.00	384,930.02	371,405.00
2011	211,105.00	377,800.02	370,360.00
2012	212,367.50	380,325.02	373,860.00
2013	208,317.50	382,225.00	371,772.50
2014	209,237.50	198,725.00	374,462.50
2015	209,862.50	201,100.00	371,587.50
2016	210,150.00	203,200.00	373,250.00
2017	209,750.00	199,800.00	373,650.00
2018	209,150.00	201,400.00	373,650.00
2019	213,350.00	202,800.00	373,250.00
2020	212,150.00	204,000.00	372,450.00
2021	210,750.00	200,000.00	376,250.00
2022	212,500.00	200,000.00	376,500.00
2023	213,750.00	199,750.00	376,000.00
2024	209,500.00	204,250.00	374,750.00
2025	210,000.00	203,250.00	372,750.00
2026	-	202,000.00	-
2027	-	201,150.00	-
2028	-	200,075.00	-
2029	-	203,775.00	-
2030	-	202,025.00	-
2031	-	200,050.00	-
2032	-	202,850.00	-
2033	-	205,200.00	-
2034	-	202,100.00	-
2035	-	<u>203,775.00</u>	-
Total	<u>\$4,210,716.72</u>	<u>\$7,484,496.91</u>	<u>\$7,455,368.17</u>

TAX MATTERS

General

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements which must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income for purposes of Federal income taxation. Non-compliance may cause interest on the Bonds to be included in Federal gross income retroactive to the date of issuance of the Bonds, regardless of the date on which such non-compliance occurs or is ascertained. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Bonds and the other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. The Issuer has covenanted in the Indenture and the Borrowers have covenanted in the Loan Agreements to comply with such requirements in order to maintain the exclusion from Federal gross income of the interest on the Bonds.

In the opinion of Bond Counsel, assuming compliance with the aforementioned covenants, under existing laws, regulations, judicial decisions and rulings, interest on the Bonds is excluded from gross income for purposes of Federal income taxation. Interest on the Bonds is not an item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals or corporations; however, interest on the Bonds may be subject to the alternative minimum tax when any Bond is held by a corporation. The alternative minimum taxable income of a corporation must be increased by 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (before this adjustment and the alternative tax net operating loss deduction). "Adjusted Current Earnings" will include interest on the Bonds. In addition, in the opinion of Bond Counsel the Bonds are exempt from all present intangible personal property taxes imposed pursuant to Chapter 199, Florida Statutes.

Except as described above, Bond Counsel will express no opinion regarding the Federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of Bonds. Prospective purchasers of Bonds should be aware that the ownership of Bonds may result in collateral Federal income tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Bonds, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by 15% of certain items, including interest on the Bonds, (iii) the inclusion of interest on the Bonds in earning of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of interest on Bonds in passive income subject to Federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, and (v) the inclusion of interest on the Bonds in "modified adjusted gross income" by recipients of certain Social Security and Railroad Retirement benefits for purposes of determining whether such benefits are included in gross income for Federal income tax purposes.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

During recent years legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain Federal tax consequences resulting from the ownership of obligations that are similar to the Bonds. In some cases these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of Federal tax consequences may have affected the market value of obligations similar to the Bonds. From time to time, legislative proposals are pending which could have an effect on both the Federal tax consequences resulting from ownership Bonds and their market value. No assurance can be given that legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the Bonds.

Tax Treatment of Bond Premium

The Bonds maturing in the years 2006 through 2009 and in 2025 were offered at a price in excess of the principal amount thereof. Under the Code, the excess of the cost basis of a bond over the principal amount of the bond (other than for a bondholder who holds a bond as inventory, stock in trade, or for sale to customers in the ordinary course of business) is generally characterized as "bond premium." For federal income tax purposes, bond premium is amortized over the term of the bonds. A bondholder will therefore be required to decrease his basis in the Bonds by the amount of the amortizable bond premium attributable to each taxable year he holds such Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

In addition, the Bonds maturing in 2025 were offered at a price in excess of the principal amount thereof to achieve a yield based upon the date on which such Bonds are subject to optional redemption by the Issuer (the "Call Date") rather than the maturity date (the "Callable Premium Bonds"). Under the Code, the excess of the cost basis of a Callable Premium Bond over the amount payable at the Call Date of the Callable Premium Bond that minimizes the yield to a purchaser of a Callable Premium Bond (the "Lowest Yield Call Date") (other than for a bondholder who holds a bond as inventory, stock in trade, or for sale to customers in the ordinary course of business) is generally characterized as "bond premium." For federal income tax purposes, bond premium is amortized over the period to the Lowest Yield Call Date of a Callable Premium Bond. A bondholder will therefore be required to decrease his basis in the Callable Premium Bond by the amount of the amortizable bond premium attributable to each taxable year he holds such Callable Premium Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

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

Tax Treatment of Original Issue Discount

Under the Code, the difference between the principal amount of the Bonds maturing in the years 2010 through 2020 and in 2030 and 2035 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, each Borrower will certify 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 Borrower's knowledge, threatened, against or affecting such Borrower wherein an unfavorable decision, ruling or finding would materially and 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, the Issuer will certify 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 knowledge of the Issuer, threatened, against or affecting the Issuer, wherein an unfavorable decision, ruling

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

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

RATINGS

Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies and Fitch, Inc. have assigned ratings of "AAA" and "AAA," respectively, to the Bonds with the understanding that upon delivery of the Bonds, a financial guaranty insurance policy will be issued by the Insurer. In addition, S&P has assigned a rating of "A-" to the Bonds without regard to the insurance policy. The ratings reflect only the views of the rating agencies and an explanation of the significance of the ratings may be obtained only from the rating agencies. The ratings are not a recommendation to buy, sell or hold the Bonds and there is no assurance that such ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of either or both of the rating agencies, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Neither the Underwriter nor the Issuer has undertaken responsibility to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the ratings of the Bonds, or to oppose any proposed revision or withdrawal.

UNDERWRITING

Banc of America Securities LLC, the Underwriter, has agreed, subject to certain customary conditions precedent, to purchase the Bonds at a price of \$25,264,674.55 (which includes net original issue premium of \$215,622.55 and underwriter's discount of \$150,948.00), 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.

As noted elsewhere in this Official Statement, the Bonds constitute the sixteenth series of bonds issued by the Issuer. The Issuer's prior bond issues funded loans to various borrowers (the "Prior Borrowers") in a fashion similar to that described herein with respect to the Bonds. In connection with its prior bond issues, the Issuer and each of the Prior Borrowers entered into continuing disclosure agreements (the "Prior Undertakings") pursuant to the Rule. Pursuant to the Prior Undertakings, the Issuer and each Prior Borrower agreed to provide certain annual financial information on or before the date 270 days after the end of each fiscal year of the Issuer and the respective Prior Borrowers. The Issuer has complied with its Prior Undertakings, however, certain of the Prior Borrowers (the "Delinquent Borrowers") have failed to provide annual financial information as required by the Prior Undertakings. The Delinquent Borrowers have provided the information required by the Prior Undertakings, although not in a timely manner. The City of Port Richey and the City of Lauderdale Lakes both failed to timely provide their annual financial statements for the fiscal year ended September 30, 2003, although such information was subsequently provided. The Issuer has notified the Nationally Recognized Municipal Securities Information Repositories of the failure of the Prior Borrowers to timely file the annual financial information. None of the Borrowers other than City of Port Richey is a Delinquent Borrower.

ENFORCEABILITY OF REMEDIES

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

MISCELLANEOUS

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

FLORIDA MUNICIPAL LOAN COUNCIL

By: /s/ Raul Martinez
Its Chairman

APPENDIX A

CONTINUING DISCLOSURE AGREEMENT FOR BORROWERS

This **CONTINUING DISCLOSURE AGREEMENT** dated as of September 1, 2005 (the "Continuing Disclosure Agreement") is executed and delivered by _____, a Florida municipality ("Borrower"), and by Florida League of Cities, Inc., a Florida corporation not-for-profit, as Dissemination Agent (the "Dissemination Agent") hereunder. Additional capitalized terms used herein shall have the meanings ascribed thereto in Section 2 hereof.

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

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

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

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

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

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

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

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

"Bonds" means the \$_____ Florida Municipal Loan Council Revenue Bonds, Series 2005D.

"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 September 1, 2005 by and between Florida Municipal Loan Council, as Issuer, and Wachovia Bank, National Association, as Trustee.

"Insurer" means MBIA Insurance Corporation.

"Issuer" means Florida Municipal Loan Council.

"Loan Agreement" means the Loan Agreement dated as of September 1, 2005, between the Issuer and the Borrower.

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

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

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

"Participating Underwriter" means Banc of America Securities LLC.

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

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

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

"SEC" means the Securities and Exchange Commission.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (i) principal and interest payment deficiencies;
- (ii) non-payment related defaults;

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

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

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

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

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

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

written confirmation that such Event Notice was provided to each Repository in accordance with this Section 6(e).

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

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

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

SECTION 8. Amendments: Waivers. This Continuing Disclosure Agreement may be amended, and any provision hereof may be waived, by the parties hereto if, prior to the effective date of any such amendment or waiver, the Borrower delivers to the Dissemination Agent, the Issuer and the Trustee an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to one or more members of the Borrower), to the effect that this Continuing Disclosure Agreement (taking into account such amendment or waiver) complies with the Rule, as in effect on the date of the Offering of Bonds or after the execution and delivery of this Continuing Disclosure Agreement, taking into account any amendment or interpretation of the Rule by the SEC or any adjudication of the Rule by a final decision of a court of competent jurisdiction which may have occurred subsequent to the execution and delivery of this Continuing Disclosure Agreement. The Dissemination Agent shall notify the Repositories of any such amendment and shall provide the Repositories with a copy of any such amendment.

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

SECTION 10. Compensation of the Dissemination Agent. As compensation to the Dissemination Agent for its services pursuant to this Continuing Disclosure Agreement, the Borrower agrees to pay all fees and all expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs and other disbursements in the administration and performance of its duties hereunder, and shall to the extent permitted by law indemnify and save the Dissemination Agent and its officers, directors, attorneys, agents and employees harmless from and against any costs, expenses, damages or other liabilities (including attorneys fees) which it (or they) may incur in the exercise of its (or their) powers and duties hereunder, except with respect to its (or their) willful misconduct or gross negligence. Nothing contained herein is intended to be nor shall it be construed as a waiver of any immunity from or limitation of liability that the Borrower may be entitled to pursuant to the Doctrine of Sovereign Immunity or Section 768.28, Florida Statutes. Notwithstanding anything to the contrary contained herein, the obligations of the Borrower hereunder shall be limited obligations payable solely from the sources provided under Section 2.02(a) of the Loan Agreement.

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

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

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

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

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

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

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

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

_____, as Borrower

By: _____

Its: _____

FLORIDA LEAGUE OF CITIES, INC.,
as Dissemination Agent

By: _____

Its: _____

EXHIBIT A

Form of Annual Report Certificate

The undersigned duly appointed and acting _____ of _____, a Florida municipality, as Borrower under the Continuing Disclosure Agreement (hereinafter described) (the "Borrower"), hereby certifies on behalf of the Borrower pursuant to the Continuing Disclosure Agreement dated as of September 1, 2005 (the "Continuing Disclosure Agreement") executed and delivered by the Borrower and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

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

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

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

_____, as Borrower

By: _____

Its: _____

Acknowledgment of Receipt:

as Dissemination Agent

By: _____

Its: _____

EXHIBIT B

Form of Section 5(a) Continuing Disclosure Certificate

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

The undersigned duly authorized signatory of _____ (the "Borrower") hereby certifies on behalf of the Borrower pursuant to the Continuing Disclosure Agreement dated as of September 1, 2005 (the "Continuing Disclosure Agreement") executed and delivered by the Borrower and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

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

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

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

(a) Financial Information _____

(b) Operating Data _____

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

IN WITNESS WHEREOF, the undersigned has executed and delivered this Continuing Disclosure Certificate to the Dissemination Agent, which has received the same, all as of the 1st day of September, 2005.

_____, as Borrower

By: _____

Its: _____

Acknowledgment of Receipt:

Florida League of Cities, Inc., as
Dissemination Agent

By: _____

Its: _____

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX B

FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE ISSUER

This **CONTINUING DISCLOSURE AGREEMENT** dated as of September 1, 2005 (the "Continuing Disclosure Agreement") is executed and delivered by Florida Municipal Loan Council, ("Issuer"), and by Florida League of Cities, Inc., a Florida corporation not-for-profit, as Dissemination Agent (the "Dissemination Agent") hereunder. Additional capitalized terms used herein shall have the meanings ascribed thereto in Section 2 hereof.

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

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

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

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

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

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

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

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

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

"Bonds" means the \$_____ Florida Municipal Loan Council Revenue Bonds, Series 2005D.

"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 September 1, 2005, by and between the Issuer and Wachovia Bank, National Association, as Trustee.

"Insurer" means MBIA Insurance Corporation.

"Issuer" means Florida Municipal Loan Council.

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

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

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

"Participating Underwriter" means Banc of America Securities LLC.

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

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

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

"SEC" means the Securities and Exchange Commission.

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

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

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

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

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

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

(b) The Dissemination Agent shall notify the Issuer of each Annual Report Date and of the Issuer's obligation hereunder not more than 60 and not less than 30 days prior to each Annual Report Date. The Issuer shall provide an Annual Report to the Dissemination Agent, together with an Annual Report Certificate, not later than each Annual Report Date, provided that, if the Annual Report does not include the Audited Financial Statements, the Issuer shall provide the Audited Financial Statements to the Dissemination Agent as soon as practicable after they shall have been approved by the Governing Body.

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

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

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

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

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

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

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

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

- (i) principal and interest payment deficiencies;
- (ii) non-payment related defaults;

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

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

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

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

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

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

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

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

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

SECTION 8. Amendments: Waivers. This Continuing Disclosure Agreement may be amended, and any provision hereof may be waived, by the parties hereto if, prior to the effective date of any such amendment or waiver, the Issuer delivers to the Dissemination Agent and the Trustee an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to one or more members of the Issuer), to the effect that this Continuing Disclosure Agreement (taking into account such amendment or waiver) complies with the Rule, as in effect on the date of the Offering of Bonds or after the execution and delivery of this Continuing Disclosure Agreement, taking into account any amendment or interpretation of the Rule by the SEC or any adjudication of the Rule by a final decision of a court of competent jurisdiction which may have occurred subsequent to the execution and delivery of this Continuing Disclosure Agreement. The Dissemination Agent shall notify the Repositories of any such amendment and shall provide the Repositories with a copy of any such amendment.

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

SECTION 10. Compensation of the Dissemination Agent. As compensation to the Dissemination Agent for its services pursuant to this Continuing Disclosure Agreement, the Issuer agrees to pay all fees and all expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs and other disbursements in the administration and performance

of its duties hereunder, and shall to the extent permitted by law indemnify and save the Dissemination Agent and its officers, directors, attorneys, agents and employees harmless from and against any costs, expenses, damages or other liabilities (including attorneys fees) which it (or they) may incur in the exercise of its (or their) powers and duties hereunder, except with respect to its (or their) willful misconduct or gross negligence.

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

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

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

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

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

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

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

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

FLORIDA MUNICIPAL LOAN COUNCIL,
as Issuer

By: _____
Its: Chairman

FLORIDA LEAGUE OF CITIES, INC.,
as Dissemination Agent

By: _____
Its: Executive Director

EXHIBIT A

Form of Annual Report Certificate

The undersigned duly appointed and acting _____ of Florida Municipal Loan Council, as Issuer under the Continuing Disclosure Agreement (hereinafter described) (the "Issuer"), hereby certifies on behalf of the Issuer pursuant to the Continuing Disclosure Agreement dated as of September 1, 2005 (the "Continuing Disclosure Agreement") executed and delivered by the Issuer and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

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

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

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

FLORIDA MUNICIPAL LOAN COUNCIL,
as Issuer

By: _____

Its: _____

Acknowledgment of Receipt:

as Dissemination Agent

By: _____

Its: _____

EXHIBIT B

Form of Section 5(a) Continuing Disclosure Certificate

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

The undersigned duly appointed and acting Chairman of Florida Municipal Loan Council (the "Issuer") hereby certifies on behalf of the Issuer pursuant to the Continuing Disclosure Agreement dated as of September 1, 2005 (the "Continuing Disclosure Agreement") executed and delivered by the Issuer and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Continuing Disclosure Agreement.
2. Purpose. The Issuer is delivering this Continuing Disclosure Certificate to the Dissemination Agent pursuant to Section 5(a) of the Continuing Disclosure Agreement.
3. Written Undertaking. On behalf of the Issuer, the Issuer hereby designates the Continuing Disclosure Agreement to be the written undertaking under paragraph (b)(5) of the Rule with respect to the \$ _____ Florida Municipal Loan Council Revenue Bonds, Series 2005D.
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 September, 2005.

FLORIDA MUNICIPAL LOAN COUNCIL,
as Issuer

By: _____
Its: Chairman

Acknowledgment of Receipt:

FLORIDA LEAGUE OF CITIES, INC.,
as Dissemination Agent

By: _____
Its: Executive Director

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX C

FORM OF INDENTURE

TRUST INDENTURE

THIS TRUST INDENTURE is made and entered into as of September 1, 2005, by and between FLORIDA MUNICIPAL LOAN COUNCIL, a legal entity and public body corporate and politic duly created and existing under the Constitution and laws of the State of Florida (the "Council"), and WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association, duly organized, existing and authorized to accept and execute trusts of the character herein set out, as Trustee (the "Trustee").

W I T N E S S E T H:

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 2005D 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 2005D issued hereunder.

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

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

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

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

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

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

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

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

“Council” means the Florida Municipal Loan Council.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Interest Payment Date” means April 1 and October 1 of each year, beginning April 1, 2006.

“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.

L. The Florida Municipal Investment Trust-a local government investment pool created under Section 163.01, Florida Statutes administered by the Florida League of Cities, Inc., which consists of U.S. Treasuries, federal agency securities, instrumentalities and high grade corporate securities.

M. The Local Government Surplus Funds Trust Fund created pursuant to Chapter 218, Part IV, Florida Statutes for which Florida State Board of Administration acts as custodian.

N. Any other investment in which proceeds of the Bonds may be invested under Florida law, provided that such investments are approved in writing by the Bond Insurer.

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

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

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

“Loan Repayment Date” means _____ 20, 2005 and thereafter each _____ 20th and _____ 20th or if such day is not a Business Day, the next preceding Business Day.

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

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

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

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

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

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

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

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

- (a) Bonds canceled after purchase in the open market or because of payment at maturity or redemption prior to maturity;
- (b) Bonds deemed paid under Article VIII hereof; and
- (c) Bonds in lieu of which other Bonds have been authenticated under Section 2.06, 2.07 or 2.09 hereof.

“Paying Agent” means the Trustee.

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

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

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

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

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

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

“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 2005D”. At any time after the execution of this Indenture, the Council may execute and the Trustee shall authenticate and, upon request of the Council, deliver the Bonds in the aggregate principal amount of _____ Thousand Dollars (\$ _____,000). 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 _____, 2005. They shall be numbered consecutively from R-1 upward. They shall be in the denomination of \$5,000 each, or integral multiples thereof. Each Bond shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated, unless authenticated on an Interest Payment Date, in which case it shall bear interest from such Interest Payment Date, or unless authenticated prior to the first payment date, in which case it shall bear interest from its date. The Bonds shall bear interest and shall mature at the rates, in the amounts and on the dates set forth below:

\$ _____ Serial Bonds

Maturity (_____ 1)	Amount	Interest Rate	Maturity (_____ 1)	Amount	Interest Rate
2006			2015		
2007			2018		
2008			2019		
2009			2020		
2010			2021		
2011			2022		
2012			2023		
2013			2024		
2014			2025		

\$ _____ Term Bonds due _____ 1, 20____ %

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

K. The Council agrees not to use the Bond Insurer's name in any public document including, without limitation, a press release or presentation, announcement or forum without the Bond Insurer's prior consent; provided however, such prohibition on the use of the Bond Insurer's name shall not relate to the use of the Bond Insurer's standard approved form of disclosure in public documents issued in connection with the current Bonds to be issued in accordance with the terms of the MBIA Commitment; and provided further such prohibition shall not apply to the use of the Bond Insurer's name in order to comply with public notice, public meeting or public reporting requirements.

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

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

SECTION 2.05. Payments in Advance of Scheduled Maturity Dates by the Bond Insurer. In the event that the Bond Insurer shall make any payments of principal of and/or interest on any of the Bonds pursuant to the terms of the Bond Insurance Policy and the Bonds are accelerated or are redeemed pursuant to Section 3.02 hereof, the

Bond Insurer may at any time and at its sole option pay all or a portion of amounts due under the Bonds to the Bondholders prior to the stated maturity dates thereof.

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

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

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

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

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

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

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

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

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

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

ARTICLE III

REDEMPTION OF BONDS

SECTION 3.01. Optional Redemption of the Bonds.

The Bonds maturing on or before _____ 1, 20__ are not subject to optional redemption prior to their maturities. The Bonds maturing after _____ 1, 20__ are subject to redemption at the option of the Council on or after _____ 1, 20__, as a whole or in part at any time, in any manner determined by the Trustee in its discretion taking into consideration the maturity of the Loan being prepaid by a particular Borrower, at the redemption price, equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

SECTION 3.02. Mandatory Redemption of Bonds.

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

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

*Maturity

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

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

*Maturity

The Bonds that mature on _____ 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 _____ and on each _____ 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, (3) the Revenue Fund, (4) the Cost of Issuance Fund, (5) the Reserve Fund and (6) the Rebate Fund.

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

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

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

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

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

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

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

SECTION 4.06. Cost of Issuance Fund. Moneys in the Cost of Issuance Fund shall be used to pay costs of issuing the Bonds to the extent not paid from other sources, which costs may include, all printing expenses in connection with this Indenture, the Loan Agreements, the preliminary and final Official Statements for the Bonds and the Bonds; the underwriter's discount for the initial purchase of the Bonds; the initial Bond Insurance Policy and Surety Bond premiums; administrative expenses of the Council; and legal fees and expenses of counsel to the Council, bond counsel and counsel to the Bond Insurer and fees of the financial advisor to the Council; fees of the Program Administrator, any accounting expenses incurred in connection with determining that the Bonds are not arbitrage bonds, the Trustee's and the Paying Agent and Registrar's initial fees and expenses (including attorney's fees), upon the submission of requisitions by the Council signed by an officer of the Council stating the amount to be paid, to whom it is to be paid and the reason for such payment, and that the amount of such requisition is justly due and owing and has not been the subject of another requisition which was paid and is a proper expense of issuing such Bonds. Any monies remaining in the Cost of Issuance Fund on _____ 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 2005D Bonds in the sum of \$_____ shall be deposited with the Trustee as follows:

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

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

SECTION 4.08. Reserve Fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V

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 and M.

Investment Securities acquired as an investment of moneys in any Fund or Account shall be credited to such Fund or Account. For the purpose of determining the amount in any Fund or Account, all Investment Securities credited to any such Fund or Account shall be valued at market value on the date of determination; provided, however, that repurchase agreements shall be valued at the aggregate repurchase price of the securities remaining to be repurchased pursuant to such agreements and investment agreements shall be valued at the aggregate amount remaining invested therein (in each case exclusive of accrued interest after the first payment of

interest following purchase). With respect to all Funds and Accounts, valuation by the Program Administrator shall occur annually and immediately upon a withdrawal from the Reserve Fund.

All interest, profits and other income earned from investment (other than in Loans) of all moneys in any Fund or Account (except the Rebate Fund 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 presentation of Bonds for transfer, exchange or payment:

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

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

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

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

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

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

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

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

By: _____
Name: Raul Martinez
Title: Chairman

ATTEST:

FLORIDA LEAGUE OF CITIES, INC.,
Program Administrator

By: _____
Name: Michael Sittig
Title: Executive Director

WACHOVIA BANK, NATIONAL
ASSOCIATION, as Trustee

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

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX D

FORM OF COVENANT LOAN AGREEMENT

LOAN AGREEMENT

This Loan Agreement (the "Loan Agreement" or the "Agreement") dated as of September 1, 2005 and entered into between the FLORIDA MUNICIPAL LOAN COUNCIL (the "Council"), a separate legal entity and public body corporate and politic duly created and existing under the Constitution and laws of the State of Florida, and [BORROWER] (the "Borrower"), a duly constituted municipality under the laws of the State of Florida.

WITNESSETH:

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

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

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

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

WHEREAS, the Council has determined that the public interest will best be served and that the purposes of the Interlocal Act can be more advantageously obtained by the Council's issuance of revenue bonds in order to loan funds to the Borrowers to finance 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 September 1, 2005, between the Council and the Trustee (as defined herein) relating to the Bonds (as hereinafter defined), including any amendments and supplements thereto (the "Indenture"), will assist in the development and maintenance of the public welfare of the residents of the State and the areas served by the Borrower, and shall serve a public purpose by improving the health and living conditions, and providing adequate governmental services, facilities and programs and will promote the most efficient and economical development of such services, facilities and programs in the State; and

WHEREAS, neither the Council, the Borrower nor the State or any political subdivision thereof (other than each Borrower to the extent of their obligations under their respective Loan Agreements only), shall in any way be obligated to pay the principal of, premium, if any, or interest on those certain revenue bonds of the Council designated "Florida Municipal Loan Council Revenue Bonds, Series 2005D" (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 2005D 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 _____, 2005.

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

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

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

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

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

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

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

“Council” means the Florida Municipal Loan Council.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“Interest Payment Date” means April 1 and October 1 of each year, commencing April 1, 2006.

“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 _____, 2006, 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.

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

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

ARTICLE III

THE LOAN

SECTION 3.01. The Loan. The Council hereby agrees to loan to the Borrower and the Borrower hereby agrees to borrow from the Council the sum of \$ _____ (\$ _____ par amount of Bonds plus \$ _____ reoffering premium). This amount includes an amount equal to _____% which reflects the Borrower's share of the cost of the initial issuance of the Bonds subject to the terms and conditions contained in this Loan Agreement and in the Indenture. The amounts advanced net of the cost of the initial issuance are to be used by the Borrower for the purposes of financing or refinancing the cost of, or receiving reimbursement for the equity in, the Projects in accordance with the provisions of this Loan Agreement.

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

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, 2005, 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 of or premium or interest hereunder or for any claim based thereon or upon any representation, obligation, covenant or agreement in this Loan Agreement against any past, present or future official officer, member, counsel, employee, director or agent, as such, of the Council or the Borrower, either directly or through the Council or the Borrower, or respectively, any successor public or private corporation thereto under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, members, counsels, employees, directors or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Loan Agreement.

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

SECTION 9.11. No Pecuniary Liability of Council. No provision, covenant or agreement contained in this Loan Agreement, or any obligation herein imposed upon the Council, or the breach thereof, shall constitute an indebtedness or liability of the State or any political subdivision or municipal corporation of the State or any public corporation or governmental agency existing under the laws thereof other than the Council. In making the agreements, provisions and covenants set forth in this Loan Agreement, the Council has not obligated itself except with respect to the application of the revenues, income and all other property as derived herefrom, as hereinabove provided.

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

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

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

[Remainder of page intentionally left blank]

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

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

By: _____
Name: Raul Martinez
Title: Chairman

ATTEST:

By: _____
Name: Michael Sittig
Title: Executive Director

[BORROWER]

(SEAL)

By: _____
Name:
Title:

ATTESTED BY:

By: _____
Name:
Title:

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

By: _____
Name:
Title:

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

Dated Date of Delivery

Florida Municipal Loan Council
Tallahassee, Florida

\$ _____
FLORIDA MUNICIPAL LOAN COUNCIL
REVENUE BONDS, SERIES 2005D

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Florida Municipal Loan Council (the "Council") of its \$ _____ Florida Municipal Loan Council Revenue Bonds, Series 2005D (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 September 1, 2005, between the Council and Wachovia Bank, National Association, as Trustee (the "Indenture"). All capitalized terms used herein which are not otherwise defined herein shall have the meanings ascribed in the Indenture.

The proceeds of the Bonds will be loaned to the City of Alachua, Florida; City of Bartow, Florida; City of Dania Beach, Florida; City of Fort Walton Beach, Florida; City of West Melbourne, Florida; Village of Palmetto Bay, Florida; City of Parkland, Florida; City of Port Richey, Florida; City of Satellite 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.

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX F

SPECIMEN OF FINANCIAL GUARANTY INSURANCE POLICY

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

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

[PAR]
[LEGAL NAME OF ISSUE]

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

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

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

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

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

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

COUNTERSIGNED:

Resident Licensed Agent

City, State

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

STD-RCS-FL-7
01/05

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX G

Financial Information Regarding City of Bartow

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF BARTOW, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
For the Fiscal Years Ended September 30

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:			
Taxes	\$4,367,241	\$4,288,879	\$4,227,575
Licenses and permits	253,853	198,447	167,352
Intergovernmental revenue	1,493,617	1,555,561	904,663
Charges for services	1,317,845	1,200,534	1,375,662
Fines and forfeitures	209,106	188,440	175,848
Other	<u>219,527</u>	<u>469,286</u>	<u>386,196</u>
Total revenues	7,861,189	\$7,901,147	\$7,237,296
Expenditures:			
General government	3,340,695	3,336,868	3,004,713
Public safety	6,491,453	6,137,219	5,657,756
Physical environment	2,368,610	2,591,462	1,974,857
Economic environment	--	52,365	--
Transportation	--	--	--
Culture/recreation	4,849,063	4,981,244	4,401,156
Capital outlay	445,783	1,390,619	1,088,135
Debt service	<u>663,043</u>	<u>769,754</u>	<u>1,172,320</u>
Total expenditures	<u>18,158,647</u>	<u>19,259,531</u>	<u>17,298,937</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(10,297,458)</u>	<u>(11,358,384)</u>	<u>(10,061,641)</u>
Other Financing Sources (Uses):			
Proceeds from debt	720,837	713,828	1,798,604
Transfers in (out)	<u>8,845,633</u>	<u>10,646,088</u>	<u>8,965,333</u>
Total other financing sources	<u>9,566,470</u>	<u>11,359,916</u>	<u>10,763,937</u>
Net change in fund balance	(730,988)	1,532	--
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources	--	--	702,296
Fund Balance, as previously reported	2,688,823	--	--
Restatement (see Note 12)	249,563	--	--
Fund Balance, beginning of year	<u>--</u>	<u>2,687,291</u>	<u>1,984,995</u>
Fund Balance, restated	2,938,386	--	--
Fund Balance, end of year	<u>\$ 2,207,398</u>	<u>\$ 2,688,823</u>	<u>\$ 2,687,291</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK



INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Commissioners
City of Bartow, 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 **City of Bartow, Florida** as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **City of Bartow, Florida'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 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 Bartow, Florida** as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

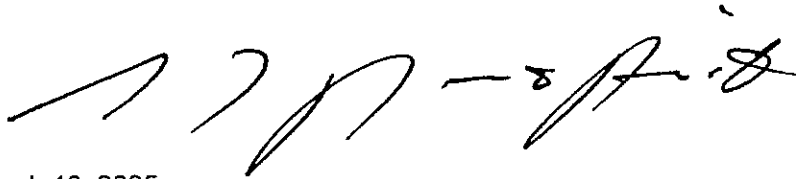
In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2005 on our consideration of **City of Bartow, Florida's** internal control structure over financial reporting and over tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

INDEPENDENT AUDITORS' REPORT

(cont...)

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **City of Bartow, Florida's** basic financial statements. The other supplementary information section, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read 'AJP - 2/18/05', is written over the date.

March 18, 2005

CITY OF BARTOW, FLORIDA
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
as of September 30, 2004

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Equity in pooled cash and cash equivalents	\$ 3,532,485	\$ 6,823,870	\$ 10,356,355
Receivables, current:			
Customer accounts, net	98,532	2,873,839	2,972,371
Intergovernmental	564,300	1,849,792	2,414,092
Franchise and service taxes	55,536		55,536
Insurance		197,093	197,093
Inventories	129,901	1,469,257	1,599,158
Prepaid expenses	437,991		437,991
Restricted assets:			
Equity in pooled cash and cash equivalents	638,708	3,313,265	3,951,973
Investments		2,005,956	2,005,956
Interfund note receivable		497,693	497,693
Capital assets:			
Non-depreciable	5,260,481	1,479,502	6,739,983
Depreciable, net	9,742,528	49,588,816	59,331,344
Unamortized bond issue costs		456,622	456,622
TOTAL ASSETS	20,460,462	70,555,705	91,016,167
LIABILITIES			
Accounts payable	452,182	2,016,804	2,468,986
Accrued wages	377,714	175,892	553,606
Construction costs payable, current		16,722	16,722
Due to other governments	170,026		170,026
Deferred revenue, non-current	255,935	122,890	378,825
Liabilities payable from restricted assets:			
Accrued interest payable		709,902	709,902
Customer deposits		1,232,718	1,232,718
Long-term obligations:			
Due within one year	1,008,845	1,053,423	2,062,268
Due in more than one year	3,976,202	28,954,264	32,930,466
TOTAL LIABILITIES	6,240,904	34,282,615	40,523,519
NET ASSETS			
Invested in capital assets, net of related debt	12,901,188	24,124,217	37,025,405
Restricted for:			
Municipal airport activities		1,450,860	1,450,860
Community redevelopment	623,895		623,895
Transportation	443,867		443,867
Water system improvements		390,832	390,832
Wastewater system improvements		493,704	493,704
Unrestricted	250,612	9,813,477	10,064,089
TOTAL NET ASSETS	\$ 14,219,562	\$ 36,273,090	\$ 50,492,652

See Accompanying Notes to Financial Statements

CITY OF BARTOW, FLORIDA
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
for the year ended September 30, 2004

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	\$ 2,724,604	\$ 57,941	\$ 12,800	\$	\$ (2,653,863)	\$	\$ (2,653,863)
Library	882,257	23,542	419,124		(439,591)		(439,591)
Mental health services	432,285		432,798		513		513
Purchasing	219,848				(219,848)		(219,848)
Law enforcement	5,184,455	196,278	232,646		(4,755,531)		(4,755,531)
Fire control	1,707,808	94,708	1,600	26,159	(1,585,341)		(1,585,341)
Building and zoning	272,214	237,535			(34,679)		(34,679)
Public works	2,072,566				(2,072,566)		(2,072,566)
Transportation	1,273,770	1,226,932			(46,838)		(46,838)
Parks and recreation	4,211,967	1,167,555		54,490	(2,989,922)		(2,989,922)
Community redevelopment	311,622	540,057	7,500		235,935		235,935
Interest on long-term debt	141,300				(141,300)		(141,300)
Total governmental activities	19,434,696	3,544,548	1,106,468	80,649	(14,703,031)		(14,703,031)
Business-type activities:							
Electric	20,128,689	25,849,964	1,333,761	(899,151)		6,155,885	6,155,885
Water	3,227,197	3,024,947	37,783	286,666		122,199	122,199
Wastewater	2,522,848	3,035,124	169,104	145,550		826,930	826,930
Sanitation	1,857,689	2,058,126	28,340			228,777	228,777
Information technology	71,418	185,776		899,151		1,013,509	1,013,509
Airport	2,761,976	2,729,977		880,252		848,253	848,253
Total business-type activities	30,569,817	36,883,914	1,568,988	1,312,468		9,195,553	9,195,553
TOTAL PRIMARY GOVERNMENT	\$ 50,004,513	\$ 40,428,462	\$ 2,675,456	\$ 1,393,117	(14,703,031)	9,195,553	(5,507,478)
GENERAL REVENUES:							
Taxes:							
Property taxes levied for general purposes					1,416,378		1,416,378
Public service taxes and franchise fees					2,056,166		2,056,166
State shared revenue					1,207,112		1,207,112
Investment earnings					64,166	208,039	272,205
Insurance proceeds						197,093	197,093
Miscellaneous					192,492	26,995	219,487
Transfers					8,845,633	(8,845,633)	
Total general revenues, special items, and transfers					13,781,947	(8,413,506)	5,368,441
Change in net assets					(921,084)	782,047	(139,037)
NET ASSETS - as previously reported					14,973,724	35,491,043	50,464,767
Restatement (see Note 12)					166,922		166,922
NET ASSETS - restated					15,140,646	35,491,043	50,631,689
NET ASSETS - end of year					\$ 14,219,562	\$ 36,273,090	\$ 50,492,652

See Accompanying Notes to Financial Statements

CITY OF BARTOW, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
as of September 30, 2004

	<u>General Fund</u>	<u>Transportation Fund</u>	<u>Community Redevelopment Authority</u>	<u>Total</u>
ASSETS				
Equity in pooled cash and cash equivalents	\$ 3,105,620	\$ 365,639	\$ 699,934	\$ 4,171,193
Receivables, net				
Customer accounts, net	98,532			98,532
Intergovernmental	466,947	97,354		564,301
Franchise and public service taxes	55,536			55,536
Inventory	129,901			129,901
Prepaid expenses	9,249			9,249
TOTAL ASSETS	<u>\$ 3,865,785</u>	<u>\$ 462,993</u>	<u>\$ 699,934</u>	<u>\$ 5,028,712</u>
LIABILITIES AND FUND EQUITY				
Accounts payable	\$ 361,657	\$ 16,533	\$ 73,993	\$ 452,183
Accrued payroll	373,076	2,593	2,046	377,715
Due to other governments	170,026			170,026
Deferred revenues	255,935			255,935
Advances from other funds	497,693			497,693
TOTAL LIABILITIES	<u>1,658,387</u>	<u>19,126</u>	<u>76,039</u>	<u>1,753,552</u>
Fund balance:				
Reserved for inventory	129,901			129,901
Reserved for prepaid expenses	9,249			9,249
Unreserved	2,068,248	443,867	623,895	3,136,010
TOTAL FUND BALANCE	<u>2,207,398</u>	<u>443,867</u>	<u>623,895</u>	<u>3,275,160</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,865,785</u>	<u>\$ 462,993</u>	<u>\$ 699,934</u>	<u>\$ 5,028,712</u>

See Accompanying Notes to Financial Statements

CITY OF BARTOW, FLORIDA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS -
GOVERNMENTAL FUNDS
as of September 30, 2004

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 3,275,160

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. 15,003,008

Prepaid contributions above the employer's annual pension cost are not current financial resources and therefore are not reported in the governmental funds.

Amount related to the general employee pension plan 333,083

Amount related to the police officers' pension plan 95,662

Long-term liabilities (including estimated workers' compensation claims, compensated absences, and excluding the inter-fund note payable to the Electric fund which is a liability at the fund level) are not due and payable in the current period and therefore they are not reported in the governmental funds.

(4,487,351)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 14,219,562

See Accompanying Notes to Financial Statements

CITY OF BARTOW, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
for the year ended September 30, 2004

	General Fund	Transportation Fund	Community Redevelopment Authority	Total
REVENUES:				
Taxes	\$ 4,367,241	\$ 968,285	\$ 540,057	\$ 5,875,583
Licenses and permits	253,853			253,853
Intergovernmental revenue	1,493,617	175,866		1,669,483
Charges for services	1,317,845	82,781		1,400,626
Fines and forfeitures	209,106			209,106
Other	219,527		9,344	228,871
Total revenues	<u>7,861,189</u>	<u>1,226,932</u>	<u>549,401</u>	<u>9,637,522</u>
EXPENDITURES:				
General government	3,340,695			3,340,695
Public safety	6,491,453			6,491,453
Physical and economic environment	2,368,610		64,830	2,433,440
Transportation		933,020		933,020
Culture/recreation	4,849,063			4,849,063
Capital outlay	445,783	76,634	301,147	823,564
Debt service	663,043			663,043
Total expenditures	<u>18,158,647</u>	<u>1,009,654</u>	<u>365,977</u>	<u>19,534,278</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(10,297,458)</u>	<u>217,278</u>	<u>183,424</u>	<u>(9,896,756)</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from debt	720,837			720,837
Transfers in (out)	8,845,633			8,845,633
Total other financing sources	<u>9,566,470</u>			<u>9,566,470</u>
NET CHANGE IN FUND BALANCE	<u>(730,988)</u>	<u>217,278</u>	<u>183,424</u>	<u>(330,286)</u>
FUND BALANCE, as previously reported	2,688,823	198,237	440,471	3,327,531
Restatement (see Note 12)	249,563	28,352		277,915
FUND BALANCE, re stated	<u>2,938,386</u>	<u>226,589</u>	<u>440,471</u>	<u>3,605,446</u>
FUND BALANCE, end of year	<u>\$ 2,207,398</u>	<u>\$ 443,867</u>	<u>\$ 623,895</u>	<u>\$ 3,275,160</u>

See Accompanying Notes to Financial Statements

CITY OF BARTOW, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
for the year ended September 30, 2004

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (330,286)**

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

Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period. 795,314

Net pension obligations are reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, prepaid pension expense is not reported as expenditures in governmental funds.

This amount represents the portion of the general employee plan (45,666)
This amount represents the portion of the police officers' plan (4,227)

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in governmental funds. (1,150,160)

Losses on dispositions of capital assets are reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, capital asset disposition losses are not reported as expenditures in governmental funds. (8,898)

Long-term compensated absences are reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, compensated absences are not reported as expenditures in governmental funds. (56,256)

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

This amount represents bond proceeds. (681,481)
This amount represents long-term debt repayments, excluding inter-fund debt 560,576

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ (921,084)**

See Accompanying Notes to Financial Statements

CITY OF BARTOW, FLORIDA
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
as of September 30, 2004

	Business Type Activities - Enterprise Funds						Total
	Electric Fund	Water Fund	Wastewater Fund	Airport Fund	Non-Major Funds		
ASSETS							
Current assets:							
Equity in pooled cash and cash equivalents	\$ 3,210,091	\$ 1,956,907	\$ 8,742	\$ 1,582,808	\$ 65,322	\$ 6,823,870	
Receivables, net							
Customers	2,036,015	412,863	244,583	70,949	109,429	2,873,839	
Intergovernmental	1,333,761	37,783	169,104	280,804	28,340	1,849,792	
Insurance		197,093				197,093	
Inventory	1,342,537	66,720	19,191	40,809		1,469,257	
Total current assets	<u>7,922,404</u>	<u>2,671,366</u>	<u>441,620</u>	<u>1,975,370</u>	<u>203,091</u>	<u>13,213,851</u>	
Noncurrent assets:							
Restricted assets:							
Equity in pooled cash and cash equivalents	1,029,419	1,118,377	1,165,469			3,313,265	
Investments		2,005,956				2,005,956	
Note receivable from General Fund	497,893					497,693	
Note receivable from Sanitation Fund	117,333					117,333	
Capital assets, net							
Non-depreciable	329,762	296,833	15,134	700,739	137,034	1,479,502	
Depreciable	10,856,978	17,433,539	12,181,907	7,819,071	1,297,321	49,588,816	
Unamortized bond issue costs		168,044	288,578			456,622	
Total noncurrent assets	<u>12,831,185</u>	<u>21,022,749</u>	<u>13,651,088</u>	<u>8,519,810</u>	<u>1,434,355</u>	<u>57,459,187</u>	
TOTAL ASSETS	<u>20,753,589</u>	<u>23,694,115</u>	<u>14,092,708</u>	<u>10,495,180</u>	<u>1,637,446</u>	<u>70,673,038</u>	
LIABILITIES							
Current liabilities:							
Accounts payable	1,771,096	61,163	76,327	39,623	68,595	2,016,804	
Accrued wages	107,967	20,198	24,742		22,985	175,892	
Construction costs payable				16,722		16,722	
Deferred revenues				122,890		122,890	
Bonds and notes payable, current portion	311,657	95,725	619,589		46,236	1,073,207	
Total current liabilities	<u>2,190,720</u>	<u>177,086</u>	<u>720,658</u>	<u>179,235</u>	<u>137,816</u>	<u>3,405,515</u>	
Noncurrent liabilities:							
Compensated absences	387,994	38,703	29,828	130,053	70,466	657,044	
Payable from restricted assets:							
Accrued interest payable		567,545	142,357			709,902	
Customer deposits	1,017,496			215,222		1,232,718	
Bonds and notes payable, noncurrent portion	353,309	21,858,101	6,057,290		126,069	28,394,769	
Total noncurrent liabilities	<u>1,758,799</u>	<u>22,464,349</u>	<u>6,229,475</u>	<u>345,275</u>	<u>196,535</u>	<u>30,994,433</u>	
TOTAL LIABILITIES	<u>3,949,519</u>	<u>22,641,435</u>	<u>6,950,133</u>	<u>524,510</u>	<u>334,351</u>	<u>34,399,948</u>	
NET ASSETS							
Invested in capital assets, net of related debt	10,521,774	(1,988,157)	5,808,740	8,519,810	1,262,050	24,124,217	
Restricted for:							
Municipal airport activities				1,450,860		1,450,860	
Utility system improvements		390,832	493,704			884,536	
Unrestricted	6,282,296	2,650,005	840,131		41,045	9,813,477	
TOTAL NET ASSETS	<u>\$ 16,804,070</u>	<u>\$ 1,052,680</u>	<u>\$ 7,142,575</u>	<u>\$ 9,970,670</u>	<u>\$ 1,303,095</u>	<u>\$ 36,273,090</u>	

See Accompanying Notes to Financial Statements

CITY OF BARTOW, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
for the year ended September 30, 2004

	Business Type Activities - Enterprise Funds					Total
	Electric Fund	Water Fund	Wastewater Fund	Airport Fund	Non-Major Funds	
OPERATING REVENUES:						
Charges for services	\$ 25,849,964	\$ 3,024,947	\$ 3,035,124	\$ 2,729,977	\$ 2,243,902	\$ 36,883,914
Disaster assistance	1,333,761	37,783	169,104		28,340	1,568,988
Total operating income	<u>27,183,725</u>	<u>3,062,730</u>	<u>3,204,228</u>	<u>2,729,977</u>	<u>2,272,242</u>	<u>38,452,902</u>
OPERATING EXPENSES:						
Personal services	2,963,663	570,243	624,747	814,436	803,023	5,776,112
Operating expenses	16,404,356	703,714	941,864	1,416,922	895,008	20,361,864
Depreciation	667,856	778,502	594,533	529,683	222,609	2,793,183
Total operating expenses	<u>20,035,875</u>	<u>2,052,459</u>	<u>2,161,144</u>	<u>2,761,041</u>	<u>1,920,640</u>	<u>28,931,159</u>
OPERATING INCOME	<u>7,147,850</u>	<u>1,010,271</u>	<u>1,043,084</u>	<u>(31,064)</u>	<u>351,602</u>	<u>9,521,743</u>
NONOPERATING REVENUE (EXPENSE):						
Interest revenue	89,739	108,031	4,580	5,553	136	208,039
Interest expense	(92,814)	(1,174,738)	(361,704)	(935)	(8,467)	(1,638,658)
Insurance proceeds		197,093				197,093
Other, net	2,884	9,760		10,406	3,945	26,995
Total nonoperating revenues (expenses)	<u>(191)</u>	<u>(859,854)</u>	<u>(357,124)</u>	<u>15,024</u>	<u>(4,386)</u>	<u>(1,206,531)</u>
Income (loss) before contributions and transfers	7,147,659	150,417	685,960	(16,040)	347,216	8,315,212
CAPITAL CONTRIBUTIONS						
Capital grants and contributions	(899,151)	138,608	73,165	880,252	899,151	1,092,025
Impact fees		148,058	72,385			220,443
Total capital contributions	<u>(899,151)</u>	<u>286,666</u>	<u>145,550</u>	<u>880,252</u>	<u>899,151</u>	<u>1,312,468</u>
TRANSFERS IN (OUT)	<u>(6,995,125)</u>	<u>(835,161)</u>	<u>(750,842)</u>		<u>(264,505)</u>	<u>(8,845,633)</u>
Change in net assets	(746,617)	(398,078)	80,668	864,212	981,862	782,047
TOTAL NET ASSETS - beginning of year	<u>17,550,687</u>	<u>1,450,758</u>	<u>7,061,907</u>	<u>9,106,458</u>	<u>321,233</u>	<u>35,491,043</u>
TOTAL NET ASSETS - end of year	<u>\$ 16,804,070</u>	<u>\$ 1,052,680</u>	<u>\$ 7,142,575</u>	<u>\$ 9,970,670</u>	<u>\$ 1,303,095</u>	<u>\$ 36,273,090</u>

See Accompanying Notes to Financial Statements

CITY OF BARTOW, FLORIDA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
as of September 30, 2004

	Business Type Activities - Enterprise Funds					Total
	Electric Fund	Water Fund	Wastewater Fund	Airport Fund	Non-Major Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers	\$ 26,909,280	\$ 2,933,131	\$ 3,140,162	\$ 2,797,305	\$ 2,335,335	\$ 38,115,213
Payments to suppliers	(16,328,769)	(696,281)	(862,713)	(1,424,196)	(854,433)	(20,166,392)
Payments for salaries and benefits	(2,916,202)	(576,716)	(630,029)	(801,722)	(792,211)	(5,716,880)
Net cash flows from operating activities	<u>7,664,309</u>	<u>1,660,134</u>	<u>1,647,420</u>	<u>571,387</u>	<u>688,691</u>	<u>12,231,941</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Increase (decrease) in customer deposits	100,803			15,880		116,683
Grant proceeds received		46,531				46,531
Transfers (to) from other funds	(6,995,125)	(835,161)	(750,842)		(264,505)	(8,845,633)
Net cash flows from noncapital financing activities	<u>(6,894,322)</u>	<u>(788,630)</u>	<u>(750,842)</u>	<u>15,880</u>	<u>(264,505)</u>	<u>(8,682,419)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets, net of related payables	(520,815)	(236,710)	(284,539)	(1,603,563)	(334,130)	(2,979,757)
Payment of bond issue costs		17,239				17,239
Principal paid on notes, bonds and lease obligations	(70,572)		(506,965)	(47,459)	(96,543)	(721,539)
Proceeds from notes, bonds and lease obligations	146,165		150,153			296,318
Loan from Electric Fund to Sanitation Fund	(117,333)				117,333	
Repayment on loan to General Fund	199,839					199,839
Interest paid on borrowings	(92,814)	(1,174,738)	(373,304)	(935)	(8,467)	(1,650,258)
Capital contributions received, net of receivables		240,135	145,550	781,559		1,167,244
Net cash flows from capital and related financing activities	<u>(455,530)</u>	<u>(1,154,074)</u>	<u>(869,105)</u>	<u>(870,398)</u>	<u>(321,807)</u>	<u>(3,670,914)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Other investing income / (loss)	2,884	206,853		10,406	3,945	224,088
Maturities of restricted investments		21,428				21,428
Interest on invested funds	89,739	108,031	4,580	5,553	136	208,039
Net cash flows from investing activities	<u>92,623</u>	<u>336,312</u>	<u>4,580</u>	<u>15,959</u>	<u>4,081</u>	<u>453,555</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	407,080	53,742	32,053	(267,172)	106,460	332,163
CASH AND CASH EQUIVALENTS, beginning of year	3,832,430	3,021,542	1,142,158	1,849,980	(41,138)	9,804,972
CASH AND CASH EQUIVALENTS, end of year	\$ 4,239,510	\$ 3,075,284	\$ 1,174,211	\$ 1,582,808	\$ 65,322	\$ 10,137,135
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income / (loss)	\$ 7,147,850	\$ 1,010,271	\$ 1,043,084	\$ (31,064)	\$ 351,602	\$ 9,521,743
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	667,856	778,502	594,533	529,683	222,609	2,793,183
(increase) decrease in inventory	(101,281)	(7,493)	(5,731)	(9,155)		(123,660)
(increase) decrease in accounts receivable	1,059,316	(55,286)	105,039	(28,798)	91,433	1,171,704
Noncash loss on disposal of fixed assets					9,284	9,284
Noncash hurricane recoveries	(1,333,761)	(37,783)	(169,104)		(28,340)	(1,568,988)
Increase (decrease) in accounts payable	141,660	5,927	29,297	1,881	31,291	210,056
Increase (decrease) in accrued wages	35,208	2,580	4,380		4,435	46,603
Amortized bond issue costs		9,000	55,584			64,584
Increase (decrease) in compensated absences	47,461	(9,053)	(9,662)	12,714	6,377	47,837
Increase (decrease) in deferred revenue and other		(36,531)		96,126		59,595
Net cash flows from operating activities	<u>\$ 7,664,309</u>	<u>\$ 1,660,134</u>	<u>\$ 1,647,420</u>	<u>\$ 571,387</u>	<u>\$ 688,691</u>	<u>\$ 12,231,941</u>
Noncash financing and investing activities -						
Transfer fixed assets, net from Electric to Information Technology fund	<u>\$ (899,151)</u>	<u>None</u>	<u>None</u>	<u>None</u>	<u>\$ 899,151</u>	<u>\$</u>

See Accompanying Notes to Financial Statements

CITY OF BARTOW, FLORIDA
STATEMENT OF NET ASSETS - FIDUCIARY FUNDS
as of September 30, 2004

	Pension Trust Funds
ASSETS	
Receivables:	
City	\$ 36,362
Plan members	6,562
Total receivables	<u>42,924</u>
Investments, at fair market value:	
Short-term treasury money market funds	297,289
Pooled fixed income bond funds	4,741,852
Common stocks	6,981,509
Pooled equity funds	1,241,963
American Balanced Fund	<u>5,373,872</u>
Total investments	<u>18,636,485</u>
Total assets	18,679,409
LIABILITIES	
Accrued expenses	<u>3,483</u>
Total liabilities	<u>3,483</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 18,675,926</u>

See Accompanying Notes to Financial Statements

CITY OF BARTOW, FLORIDA
STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS
for the year ended September 30, 2004

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
City	\$ 844,426
Plan members	208,645
State of Florida	186,691
Plan member purchase of prior service	2,850,700
Total contributions	<u>4,090,462</u>
Investment Income:	
Net realized and unrealized investment income	1,356,675
Commission refunds	924
Interest and dividends	121,447
Total investment income	<u>1,479,046</u>
Less investment expenses:	
Performance evaluation	16,860
Trustee fees	81,790
Total investment expenses	<u>98,650</u>
Net investment income (loss)	<u>1,380,396</u>
Total additions	<u>5,470,858</u>
DEDUCTIONS	
Administrative expenses:	
Legal	19,688
Actuarial	21,623
Audit	5,243
Travel	4,098
Office supplies	1,753
Plan administrator	6,644
Insurance	7,291
Total administrative expenses	<u>66,340</u>
Benefits	489,079
Refunds of contributions	10,849
Total deductions	<u>566,268</u>
NET INCREASE	4,904,590
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Balance, beginning of year	<u>13,771,336</u>
Balance, end of year	<u>\$ 18,675,926</u>

See Accompanying Notes to Financial Statements

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

The City implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* including the retroactive recording of infrastructure assets as of September 30, 2003.

A. REPORTING ENTITY

The **City of Bartow, Florida** (the "City") is a municipal corporation governed by a board of five (5) elected commissioners and was established by a special act of the Florida legislature, laws of the State of Florida Chapter 63-1109, House Bill No. 1953.

The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships). Certain of the component units, although legally separate, are presented in the financial statements as "blended" components. Blending refers to the fact that the component unit's funds and account groups are combined with those of the primary government for financial reporting purposes. These entities include: (1) the Municipal Firemen's Retirement Trust Fund established pursuant to Florida Statute chapter 175 and Ordinance No. 1805, (2) the Municipal Police Officers' Retirement Trust Fund established pursuant to Florida Statute chapter 185 and Ordinance No. 1806, (3) the General Employees' Pension Trust Fund established pursuant to Ordinance No. 2002-33, (4) the Bartow Community Redevelopment Authority (the "CRA") which was created by City Ordinance No. 1544 pursuant to Florida Statutes chapter 163, and (5) the Bartow Municipal Airport Development Authority (the "Airport") which was created pursuant to a special act of the Florida legislature, F.S. Ch. 63-1109 and 67-1097, to operate the City's airport and industrial park. All component units of the City, except the Bartow Community Redevelopment Authority, issue separately audited Component Unit Financial Statements (CUFS). Copies of the CUFS may be obtained from the City's Finance Department.

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

A. REPORTING ENTITY (cont...)

Related organizations are those legally separate entities for which the City is responsible for appointing the board members or Trustees and for which the City is not otherwise financially accountable. These organizations are not included in the primary government's financial statements as they are not considered to be part of the financial reporting entity. The only entities meeting these criteria are the Bartow Housing Authority (the "Housing Authority") and the Bartow Employees Internal Revenue Code (IRC) Section 457 deferred compensation plan. The Housing Authority is a Corporation established to provide affordable housing. The Bartow Employees I.R.C. 457 Deferred Compensation Trust Fund is a trust fund established solely for the benefit of the plan participants. All record keeping, administration and investing activities are handled by a third-party trustee.

B. BASIC FINANCIAL STATEMENTS

The basic financial statements consist of the government-wide financial statements and fund financial statements.

Government-Wide Financial Statements - The required government-wide financial statements are the Statement of Net Assets and the Statement of Activities, which report information on all of the nonfiduciary activities of the City. The effects of interfund activity have been removed from these statements. Fiduciary funds are also excluded from the government-wide financial statements since by definition these assets are being held for the benefit of a third party and cannot be used for the activities or obligations of the government. *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, including depreciation. The City does not allocate the interest expense of governmental fund debt or indirect costs such as finance, personnel, legal, etc. *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*.

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

B. BASIC FINANCIAL STATEMENTS (cont...)

Fund Financial Statements - The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Non-major funds by category are summarized into a single column. The various funds are reported by type within the financial statements. The following fund types and funds are used and reported by the City:

a) **Governmental Funds:**

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City;

- **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.
- **Transportation Fund** is a special revenue fund of the City. It is used to account for all transportation revenues and the related expenses incurred for street and road construction, maintenance and repair.
- **Bartow Community Redevelopment Authority** (the "CRA") was created by City Ordinance No. 1544 pursuant to Florida Statutes chapter 163. Due to its profile in the community, the City electively added the Bartow CRA as a major fund. The CRA has the power to levy taxes or appropriate funds to preserve and enhance the downtown Bartow area. The CRA receives the incremental ad valorem taxes generated in future years by the increase in property values in the redevelopment area. The CRA's property taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. The CRA's Board members consist of five citizens appointed by the City Commission.

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

B. BASIC FINANCIAL STATEMENTS (cont...)

b) **Proprietary Funds:**

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- **Electric Fund** is used to account for operations associated with providing electric service to its customers inside and outside the City. The Electric Fund is a distribution utility, with no significant power generation assets.
- **Water Fund** is used to account for the operations associated with potable water supply, treatment, transmission and distribution services to area residents.
- **Wastewater Fund** is used to account for the operations associated with sewer collection, treatment and disposal services to area residents.
- **Sanitation Fund** is used to account for the operations associated with solid waste collection and disposal services for the residents of the City. This is a nonmajor fund.
- **Information Technology** is used to account for the operations associated with fiber optic installation and broad band services to area residents. This is a nonmajor fund.
- **Airport Fund** is used to account for the operations associated with the costs and revenues of the Bartow Municipal Airport Authority.

c) **Fiduciary Funds:**

- Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds. The City's fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. Pension trust funds are the only fiduciary fund type of the City. The City has three *Pension Trust Funds* which accumulate resources to provide retirement benefits to City employees. The three pension trust funds are the Police Officers' Retirement Trust Fund, Firefighters' Retirement Trust Fund, and the General Employees' Pension Trust Fund.

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

C. MEASUREMENT FOCUS, AND BASIS OF ACCOUNTING

The government-wide financial statements, the proprietary fund financial statements and the fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses 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.

Operating revenues shown for proprietary operations generally result from producing or providing goods and services such as water and sewer. Operating expenses for these operations include all costs related to providing the service or product. These costs include billing and collection, personnel and purchased services, repairs and maintenance, depreciation, materials and supplies, and other expenses directly related to costs of services.

All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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 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 claims and judgments, are recorded only when payment is due.

Property taxes, public service and franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual as revenue of the current period. Grant revenues are considered earned and are accrued simultaneously with the grant expenditure. In applying the susceptibility-to-accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and substantially irrevocable; i.e. revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criteria. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

CASH AND CASH EQUIVALENTS - The City maintains a central pooled cash account that is used by all operating funds of the City. In addition, deposits and investments are separately held by certain enterprise funds and the pension trust funds. Interest income earned in the pooled cash and investments account is allocated to the individual funds based on their respective balances. Each fund's equity in pooled cash is recorded on its respective balance sheet in the caption "equity in pooled cash and cash equivalents." Amounts, if any, reported as deficits in pooled cash do not represent actual overdrawn balances in any bank account, but merely report a negative cash balance in the particular fund. The financial statement caption "equity in pooled cash and cash equivalents" includes all deposits with banks and financial institutions including certificates of deposit and all highly-liquid investments (with original maturities of three months or less), including repurchase agreements, short-term commercial paper and investments in the State Board of Administration investment pool.

INVESTMENTS - Debt securities owned are reported at cost plus accrued interest which approximates market. Investments in pooled accounts, such as the pension fund investments and the State Board of Administration are reported at fair value based on market prices provided by the money managers. Purchases and sales of investments are reflected on trade dates. Net realized gains or losses on sales of investments are based on the cost of investments applied on a first-in, first-out basis and are reflected in current operating results.

INTERFUND NOTE RECEIVABLE - Consists of notes receivable held by the Electric fund which bear interest at 4% and are secured by equipment purchased by the General and Sanitation funds. The General fund note calls for 42 equal payments of \$18,241 beginning September 30, 2003 with the final payment on February 28, 2007. The Sanitation fund note calls for 60 equal payments of \$2,161 beginning November 1, 2004, with the final payment on October 1, 2009.

CUSTOMER ACCOUNTS RECEIVABLE - The City accrues unbilled service of its enterprise funds. This represents the estimated value of service from the last billing date to year-end and totalled \$462,608 at September 30, 2004. A reserve for doubtful accounts is maintained in each fund equal to the value of the utility customer receivables that are not expected to be collected. As of September 30, 2004, such reserves for all funds totalled \$1,504,236. Receivables are reported in the financial statements net of the reserve for doubtful accounts.

INTERFUND RECEIVABLES AND PAYABLES - To the extent any interfund balances exist, management anticipates they will be settled in cash as opposed to a permanent transfer.

INVENTORIES - Inventories in governmental and enterprise funds consist of expendable supplies held for consumption and are recorded at the lower of cost or market computed on a average cost basis.

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (cont...)

CAPITAL ASSETS - In the government-wide financial statements, capital assets include land, buildings, improvements, utility plant, furniture and equipment, and infrastructure assets (e.g., roads, sidewalks, streets, and drainage systems) are defined by City resolution as tangible property or improvements having an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at date of gift, if donated. Assets meeting these criteria (over \$5,000) are capitalized while others are charged to expense.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Capital asset depreciation is recognized using the straight-line method over the estimated useful lives as follows:

	<u>Years</u>
Utility plant in service	30
Buildings and improvements	20-40
Infrastructure	20-80
Machinery and equipment	5-15

RESTRICTED ASSETS - Include cash, investments and other assets that are legally restricted to specific uses by external parties. The City generally uses restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

INTEREST DURING CONSTRUCTION - Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. No interest cost was capitalized for the year ended September 30, 2004.

CONNECTION FEES AND IMPACT FEES - Water and wastewater connection fees represent reimbursement of the costs incurred to perform the connection of the respective utilities, and are recorded as operating revenue when received. Impact fees, which are not considered connection fees since they substantially exceed the cost of connection, are recorded as capital contributions when received.

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (cont...)

LONG-TERM OBLIGATIONS - In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the bonds outstanding method. Bond issuance costs are reported as assets, net of amortization. Bond premiums and discounts are reported, net of amortization, in the related debt balances shown in the financial statements. Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements; rather the debt proceeds are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting for the proprietary fund is the same in the fund statements as it is in the government-wide statements.

COMPENSATED ABSENCES - The City's policies permit employees to accumulate vacation and sick time up to certain limits and to be compensated for these upon termination of employment. The liability for these compensated absences is recorded as long-term in the government-wide statements and in the proprietary fund financial statements because the maturities are not determinable. In the fund financial statements, the governmental funds do not report the compensated absence liability because it is generally not payable in the current period.

SELF-INSURED WORKERS' COMPENSATION - The City provides its employees with workers' compensation coverage for job-related claims expenses through a self-funded plan administered by a third-party administrator. The Plan carries specific stop-loss insurance against catastrophic losses exceeding \$500,000 per incident and for aggregate claims over a two-year period exceeding \$2 million.

The City records an estimated liability for reported workers' compensation claims based on loss reserves estimated by the third-party administrator and for loss reserves for claims incurred but not reported, based on actuarially determined estimates of the ultimate cost of such claims (including future claims adjustment expenses) provided by outside consulting actuaries. The liability for the estimated workers' compensation costs is recorded as long-term in the Governmental Activities column of the government-wide statements because the maturities are not determinable. In the fund financial statements, the governmental funds do not report the estimated workers' compensation liability because it is generally not payable in the current period.

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (cont...)

SELF-INSURED WORKERS' COMPENSATION (cont...)

The following represents the changes in aggregate workers' compensation liabilities for the year ended September 30, 2004.

Claims liability balance, October 1, 2003	\$ 894,661
Claims and changes in estimates	186,724
Claims payments	<u>(218,687)</u>
Claims liability balance, September 30, 2004	<u>\$ 862,698</u>
Assets available to pay claims at September 30, 2004	<u>\$ 574,368</u>

INTERFUND TRANSFERS - Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the Government-wide Statement of Activities, all interfund transfers among the funds comprising each activity (governmental and business-type) have been eliminated.

PENSION COSTS - The actuarially determined provision for pension costs is recorded on an accrual basis in the period for which the costs pertain, and the City's policy is to fund pension costs as they accrue.

EQUITY CLASSIFICATIONS -

Government-wide Statements - Equity is classified as net assets and displayed in three components:

- a) Invested in capital assets, net of related debt - Consists of capital assets net of accumulated depreciation and other assets financed by the related debt (e.g. bond issuance costs and restricted bond sinking and reserve accounts), reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY (cont...)

EQUITY CLASSIFICATIONS (cont...) -

- b) Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

- c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements - Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

NOTE 2 - PROPERTY TAX CALENDAR

Under Florida Law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The tax levy of the City is established by the City Commission prior to October 1 of each year and the Polk County Property Appraiser incorporates the millages into the total tax levy, which includes the municipalities, the County, independent districts and the County School Board tax requirements. State statutes permit cities to levy property taxes at a rate of up to 10 mills. The City's millage rate in effect for the fiscal year ended September 30, 2004 was 3.500.

All taxes are due and payable on November 1 (levy date) of each year and unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment as follows: 4% in of November, 3% in December, 2% in January, 1% in February. The taxes paid in March are without discount. Delinquent taxes on real and personal property bear interest of 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property.

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 3 - BUDGETARY LAW AND PRACTICE

The budget is adopted by Resolution on a City-wide basis for all City funds on or before October 1 of each year as required by State Statute. City Ordinance establishes the legal level of budgetary control at the city-wide level. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations within and among funds subject to notification of the City Commission. Budgets for all funds are adopted on the basis of cash receipts and disbursements which differs from the basis used for financial reporting purposes. These differences are usually not significant for the governmental funds, however they are for the enterprise fund as the budget includes capital outlay and debt principal repayments as expenses and does not include depreciation. All budget amounts presented in the accompanying supplementary information have been adjusted for legally authorized amendments.

NOTE 4 - DEPOSITS AND INVESTMENTS

DEPOSITS IN FINANCIAL INSTITUTIONS - Municipalities in Florida are required by State Statute Chapter 280 - "Security for Public Deposits Act", to deposit operating funds only with financial institutions who are members of the State of Florida collateral pool ("qualified public depositories"). The State of Florida collateral pool is a multiple financial institution collateral pool with the ability to make additional assessments to satisfy the claims of governmental entities if any member financial institution fails. This ability provides protection which is similar to depository insurance.

The captions on the government-wide statement of net assets for "equity in pooled cash and cash equivalents" and "investments", both restricted and unrestricted, are comprised of the following:

Equity in pooled cash and cash equivalents:	
Cash on hand	\$ 3,525
Deposits in financial institutions:	
Insured or fully collateralized bank deposits	13,186,117
Overnight repurchase agreement security	901,000
Uncategorized deposits:	
State Board of Administration Local Government	
Surplus Trust Funds Investment Pool	217,686
Total equity in pooled cash and cash equivalents	<u>\$ 14,308,328</u>
Investments:	
Commercial paper	<u>\$ 2,005,491</u>

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 4 - DEPOSITS AND INVESTMENTS (cont...)

INVESTMENTS - The types of investments in which the City may invest are governed by State Statutes and City policy. According to State Statutes, the City is authorized to invest in the following instruments: Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized through the Florida Interlocal Cooperation Act; S.E.C. registered money market funds with the highest credit quality rating from a nationally recognized rating company; interest-bearing time deposits and savings accounts in qualified public depositories; direct obligations of the U.S. Treasury and federal agencies and instrumentalities or repurchase agreements fully collateralized by such securities; and interest in an entity registered under the Investment Company Act of 1940 whose investments are limited to U.S. Governments. City policy states that maturities must not exceed two years and no more than 15% of the portfolio can be invested in any one security other than direct obligations of the U.S. Treasury. In addition, the City Commission may authorize by ordinance, certain other types of investments in connection with the issuance of debt. These would be one-time investments not otherwise permitted by the City policy. The City pension trust funds are also authorized by City Ordinances to invest in corporate stocks and bonds subject to certain limitations.

Investment securities included in the above caption for "equity in pooled cash and cash equivalents" consisted of overnight repurchase agreements and the State Board of Administration Pool. The repurchase agreement is exposed to custodial credit risk as it is uninsured and held by the bank but not in the City's name. The underlying security is a U.S. Government agency obligation and is not considered to have credit risk. The State Board of Administration Pool is not exposed to custodial credit risk because the investment is not evidenced by securities that exist in physical or book entry form. The investment is commercial paper which is a corporate obligation held by the counterparty in the City's name. The credit quality rating of the commercial paper and the State pool, representing a way of measuring the risk that the issuer will not fulfill its obligations, was A1+ and A1, respectively, as rated by Standards & Poor at September 30, 2004.

The City's pension trust funds are the only other funds of the City that held any investment securities during the year and at September 30, 2004. The treasury money market, pooled bond funds, pooled equity funds and American Balanced Fund investments were held in external investment pools and therefore, were not exposed to custodial credit risk or the interest rate risk. The common stock investments were held by the money manager in the Plan's name. No single issuer comprised 5% or greater of the Plans' investments and therefore, the plans are not subject to the concentrations of credit risk disclosures. The credit quality rating of fixed income investments represents a way of measuring the risk that an issuer of an investment will not fulfill its obligations. Investments in the bond funds and the treasury money market fund are SunTrust proprietary external investment pools and, as such, are generally not rated. However, the credit quality ratings of the securities in which the bond investment pool invests must be rated A, AA or AAA, the treasury money market fund is rated A1P1 and the American Balanced Fund is rated Bcc.

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2004, was as follows:

	Balance October 1, 2003	Restatements	Reclassification	Additions	Deletions	Balance September 30, 2004
Governmental Activities:						
Capital assets not being depreciated:						
Land	\$ 3,406,029	\$	\$	\$ 51,542	\$	\$ 3,457,571
Infrastructure land	1,588,213					1,588,213
Construction in progress		86,136	(152,555)	281,116		214,697
Total	<u>\$ 4,994,242</u>	<u>\$ 86,136</u>	<u>\$ (152,555)</u>	<u>\$ 332,658</u>	<u>\$</u>	<u>\$ 5,260,481</u>
Capital assets being depreciated:						
Buildings and improvements	\$ 5,893,177		\$ 152,555	\$ 6,098		\$ 6,051,830
Equipment	4,328,507			392,112	(397,683)	4,322,936
Infrastructure:						
Road network	17,437,136			64,446	(51,407)	17,450,175
Sidewalk network	2,104,343					2,104,343
Drainage network	3,579,437					3,579,437
Total	<u>33,342,600</u>		<u>152,555</u>	<u>462,656</u>	<u>(449,090)</u>	<u>33,508,721</u>
Total all capital assets	<u>38,336,842</u>	<u>86,136</u>		<u>795,314</u>	<u>(449,090)</u>	<u>38,769,202</u>
Less accumulated depreciation for:						
Buildings and improvements	(3,314,114)			(121,704)		(3,435,818)
Equipment	(2,028,328)			(707,301)	388,784	(2,346,845)
Infrastructure:						
Road network	(13,147,778)			(196,957)	51,407	(13,293,328)
Sidewalk network	(1,630,866)			(52,609)		(1,683,475)
Drainage network	(2,935,138)			(71,589)		(3,006,727)
Total accumulated depreciation	<u>(23,056,224)</u>			<u>(1,150,160)</u>	<u>440,191</u>	<u>(23,766,193)</u>
Depreciable capital assets, net	<u>\$ 10,286,376</u>	<u>\$</u>	<u>\$ 152,555</u>	<u>\$ (687,504)</u>	<u>\$ (8,899)</u>	<u>\$ 9,742,528</u>
Business-type activities:						
Capital assets not being depreciated:						
Land	\$ 1,027,191	\$	\$	\$	\$	\$ 1,027,191
Construction in process	2,384,009		(3,322,085)	1,390,387		452,311
Total	<u>\$ 3,411,200</u>	<u>\$</u>	<u>\$ (3,322,085)</u>	<u>\$ 1,390,387</u>	<u>\$</u>	<u>\$ 1,479,502</u>
Capital assets being depreciated:						
Buildings and improvements	\$ 75,121,187		\$ 2,924,701	\$ 930,449		\$ 78,976,337
Equipment	3,229,609		397,384	524,846	(228,027)	3,923,812
Capitalized lease equipment	360,099				(71,579)	288,520
Total	<u>78,710,895</u>		<u>3,322,085</u>	<u>1,455,295</u>	<u>(299,606)</u>	<u>83,188,669</u>
Total all capital assets	<u>82,122,095</u>			<u>2,845,682</u>	<u>(299,606)</u>	<u>84,668,171</u>
Less accumulated depreciation						
	(31,025,414)			(2,793,183)	218,744	(33,599,853)
Depreciable capital assets, net	<u>\$ 47,685,481</u>	<u>\$</u>	<u>\$ 3,322,085</u>	<u>\$ (1,337,888)</u>	<u>\$ (80,862)</u>	<u>\$ 49,588,816</u>

Governmental activities capital assets were restated to add construction in progress not previously recorded at a cost of \$86,136.

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 5 - CAPITAL ASSETS (cont...)

Depreciation expense was charged to the following functions and programs:

Governmental Activities:

General government	\$ 55,385
Library	56,252
Law enforcement	252,398
Fire control	140,080
Public works	177,196
Roads and streets	323,751
Parks and recreation	<u>145,098</u>
Total depreciation expense - governmental activities	<u>\$ 1,150,160</u>

Business-type Activities:

Electric	\$ 667,856
Water	778,502
Wastewater	594,533
Airport	529,683
Sanitation	167,066
Information Technology	<u>55,543</u>
Total depreciation expense - business-type activities	<u>\$ 2,793,183</u>

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2004:

	Balance October 1, 2003	Additions	Reductions	Balance September 30, 2004	Amounts Due within One Year
<u>Governmental Activities</u>					
Long-term debt:					
Communications Services Tax revenue bonds, Series 2002	\$ 1,014,149	\$	\$ (287,287)	\$ 726,862	\$ 271,863
Installment notes payable	739,145	681,481	(152,070)	1,268,556	227,727
Capitalized equipment leases payable	389,571		(82,763)	306,808	306,808
Note payable to Electric fund (See Note 7)	697,532		(199,839)	497,693	202,447
Total long-term debt	<u>2,840,397</u>	<u>681,481</u>	<u>(721,959)</u>	<u>2,799,919</u>	<u>1,008,845</u>
Other liabilities:					
Estimated workers compensation claims (See Note 1)	894,661		(31,963)	862,698	
Compensated absences:					
Vacation	627,373	28,844		656,217	
Sick	561,291	27,412		588,703	
Landfill post-closure costs	84,003		(6,493)	77,510	
Total other liabilities	<u>2,167,328</u>	<u>56,256</u>	<u>(38,456)</u>	<u>2,185,128</u>	
Total long-term obligations	<u>\$ 5,007,725</u>	<u>\$ 737,737</u>	<u>\$ (760,415)</u>	<u>4,985,047</u>	<u>\$ 1,008,845</u>
Less amount due in one year				(1,008,845)	
Total non-current obligations due in more than one year				<u>\$ 3,976,202</u>	
<u>Business-type Activities</u>					
Long-term debt:					
Revenue certificates:					
Water and Sewer, Series 1998	\$ 6,962,454	\$	\$ (506,964)	\$ 6,455,490	\$ 529,017
Water and Sewer, Series 1999	22,240,000			22,240,000	60,000
Communications Services Tax revenue bonds, Series 2002	495,372		(103,158)	392,214	134,222
Installment notes payable	111,418	296,318	(111,418)	296,318	41,664
Capitalized equipment leases payable	360,099		(71,579)	288,520	288,520
Less premiums (discounts), net	(339,168)		17,269	(321,899)	
Total long-term debt	<u>29,830,175</u>	<u>296,318</u>	<u>(775,850)</u>	<u>29,350,643</u>	<u>1,053,423</u>
Other liabilities:					
Compensated absences	609,207	47,837		657,044	
Total other liabilities	<u>609,207</u>	<u>47,837</u>		<u>657,044</u>	
Total long-term obligations	<u>\$ 30,439,382</u>	<u>\$ 344,155</u>	<u>\$ (775,850)</u>	<u>30,007,687</u>	<u>\$ 1,053,423</u>
Less amount due in one year				(1,053,423)	
Total non-current obligations due in more than one year				<u>\$ 28,954,264</u>	

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 6 - LONG-TERM OBLIGATIONS (cont...)

Notes to Long-Term Obligations Table

Governmental Activities:

- The \$2 million Series 2002 Communication Services Tax Revenue Notes are secured by the City's portion of the Communications Services Tax. Proceeds of this debt were used to fund projects in the general fund, electric fund, and sanitation fund and the debt has been split among the participating funds. The revenue notes bear interest at 3.91% and have a final maturity date of May 30, 2007.
- Installment notes payable - These notes payable bear interest between 3.03% and 6.85%. Interest and principal are payable monthly with final maturities ranging from February 15, 2005 through April 12, 2010. The notes are secured by various equipment.
- Note payable to Electric Fund - The note payable to the electric fund was issued on August 31, 2003, to fund fire, police and recreation equipment. Interest and principal are payable monthly. The note bears interest at 4% with a final maturity of June 16, 2013.
- Landfill Post-Closure Costs - The City owns a closed (non-operating) landfill for which it has environmental responsibilities. Generally, the City is required to monitor the environmental impact of the landfill site for a period of years following closure under the supervision of the Florida Department of Environmental Protection. The remaining costs of monitoring, \$77,510, were estimated by consulting engineers and are reported as a long-term liability of governmental activities in the government-wide financial statements. There are approximately eight years of monitoring remaining at a cost of approximately \$9,689 per year, which are being funded from current general fund resources as the costs are incurred.

Business-Type Activities:

- Water and Sewer Revenue Certificates - The water and sewer revenue certificates Series 1998 and 1999 are secured by the net revenues of the water and wastewater systems and all utility services taxes collected by the City. The 1998 bonds bear interest at 4.35% with a final maturity of April 1, 2014. The 1999 bonds have an effective interest rate of 5.1% and a final maturity date of October 1, 2030. The resolutions creating these bond issues require that funds be deposited into sinking funds monthly at amounts which will fully fund the next succeeding principal and interest payments when due. Additionally, there are requirements to maintain monies in reserves and renewal and replacement accounts at various specified amounts and to maintain minimum debt service coverage of 1.25% prior to issuing any additional bonds. As of September 30, 2004, the City was in compliance with all significant restrictions and limitations contained in the resolutions.

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 6 - LONG-TERM OBLIGATIONS (cont...)

Notes to Long-Term Obligations Table (cont...)

Business-Type Activities: (cont...)

- Installment notes payable - These notes payable bear interest between 2.51% and 3.34%. Interest and principal are payable monthly with final maturities ranging from September 16, 2007 to September 16, 2011. The notes are secured by equipment.

Maturities:

Annual requirements to repay all long-term debt as of September 30, 2004, were as follows:

Fiscal Year Ending	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 1,008,845	\$ 97,410	\$ 1,053,423	\$ 1,434,277
2006	740,359	65,729	806,054	1,396,118
2007	366,181	39,643	792,530	1,361,211
2008	79,238	31,323	705,787	1,329,073
2008	518,641	26,712	738,302	1,298,185
2010 - 2014	86,655	3,507	4,056,437	5,991,525
2015 - 2019			4,985,000	4,905,178
2020 - 2024			6,405,000	3,449,253
2025 - 2029			8,225,000	1,584,266
2030 - 2034			1,905,000	48,816
Less unamortized: bond discount			(321,890)	
Total	\$ 2,799,919	\$ 264,324	\$ 29,350,643	\$ 22,797,902

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 7 - INTERFUND TRANSACTIONS

Interfund receivables and payables for the year ending September 30, 2004, consisted of:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Electric Fund	General Fund	\$ 497,693
Electric Fund	Sanitation Fund	117,333
		<u>\$ 615,026</u>

The note receivables held by the electric fund are authorized loans to the general and sanitation funds. The general fund proceeds were used to pay outstanding debt on equipment purchased by the City. The sanitation fund proceeds were used to acquire equipment and will be eliminated in the business-type activities government-wide statements.

Interfund transfers for the year ending September 30, 2004, consisted of:

<u>Receiving Fund</u>	<u>Paying Fund</u>	<u>Amount</u>
General Fund	Electric Fund	\$ 6,995,125
General Fund	Water Fund	835,161
General Fund	Wastewater Fund	750,842
General Fund	Sanitation Fund	264,505
		<u>\$ 8,845,633</u>

The transfer from the electric, water, wastewater, and sanitation funds to the general fund are budgeted annual operating transfers to finance services accounted for in the general fund.

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 8 - PENSION TRUST FUNDS

The City maintained three single-employer, defined benefit pension plans, as described below.

- A. The Bartow Municipal Firefighters' Retirement Trust Fund and the Bartow Municipal Police Officers' Retirement Trust Fund are administrators of single-employer pension plans (the "Plans") established by City ordinance pursuant to authority contained in Florida Statutes Chapters 175 and 185 for the benefit of its municipal firefighters and police officers. The funding methods and determination of benefits payable are provided in the Florida Statutes and City ordinances. The statutes and ordinances provide, in general, that funds are to be accumulated from employee contributions, state appropriations and income from investments of accumulated funds. Actuarial liabilities are determined by consulting actuaries. Investments of the Plans are maintained in Trust with SunTrust as Trustee. These Plans are administered by separate boards of trustees. Both police officers and firefighters contribute 1% of their salary with the City contributing only such amounts as are necessary to fund any shortfall in contributions necessary to fully fund the actuarially required annual contribution for the Plans. Contributions are also provided by the State of Florida from a tax on insurance premiums. All benefits are 100% vested after ten years of credited service.

Benefits for firefighters are payable at normal retirement, the earlier of age 55 with 10 years service, age 52 with 25 years service, or the completion of 28 years service, regardless of age. Benefits for police officers are payable the earlier of age 55 with 10 years of service or completion of 25 years of service regardless of age. Benefits for both plans are equal to 3.15% of average compensation multiplied by the number of service years. Both plans provide for early retirement with reduced benefits at age 45 with 10 years service and provide disability, death and survivor benefit provisions.

- B. The Bartow General Employees' Pension Plan ("Plan") is a single-employer defined benefit, contributory pension plan administered by the City Manager and the Pension Trust Committee which consists of at least one City Commissioner and a minimum of two City employees appointed by the City Commission. The authority for the plan and benefits is established by City Ordinances. Participation in the Plan is mandatory for all full-time City employees who are not police officers or firefighters. Plan members contribute 2% of salary with the City contributing such amounts as are necessary to fully fund the actuarially required annual contribution. For the year ended September 30, 2004 the City's contribution rate was approximately 8.63% of annual covered payroll. Contributions are deposited with Circle Trust Company where they are invested in a mutual fund managed by a private investment manager. Benefits provided by the plan are paid from amounts on deposit with Circle Trust Company.

Employees are fully vested upon completion of 10 years service. Benefits are payable at normal retirement, the earlier of age 62 with 10 years service or 30 years of service, regardless of age, equal to 1.68% of average compensation multiplied by the number of service years. Early retirement is available with reduced benefits at 10 years of credited service, regardless of age. The Plan also has disability, death and survivor benefit provisions.

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 8 - PENSION TRUST FUNDS (cont...)

C. Participant Data - All Plans

	as of October 1, 2003		
	General Employees	Municipal Police	Municipal Firefighters
Retirees and beneficiaries			
currently receiving benefits	1	11	5
Terminated vested employees		2	2
Active Employees:			
Vested		15	7
Nonvested	245	36	14
Totals	246	64	28

D. Annual Pension Cost - All Plans

The annual pension cost and the dollar amount actually contributed by the employer for each of these plans for the three years ended September 30, 2004, is summarized below:

Year Ended September 30	Actual Employer Contribution	Employer Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
General Employees:				
2004	\$ 559,985	\$ 679,198	82%	\$ 45,667
2003	\$ 1,026,549	\$ 647,799	158%	\$ (378,750)
Net pension obligation (asset) as of September 30, 2004				\$ (333,083)
Municipal Police Officers:				
2004	\$ 149,579	\$ 153,806	97%	\$ 4,227
2003	\$ 144,390	\$ 145,499	99%	\$ 1,109
2002	\$ 225,988	\$ 124,990	181%	\$ (100,998)
Net pension obligation (asset) as of September 30, 2004				\$ (95,662)
Municipal Firefighters:				
2004	\$ 128,106	\$ 128,106	100%	\$ 0
2003	\$ 116,318	\$ 116,245	100%	\$ (73)
2002	\$ 79,361	\$ 86,034	92%	\$ 6,673
Net pension obligation (asset) as of September 30, 2004				\$ 6,600

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 8 - PENSION TRUST FUNDS (cont...)

E. Actuarial Assumptions - All Plans

	<u>General Employees</u>	<u>Fire Pension</u>	<u>Police Pension</u>
Actuarial valuation date	October 1, 2003	October 1, 2003	October 1, 2003
Actuarial cost method	Aggregate Cost Method	Frozen entry age	Frozen entry age
Amortization method	none	Level percentage of pay	Level percentage of pay
Remaining amortization period	none	29 years	28 years
Asset valuation method	Market	4 year smooth	4 year smooth
Investment rate of return	8.0%	8.0%	8.0%
Project salary increases	5.0%	6.5%	6.5%
Inflation rate	3.5%	3.0%	3.0%

F. Schedule of Contributions and Funding Progress - All Plans

All three Plans issue a publicly available financial report that includes financial information and the required supplementary information consisting of the contributions and funding progress information. These reports may be obtained by contacting the City of Bartow, Finance Department, 450 North Wilson Avenue, Bartow, Florida, 33830.

NOTE 9 - OTHER EMPLOYEE BENEFITS PLANS

The City offers its employees a non-contributory deferred compensation plan created pursuant to Internal Revenue Code Section 457. The Plan, administered by Hartford Life Insurance Company, is available to all employees after completing one year of continuous service and permits them to defer a portion of their salary until future years. The assets are held in trust for each participant who is free to direct their investments to a variety of mutual fund offerings. Participation in the plan is optional. The Plan's assets are not considered part of the reporting entity and are not included in these financial statements. Employee contributions to the plan during the year totalled \$388,043 and the total fair value of all plan assets as of September 30, 2004, was \$5,270,674.

The City has a policy of paying the cost of post-employment Medicare supplement health insurance for its retiree's upon reaching age 65. The City expenses these costs as they are paid out. The City's cost for providing these benefits for 25 participants for the year ended September 30, 2004 was \$109,084.

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 10 - RISK MANAGEMENT

INSURANCE - Commercial insurance protection with normal deductibles is in place to limit the City's exposure from losses arising from liability and property damages for which there has been no significant reduction in coverages, nor have settlement amounts exceeded the City's coverages during the year ended September 30, 2004. All of the City's insurance is from commercial carriers and there is no self-insurance other than workers' compensation as more fully discussed in Note 1.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

UNEMPLOYMENT CLAIMS - The City reimburses the State directly for its unemployment claims rather than participate in the State insurance fund for this purpose. As a result, the cost for unemployment claims is deducted when paid. Such costs have been insignificant in the past and no provisions for potential claims have been made in the financial statements.

LITIGATION - The City is a party to various claims and assessments arising from its actions in the course of carrying out its public services. The City carries general liability coverage and management believes its coverage is sufficient to cover all significant losses arising from the unsuccessful outcome of any pending and/or threatened litigation.

HURRICANE LOSSES - During the last two months of the year ended September 30, 2004, the City experienced three hurricanes which damaged some of the City's property and equipment. The City incurred hurricane-related expenses, primarily for emergency services and cleanup of approximately \$261,000 in the governmental funds and \$1,809,000 in the enterprise funds. These costs are partially offset with federal and state emergency disaster assistance receivables of approximately \$211,000 in the governmental funds and \$1,569,000 in the enterprise funds.

CITY OF BARTOW, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 12 - RESTATEMENT OF PRIOR YEAR FUND BALANCE/NET ASSETS

The beginning fund balance/net assets amounts were restated for the following items:

	General Fund	Transportation Fund
Fund Balance, September 30, 2003, as previously reported	\$ 2,688,823	\$ 198,237
Restatements:		
Non-exchange revenues	52,434	28,352
Workers' compensation liability	894,661	
Loan payable to Electric fund	(697,532)	
Fund Balance, September 30, 2003, as restated	\$ 2,938,386	\$ 226,589
	Governmental Activities	
Net Assets, September 30, 2003, as previously reported	\$ 14,973,724	
Restatements:		
Non-exchange revenues	80,786	
Capital assets, see Note 5	86,136	
Net Assets, September 30, 2003, as restated	\$ 15,140,646	

- Non-exchange revenues were adjusted to be consistent with the requirements of GASB Statement No. 33.
- It was determined that the workers' compensation liability is not payable from current resources and should not be a fund level liability.
- It was determined that the loan payable to the Electric fund should be reported as a fund level liability.
- Governmental Activities - Certain capital assets were not reported capitalized in the prior year.

NOTE 13 - SUBSEQUENT EVENTS

On January 3, 2005, the City borrowed \$4.8 million from the Florida Municipal Loan Council to fund community redevelopment and water related capital projects. The loan is secured by non-ad valorem revenues and includes a covenant to budget annually sufficient resources to meet all debt service obligations.

APPENDIX H

Financial Information Regarding City of Dania Beach

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF DANIA BEACH, FLORIDA
Statement of Revenues, Expenditures and Changes In Fund Balances
General Fund
Fiscal Years Ended September 30

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:			
Ad valorem taxes	\$11,683,540	\$10,722,255	\$ 9,367,858
Special assessments	2,551,875	2,229,338	2,210,334
Franchise fees	1,790,644	1,657,949	963,710
Licenses and permits	1,566,512	1,505,675	1,131,573
Intergovernmental	2,722,628	3,339,800	3,923,824
Utility taxes	3,668,596	3,910,206	2,149,489
Charges for services	3,037,764	2,937,312	2,670,759
Fines and forfeitures	600,210	657,429	507,500
Interest	207,110	128,222	126,684
Miscellaneous	2,925,385	1,512,069	684,702
Government grants	<u>201,086</u>	<u>--</u>	<u>--</u>
Total revenues	<u>\$30,955,350</u>	<u>\$28,600,255</u>	<u>\$23,736,433</u>
Expenditures:			
Current:			
General government	\$ 5,777,890	\$ 5,265,217	\$ 5,320,511
Public safety	13,262,465	13,298,322	12,158,328
Highways and streets	1,055,376	1,407,046	1,966,264
Physical environment	2,092,772	1,571,169	1,490,329
Culture and recreation	1,930,557	1,634,197	1,589,205
Economic and physical development	--	40,426	52,759
Capital outlay	--	318,536	164,657
Debt service:			
Principal	519,242	582,806	442,624
Interest	<u>87,445</u>	<u>132,368</u>	<u>115,312</u>
Total expenditures	<u>\$24,725,747</u>	<u>\$24,250,087</u>	<u>\$23,299,989</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 6,229,603</u>	<u>\$ 4,350,168</u>	<u>\$ 436,444</u>
Other financing sources (uses):			
Operating transfers in	451,946	786,184	684,356
Operating transfers out	(1,406,373)	(930,059)	(639,755)
Debt proceeds	--	--	443,156
Capital leases	<u>57,390</u>	<u>123,476</u>	<u>--</u>
Total other financials sources (uses)	<u>(897,037)</u>	<u>(20,399)</u>	<u>487,757</u>
Excess of revenues over expenditures and other financing sources (uses)			924,201
Net change in fund balances	5,332,566	4,329,769	--
Fund balances, beginning	7,637,961	3,308,193	1,402,950
Prior period adjustments	<u>--</u>	<u>--</u>	<u>1,027,628</u>
Fund balances (deficiencies), beginning, restated	--	--	2,420,578
Residuals equity transfers in (out)	<u>--</u>	<u>--</u>	<u>(7,774)</u>
Fund balances (deficiencies), ending	<u>\$12,970,527</u>	<u>\$ 7,637,962</u>	<u>\$ 3,347,005</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor, City Commission and City Manager
City of Dania Beach, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dania Beach, Florida (the City), as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the Pension Trust Fund for Police Officers and Firefighters, which represents 67% and 61%, respectively, of the assets and revenues of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Trust Fund for the Police Officers and Firefighters, is based solely on the report of the other auditors. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, based on our audit and the report of the other auditors, 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 Dania Beach, Florida, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2005 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial



Rachlin Cohen & Holtz LLP

One Southeast Third Avenue ■ Tenth Floor ■ Miami, Florida 33131 ■ Phone 305.377.4228 ■ Fax 305.377.8331 ■ www.rachlin.com

An Independent Member of Baker Tilly International

Honorable Mayor, City Commission and City Manager
City of Dania Beach, Florida
Page Two

reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis and the required supplementary information on pages 3 through 16 and pages 49 through 53, respectively, are not a required part of the basic financial statements but are supplementary information required by the generally accepted accounting principles. 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying information identified in the table of contents as combining and nonmajor fund financial statements is presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards 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 also not a required part of the basic financial statements of the City. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information identified in the table of contents as the Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion thereon.

Rachlin Cohen & Holtz LLP

Fort Lauderdale, Florida
January 22, 2005

The logo for Cohen & Holtz, Accountants & Advisors. It features the company name in a stylized font with a graphic element of vertical bars of varying heights to the left. Below the name, the words "Accountants & Advisors" are written in a smaller, sans-serif font.

Cohen
& Holtz
Accountants • Advisors

CITY OF DANIA BEACH, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2004

	<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	\$ 276,647	\$ 720,844	\$ 997,491
Investments	12,669,821	2,225,289	14,895,110
Receivables:			
Franchise, utility, and other taxes	759,970	-	759,970
Customer/other, net	354,253	610,643	964,896
Interest	7,800	-	7,800
Due from other governmental agencies	1,907,052	36,410	1,943,462
Inventories	8,144	-	8,144
Prepays	46,457	26,848	73,305
Net pension asset	528,450	-	528,450
Restricted assets:			
Cash and cash equivalents	1,756,196	-	1,756,196
Investments	980,227	1,710,511	2,690,738
Capital assets not being depreciated	13,833,203	220,976	14,054,179
Capital assets being depreciated, net	<u>20,410,073</u>	<u>16,059,920</u>	<u>36,469,993</u>
Total assets	<u>53,538,293</u>	<u>21,611,441</u>	<u>75,149,734</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	1,461,068	346,546	1,807,614
Customer deposits	51,494	469,096	520,590
Unearned revenue	474,963	-	474,963
Insurance claim reserves	140,000	-	140,000
Other liabilities	215,570	-	215,570
Noncurrent liabilities:			
Due within one year	1,118,720	49,525	1,168,245
Due in more than one year	<u>8,231,382</u>	<u>306,842</u>	<u>8,538,224</u>
Total liabilities	<u>11,693,197</u>	<u>1,172,009</u>	<u>12,865,206</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	26,038,571	16,089,239	42,127,810
Restricted for:			
Renewal and replacement	-	1,710,511	1,710,511
Comprehensive plan	1,190,921	175,000	1,365,921
Institutional investment trust	174,168	11,076	185,244
Social services	690,861	-	690,861
Debt service	212,501	-	212,501
Capital projects	777,516	-	777,516
Unrestricted	<u>12,760,558</u>	<u>2,453,606</u>	<u>15,214,164</u>
Total net assets	<u>\$ 41,845,096</u>	<u>\$ 20,439,432</u>	<u>\$ 62,284,528</u>

See notes to basic financial statements.

CITY OF DANIA BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2004

	<u>General</u>	<u>Special Revenue Grants Fund</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 11,683,540	\$ -	\$ -	\$ -	\$ 11,683,540
Special assessments	2,551,875	-	-	-	2,551,875
Franchise fees	1,790,644	-	-	-	1,790,644
Utility taxes	3,668,596	-	-	-	3,668,596
Licenses and permits	1,566,512	-	-	-	1,566,512
Intergovernmental	2,722,628	-	-	-	2,722,628
Charges for services	3,037,764	-	-	48,395	3,086,159
Fines and forfeitures	600,210	-	-	-	600,210
Interest	207,110	1,593	16,341	2,245	227,289
Grants	201,086	932,066	-	-	1,133,152
Contributions	-	-	-	63,670	63,670
Miscellaneous	2,925,385	59,772	-	10,017	2,995,174
Total revenues	<u>30,955,350</u>	<u>993,431</u>	<u>16,341</u>	<u>124,327</u>	<u>32,089,449</u>
Expenditures:					
Current:					
General government	5,777,890	15,870	-	-	5,793,760
Public safety	13,262,465	61,523	-	-	13,323,988
Highways and streets	1,055,376	-	116,509	-	1,171,885
Physical environment	2,092,772	45,366	-	-	2,138,138
Culture and recreation	1,930,557	233,634	-	101,820	2,266,011
Economic and physical development	-	-	-	10,536	10,536
Capital outlay	-	594,914	1,582,982	-	2,177,896
Debt service:					
Principal	519,242	-	424,687	75,000	1,018,929
Interest and fiscal charges	87,445	-	129,670	137,015	354,130
Total expenditures	<u>24,725,747</u>	<u>951,307</u>	<u>2,253,848</u>	<u>324,371</u>	<u>28,255,273</u>
Excess (deficiency) of revenues over expenditures	<u>6,229,603</u>	<u>42,124</u>	<u>(2,237,507)</u>	<u>(200,044)</u>	<u>3,834,176</u>
Other financing sources (uses):					
Transfers in	451,946	-	984,357	212,016	1,648,319
Transfers out	(1,406,373)	(42,161)	-	-	(1,448,534)
Debt issued	-	-	822,500	-	822,500
Capital leases	57,390	-	793,673	-	851,063
Total other financing sources (uses)	<u>(897,037)</u>	<u>(42,161)</u>	<u>2,600,530</u>	<u>212,016</u>	<u>1,873,348</u>
Net change in fund balances	5,332,566	(37)	363,023	11,972	5,707,524
Fund balances, beginning	7,637,961	7,202	1,941,379	1,058,472	10,645,014
Fund balances, ending	<u>\$ 12,970,527</u>	<u>\$ 7,165</u>	<u>\$ 2,304,402</u>	<u>\$ 1,070,444</u>	<u>\$ 16,352,538</u>

See notes to basic financial statements.

CITY OF DANIA BEACH, FLORIDA

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

FISCAL YEAR ENDED SEPTEMBER 30, 2004

Amounts reported for governmental activities in the statement of activities
(Page 18) are different because:

Net change in fund balances - total governmental funds (Page 20) \$ 5,707,524

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

The details of the difference are as follows:

Capital outlay	\$ 1,388,738	
Depreciation expense	<u>(1,818,334)</u>	
Net adjustment		(429,596)

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.

The detail of the differences are as follows:

Debt payments	1,017,391	
Issuance of debt	(822,500)	
Capital lease proceeds	<u>(851,063)</u>	
Net adjustment		(656,172)

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

The details of the difference is:

Net pension asset	213,496	
Compensated absences	<u>(146,859)</u>	
		<u>66,637</u>

Change in net assets of governmental activities (Page 18) \$ 4,688,393

See notes to basic financial statements.

CITY OF DANIA BEACH, FLORIDA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS SEPTEMBER 30, 2004

	<u>Business-type Activities -</u>			
	<u>Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	<u>Totals</u>
<u>ASSETS</u>				
Current assets:				
Cash and cash equivalents	\$ 208,851	\$ 457,659	\$ 54,334	\$ 720,844
Investments	1,535,909	689,380	-	2,225,289
Receivables, net	283,911	326,623	109	610,643
Due from other governmental agencies	13,800	8,286	14,324	36,410
Prepays and other assets	15,589	1,440	9,819	26,848
Total current assets	2,058,060	1,483,388	78,586	3,620,034
Noncurrent assets:				
Restricted investments	885,659	824,852	-	1,710,511
Capital assets not being depreciated	220,976	-	-	220,976
Capital assets being depreciated, net	5,082,682	3,974,867	7,002,371	16,059,920
Total noncurrent assets	6,189,317	4,799,719	7,002,371	17,991,407
Total assets	8,247,377	6,283,107	7,080,957	21,611,441
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable and accrued liabilities	128,665	186,010	31,871	346,546
Customer deposits	469,096	-	-	469,096
Current portion of capital lease obligation	7,868	7,270	9,740	24,878
Current portion of notes payable	5,422	5,422	13,803	24,647
Total current liabilities	611,051	198,702	55,414	865,167
Noncurrent liabilities:				
Compensated absences	95,555	33,690	35,465	164,710
Notes payable	14,354	14,350	113,428	142,132
Total noncurrent liabilities	109,909	48,040	148,893	306,842
Total liabilities	720,960	246,742	204,307	1,172,009
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	5,276,014	3,947,825	6,865,400	16,089,239
Restricted for:				
Institutional investment trust	7,409	3,667	-	11,076
Renewal and replacement	885,659	824,852	-	1,710,511
Comprehensive plan	-	175,000	-	175,000
Unrestricted	1,357,335	1,085,021	11,250	2,453,606
Total net assets	\$7,526,417	\$6,036,365	\$6,876,650	\$20,439,432

See notes to basic financial statements.

CITY OF DANIA BEACH, FLORIDA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2004

	<u>Business-type Activities -</u>			<u>Totals</u>
	<u>Water</u>	<u>Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	
Operating revenues:				
Charges for services	\$2,490,485	\$2,804,263	\$ 742,249	\$ 6,036,997
Other	<u>311,750</u>	<u>138,362</u>	<u>14,279</u>	<u>464,391</u>
Total operating revenues	<u>2,802,235</u>	<u>2,942,625</u>	<u>756,528</u>	<u>6,501,388</u>
 Operating expenses:				
Operation and maintenance	1,696,299	2,318,515	389,660	4,404,474
Depreciation	<u>399,554</u>	<u>189,503</u>	<u>133,147</u>	<u>722,204</u>
Total operating expenses	<u>2,095,853</u>	<u>2,508,018</u>	<u>522,807</u>	<u>5,126,678</u>
 Operating income	<u>706,382</u>	<u>434,607</u>	<u>233,721</u>	<u>1,374,710</u>
 Non-operating revenues (expenses):				
Intergovernmental	-	35,000	-	35,000
Interest income	25,694	19,710	524	45,928
Interest expense	<u>(2,995)</u>	<u>(1,823)</u>	<u>(6,660)</u>	<u>(11,478)</u>
Total non-operating revenues (expenses)	<u>22,699</u>	<u>52,887</u>	<u>(6,136)</u>	<u>34,450</u>
 Income before transfers	729,081	487,494	227,585	1,409,160
 Transfers in	105,000	105,000	-	210,000
Transfers out	<u>(224,373)</u>	<u>(185,413)</u>	<u>-</u>	<u>(409,786)</u>
 Changes in net assets	609,708	407,081	227,585	1,244,374
 Net assets, beginning	<u>6,916,709</u>	<u>5,629,284</u>	<u>6,649,065</u>	<u>19,195,058</u>
 Net assets, ending	<u>\$7,526,417</u>	<u>\$6,036,365</u>	<u>\$6,876,650</u>	<u>\$20,439,432</u>

See notes to basic financial statements.

CITY OF DANIA BEACH, FLORIDA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FISCAL YEAR ENDED SEPTEMBER 30, 2004

	<u>Business-type Activities -</u>			<u>Totals</u>
	<u>Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Stormwater</u>	
Cash flows from operating activities:				
Receipts from customers and users	\$ 2,727,282	\$ 2,776,322	\$ 742,250	\$ 6,245,854
Payments to employees	(819,762)	(350,786)	(236,719)	(1,407,267)
Payments to suppliers	(1,031,381)	(1,920,913)	(455,103)	(3,407,397)
Net cash provided by operating activities	<u>876,139</u>	<u>504,623</u>	<u>50,428</u>	<u>1,431,190</u>
Cash flows from non-capital financing activities:				
Transfers from other funds	105,000	105,000	-	210,000
Transfers to other funds	(224,373)	(185,413)	-	(409,786)
Net cash used in non-capital financing activities	<u>(119,373)</u>	<u>(80,413)</u>	<u>-</u>	<u>(199,786)</u>
Cash flows from capital and related financing activities:				
Purchases of capital assets	(200,135)	(65,977)	(172,537)	(438,649)
Principal paid on capital debt	(89,633)	(45,948)	(39,277)	(174,858)
Interest paid on capital debt	(2,995)	(1,823)	(6,660)	(11,478)
Net cash used in capital and related financing activities	<u>(292,763)</u>	<u>(113,748)</u>	<u>(218,474)</u>	<u>(624,985)</u>
Cash flows from investing activities:				
Purchase of investments	(775,694)	(240,872)	-	(1,016,566)
Interest received	25,694	19,710	524	45,928
Net cash provided (used) by investing activities	<u>(750,000)</u>	<u>(221,162)</u>	<u>524</u>	<u>(970,638)</u>
Net increase (decrease) in cash and cash equivalents	(285,997)	89,300	(167,522)	(364,219)
Cash and cash equivalents, beginning	494,848	368,359	221,856	1,085,063
Cash and cash equivalents, ending	<u>\$ 208,851</u>	<u>\$ 457,659</u>	<u>\$ 54,334</u>	<u>\$ 720,844</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 706,382	\$ 434,607	\$ 233,721	\$ 1,374,710
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	399,554	189,503	133,147	722,204
Intergovernmental revenue	-	35,000	-	35,000
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(216,703)	(108,912)	132	(325,483)
Prepaid items and other assets	(14,920)	(1,263)	(259)	(16,442)
Due from other governments	(13,800)	(8,286)	(14,325)	(36,411)
Increase (decrease) in:				
Accounts payable	24,625	(33,569)	(6,115)	(15,059)
Due to other funds	-	-	(295,442)	(295,442)
Customer deposits	(8,806)	-	-	(8,806)
Compensated absences	(193)	(2,457)	(431)	(3,081)
Total adjustments	<u>169,757</u>	<u>70,016</u>	<u>(183,293)</u>	<u>56,480</u>
Net cash provided by operating activities	<u>\$ 876,139</u>	<u>\$ 504,623</u>	<u>\$ 50,428</u>	<u>\$ 1,431,190</u>

See notes to basic financial statements.

CITY OF DANIA BEACH, FLORIDA

STATEMENT OF FIDUCIARY NET ASSETS PENSION TRUST FUNDS

SEPTEMBER 30, 2004

ASSETS

Cash	\$ 20,804
Investments, at fair value:	
Money market funds	1,126,134
Mutual funds	4,136,023
Common stocks	21,472,704
Corporate bonds	8,847,118
DROP plan participant investments	<u>144,878</u>
Total investments	<u>35,726,857</u>
Receivables:	
Employee	96,723
Employer	642,636
Due from broker	250,297
Accrued interest receivable	101,712
Other	<u>28,343</u>
Total receivables	<u>1,119,711</u>
Prepays	<u>11,292</u>
Total assets	<u>36,878,664</u>

LIABILITIES

Accounts payable	54,011
Due to broker	<u>430,016</u>
Total liabilities	<u>484,027</u>

NET ASSETS

Net assets held in trust for pension benefits	<u>\$36,394,637</u>
---	---------------------

See notes to basic financial statements.

CITY OF DANIA BEACH, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

ADDITIONS	
Contributions:	
Employees	\$ 1,300,547
City	931,029
State	<u>254,841</u>
Total contributions	<u>2,486,417</u>
Investment income:	
Net appreciation in fair value of investments	3,118,542
Interest and dividends	<u>54,176</u>
	3,172,718
Less investment expenses	<u>211,456</u>
Net investment income	<u>2,961,262</u>
Other income	<u>114,653</u>
Total additions	<u>5,562,332</u>
DEDUCTIONS	
Pension benefits	1,713,939
Refund of employee contributions	322,855
Administrative expenses	<u>224,228</u>
Total deductions	<u>2,261,022</u>
Change in net assets	3,301,310
Net assets - beginning	<u>33,093,327</u>
Net assets - ending	<u>\$ 36,394,637</u>

See notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF DANIA BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Dania Beach, Florida (the City) located in Broward County is a political subdivision of the State of Florida. The legislative branch of the City is composed of a five-member elected commission. The City Commission is governed by the City Charter and by state and local laws and regulations. The City Commission is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the commission-appointed City Manager. In addition to the general government function, the City provides its residents with public works, public safety (police and fire), parks and recreation, building, zoning and planning functions, and stormwater management.

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

CITY OF DANIA BEACH, FLORIDA

NOTES TO 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The City reports the following major governmental funds:

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

The *grants fund* accounts for the revenues and expenditures related to Federal, State, and Local grants received by the City.

The *capital projects fund* accounts for the resources accumulated for the completion of the five-year capital budget.

CITY OF DANIA BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The government reports the following major proprietary funds:

The *water and sewer funds* account for the provision of potable water to residents and the corresponding sewage disposal, which is supplied by the City of Hollywood, Florida. The City operates the water treatment facility, water distribution system, sewage drainage pipelines, and sewage pumping stations.

The *stormwater fund* accounts for the infrastructure and operations of stormwater transportation, which is funded through user charges.

Additionally, the City reports the following fund type:

The *internal service fund* accounts for the City's Self Insured Health Plan provided to other departments of the City on a cost reimbursement basis. This fund has been combined into the general fund.

The *pension trust funds* account for the activities of the General Employees Retirement System and the Police & Firefighter's Retirement System. These funds accumulate resources for pension benefit payments to qualified employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water, sewer, and stormwater enterprise funds are charges to customers for sales and services.

CITY OF DANIA BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The water and sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

Short-term investments, except the State Board Investment Pool, are reported at cost, which approximates fair value. The Investment Pool is recorded at its value of the pool shares (2A-7 Pool) which is fair value.

The nature of investments is governed by the provisions of Florida Statutes Section 218. Under this statute, authorized investments are limited, unless otherwise authorized by law or ordinance, to the Local Government Surplus Funds Trust Fund, money market funds, direct or unconditionally guaranteed obligations of the United States Government, obligations of certain governmental agencies, interest bearing time deposits or savings accounts.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes are levied as of January 1 on property values assessed as of the same date. Assessment and collections are made on behalf of the City by Broward County. Property values are assessed as of January 1 of each year, at which time taxes become an

CITY OF DANIA BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

2. Receivables and Payables (Continued)

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. All trade and property tax receivables are shown net of an allowance for uncollectibles. Accounts receivable allowances are based on historical trends.

Operating revenues in the water and sewer enterprise funds 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.

The City's contracted service provider processes receivables associated with Emergency Medical Services (EMS).

With the exception of EMS, the City deems receivable balances collectible and as such does not establish an allowance for doubtful accounts. An allowance account of approximately \$1,892,667 is established for EMS receivables based on historical collection rates.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain assets of the debt service fund have been classified as restricted because their use is completely restricted by a bond indenture agreement for the City's debt service requirements.

Certain gas tax and impact fee revenues of the City's water and sewer funds must be set aside for costs associated with improvements to the systems that will provide for increased capacity as well as the expansion of the system. In addition, revenues have been restricted for costs associated with sewer system studies. The assets associated with these revenues have been classified as restricted.

CITY OF DANIA BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets for property, plant and equipment as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. For infrastructure assets the City defines capital assets with an initial cost of more than \$10,000 and an estimated life in excess of five years. Purchased or constructed assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add value to the asset or materially extend its useful life are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Building and Improvements	10 – 40
Public domain infrastructure	
Water, Sewer and Stormwater System	5 – 50
Machinery and equipment	3 – 10

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. An employee may, on an annual basis, or upon termination, cash in a portion of these unused benefits. Vacation and sick pay benefits are accrued when incurred in the government-wide, and proprietary fund financial statements. In the governmental funds, a liability is recorded only for vacation and sick leave payouts for employee separations occurring within 60 days subsequent to the year-end.

7. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line amortization method. The results of using this method do not differ significantly from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

CITY OF DANIA BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

7. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund Equity

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

9. 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.

10. 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 of assets, liabilities, disclosures of contingent liabilities, revenues and expenditures/expenses reported in the financial statements and accompanying notes. These estimates include assessing the collectibility of receivables, the realization of pension obligations and the useful lives of capital assets. Although these estimates as well as all 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. DEPOSITS AND INVESTMENTS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity's name.

CITY OF DANIA BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

Investments

The City is authorized to invest in obligations of the U.S. Treasury, its agencies, instrumentalities and the Local Government Surplus Funds Trust Fund administered by the State Board of Administration. The investments follow the investment rules defined in Florida Statutes Chapter 215. The investment policy defined in the statutes attempts to promote, through state assistance, the maximization of net interest earnings on invested surplus funds of local units of governments while limiting the risk to which the funds are exposed. 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 City's investment balances, which are carried at fair value, are classified as credit risk category 1; insured or registered, or securities held by the entity or its agent in the entity's name.

	Category <u>1</u>	Carrying <u>Amount</u>
Bonds	\$ 8,847,118	\$ 8,847,118
Common stock	21,617,580	21,617,580
U.S. Government securities	<u>2,286,968</u>	<u>2,286,968</u>
	<u>\$32,751,666</u>	32,751,666
Investments not subject to categorization:		
Money market mutual funds		1,126,134
Mutual funds		14,790,925
State Board of Administration investment pool		<u>4,136,023</u>
		<u>\$52,804,748</u>

A reconciliation of cash and investments as shown on the statement of net assets and the statement of fiduciary net assets is as follows:

Deposits (including cash and certificates of deposit)	\$ 3,282,448
Investments	<u>52,804,748</u>
Total deposits and investments	<u>\$56,087,196</u>
Cash and cash equivalents, primary government	\$ 2,753,687
Investments, primary government	<u>17,585,848</u>
Total, primary government	20,339,535
Cash and cash equivalents, fiduciary funds	20,804
Investments, fiduciary funds	<u>35,726,857</u>
Grand total	<u>\$56,087,196</u>

CITY OF DANIA BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 3. RECEIVABLES

Receivables as of September 30, 2004 for the City's individual major funds in the aggregate including the allowances for uncollectible assets are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Storm- water</u>	<u>Total</u>
Customers billed	\$2,380,961	\$ 283,911	\$ 326,623	\$ -	\$ 2,991,495
Franchise fees	334,894	-	-	-	334,894
Interest	7,800	-	-	-	7,800
Utility taxes	175,079	-	-	-	175,079
Contributions	-	-	-	-	-
Other	<u>115,956</u>	<u>-</u>	<u>-</u>	<u>109</u>	<u>116,065</u>
Gross receivables	3,014,690	283,911	326,623	109	3,625,333
Less allowance for uncollectibles	<u>1,892,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,892,667</u>
Net total receivables	<u>\$1,122,023</u>	<u>\$ 283,911</u>	<u>\$ 326,623</u>	<u>\$ 109</u>	<u>\$ 1,732,666</u>

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2004 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due from/to other fund:		
General fund	Grants fund	<u>\$1,239,791</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Interfund transfers:

	<u>Transfers In</u>					<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor</u>	
Transfers out:						
General fund	\$ -	\$ 984,357	\$ 105,000	\$ 105,000	\$ 212,016	\$ 1,406,373
Grant	42,161	-	-	-	-	42,161
Water	224,373	-	-	-	-	224,373
Sewer	185,413	-	-	-	-	185,413
Total transfers out	<u>\$ 451,947</u>	<u>\$ 984,357</u>	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 212,016</u>	<u>\$ 1,858,320</u>

CITY OF DANIA BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 13,479,754	\$ -	\$ -	\$ 13,479,754
Construction in progress	<u>883,471</u>	<u>353,449</u>	<u>883,471</u>	<u>353,449</u>
Total capital assets, not being depreciated	<u>14,363,225</u>	<u>353,449</u>	<u>883,471</u>	<u>13,833,203</u>
Capital assets, being depreciated:				
Buildings	5,172,501	398,692	-	5,571,193
Furniture, fixtures and equipment	5,267,940	362,251	444,014	5,186,177
Infrastructure	<u>26,494,999</u>	<u>1,555,599</u>	<u>-</u>	<u>28,050,598</u>
Total capital assets, being depreciated	<u>36,935,440</u>	<u>2,316,542</u>	<u>444,014</u>	<u>38,807,968</u>
Less accumulated depreciation for:				
Buildings	1,754,187	139,006	-	1,893,193
Furniture, fixtures and equipment	3,616,187	392,890	384,266	3,624,811
Infrastructure	<u>11,593,463</u>	<u>1,286,428</u>	<u>-</u>	<u>12,879,891</u>
Total accumulated depreciation	<u>16,963,837</u>	<u>1,818,324</u>	<u>384,266</u>	<u>18,397,895</u>
Total capital assets, being depreciated, net	<u>19,971,603</u>	<u>498,218</u>	<u>59,748</u>	<u>20,410,073</u>
Governmental activities capital assets, net	<u>\$ 34,334,828</u>	<u>\$ 851,667</u>	<u>\$ 943,219</u>	<u>\$ 34,243,276</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	<u>\$ 220,976</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 220,976</u>
Total capital assets, not being depreciated	<u>220,976</u>	<u>-</u>	<u>-</u>	<u>220,976</u>
Capital assets, being depreciated:				
Buildings	973,867	-	-	973,867
Furniture, fixtures and equipment	630,725	287,935	-	918,660
Utility system	<u>27,209,384</u>	<u>152,000</u>	<u>1,286</u>	<u>27,360,098</u>
Total capital assets, being depreciated	<u>28,813,976</u>	<u>439,935</u>	<u>1,286</u>	<u>29,252,625</u>
Less accumulated depreciation for:				
Buildings	596,602	14,725	-	611,327
Furniture, fixtures and equipment	257,659	90,145	-	347,804
Utility system	<u>11,616,240</u>	<u>617,334</u>	<u>-</u>	<u>12,233,574</u>
Total accumulated depreciation	<u>12,470,501</u>	<u>722,204</u>	<u>-</u>	<u>13,192,705</u>
Total capital assets, being depreciated, net	<u>16,343,475</u>	<u>(282,269)</u>	<u>1,286</u>	<u>16,059,920</u>
Business-type activities capital assets, net	<u>\$ 16,564,451</u>	<u>\$ (282,269)</u>	<u>\$ 1,286</u>	<u>\$ 16,280,896</u>

CITY OF DANIA BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5. CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	\$ 205,381
Public safety	222,733
Highways and streets	1,282,360
Physical environment	35,348
Culture and recreation	<u>72,512</u>
Total depreciation expenses - governmental activities	<u>\$ 1,818,334</u>
Business-type activities:	
Water	\$ 399,554
Sewer	189,503
Stormwater	<u>133,147</u>
	<u>\$ 722,204</u>

NOTE 6. LONG-TERM DEBT

The following is a summary of changes in long-term liabilities of the City for governmental activities for the year ended September 30, 2004:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable:					
Sales taxes revenue bonds	\$2,835,000	\$ -	\$ 75,000	\$2,760,000	\$ 75,000
Notes payable	4,484,887	822,500	639,317	4,668,070	668,518
Capital leases	<u>228,646</u>	<u>851,063</u>	<u>303,074</u>	<u>776,635</u>	<u>221,317</u>
Total bonds, notes and leases payable	<u>7,548,533</u>	<u>1,673,563</u>	<u>1,017,391</u>	<u>8,204,705</u>	<u>964,835</u>
Other liabilities:					
Compensated absences	<u>998,538</u>	<u>247,860</u>	<u>101,001</u>	<u>1,145,397</u>	<u>153,885</u>
Total other liabilities	<u>998,538</u>	<u>247,860</u>	<u>101,001</u>	<u>1,145,397</u>	<u>153,885</u>
Governmental activities long-term liabilities	<u>\$ 8,547,071</u>	<u>\$ 1,921,423</u>	<u>\$ 1,118,392</u>	<u>\$ 9,350,102</u>	<u>\$ 1,118,720</u>

Bonds Payable

On February 24, 1994, the City issued \$3,255,000 of Sales Tax Revenue Bonds. The proceeds of the Series 1994 bonds were used to (i) make a deposit to an Interest Account to pay capitalized interest on the bonds, (ii) retire the Series 1992 Sales Tax Revenue Bonds totaling approximately \$741,714, (iii) make a deposit in the Construction Fund for the construction of a municipal fishing pier, (iv) make a deposit into a reserve account. The bonds are due in varying annual installments from the years 1994 through 2025. Annual bond interest rates vary from 3.2% to 5.0%. The bonds are limited obligations of the City payable solely from Sales Tax Revenues.

CITY OF DANIA BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

Annual service requirements of the Sales Tax Revenue Bonds, Series 1994 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2005	\$ 75,000	\$ 133,715	\$ 208,715
2006	80,000	130,340	210,340
2007	85,000	126,580	211,580
2008	90,000	122,500	212,500
2009	90,000	118,000	208,000
2010-2014	525,000	517,500	1,042,500
2015-2019	750,000	371,250	1,121,250
2020-2024	865,000	184,000	1,049,000
2025	<u>200,000</u>	<u>10,000</u>	<u>210,000</u>
	<u>\$ 2,760,000</u>	<u>\$ 1,713,885</u>	<u>\$ 4,473,885</u>

As of September 30, 2004, the City has complied with all of the provisions outlines within its Series 1994 Sales Tax Revenue Bond Indenture Agreement.

Notes Payable – Governmental Funds

In March 2002, the City issued a note payable for \$2,350,000 bearing interest at a rate of 4.33% for the construction of certain capital projects. The note, which is collateralized by franchise fees collected from FPL, is payable in monthly installments through December 2012. \$ 1,866,044

In March 2002, the City issued a note payable for \$650,000 bearing interest at a rate of 6.54% for the construction of the fishing pier restaurant. The note, which is collateralized by franchise fees collected from FPL, is payable in monthly installments through December 2012. 557,436

In February 1997, the City issued a note payable for \$337,275 bearing interest at a rate of 5.75% for the purchase of a fire truck. The note, which is collateralized by fire/EMS assessment revenues, is payable in 40 quarterly installments of \$11,153 through March 2007. 103,126

In March 1998, the City issued a note payable for \$220,000 bearing interest at a rate of 5.1% to purchase real property for the purpose of erecting Fire Station #93. The note, which is secured by non-ad valorem funds is payable in 60 quarterly installments of \$5,295 through March 2013. 144,954

In November 1998, the City issued a note payable for \$637,000 bearing interest at a rate of 4.95% for the renovation of Fire Station #1. The note, which is secured by non-ad valorem funds, is payable in 60 equal quarterly installments of \$15,176, commencing upon completion of the renovations, through September 2014. 468,287

CITY OF DANIA BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 6. LONG-TERM DEBT (Continued)

Notes Payable – Governmental Funds (Continued)

<p>In February 2001, the City issued a note payable for \$95,000 bearing interest at a rate of 5.10% for the purchase of City vehicles for the Public Works and Growth Management departments. The note, which is secured by non-advalorem funds is payable in 20 equal quarterly installments of \$5,240 through February 2008.</p>	31,088
<p>In July 2001, the City issued a note payable for \$700,000 bearing interest at a rate of 4.20% for the payment of an arbitration award and costs related thereto. The note, which is secured by utility taxes imposed on the purchase of electricity within the City, is payable at interest only for the first four quarterly payments and thereafter for 16 equal quarterly installments of \$43,750 through July 2006.</p>	350,000
<p>In February 2003, the City issued a note payable for \$386,904 bearing interest at a rate of 3.29% for the purchase of City vehicles, renovations to City's buildings and the purchase of a document imaging system. The note is secured by non-ad valorem funds. The trucks and the imaging system are payable in 10 installments of \$9,261 through April 2008, while renovations to City's buildings are payable in 20 installments of \$17,920 through April 2013.</p>	324,635
<p>In June 2004, the City entered into a loan agreement in the amount of \$822,500 for the financing of construction of the Frost Park Recreation Center improvements. The loan is payable in semi-annual payments of \$41,125 over 10 years beginning December 23, 2004 at an interest rate of 3.625% per annum. The loan matures on June 23, 2014.</p>	<u>822,500</u> <u>\$ 4,668,070</u>

Annual debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2005	\$ 668,518	\$ 211,588	\$ 880,106
2006	696,894	180,340	877,234
2007	519,718	152,242	671,960
2008	529,160	123,625	652,785
2009	498,633	99,086	597,719
2010-2014	<u>1,755,147</u>	<u>68,823</u>	<u>1,823,970</u>
	<u>\$ 4,668,070</u>	<u>\$ 835,704</u>	<u>\$ 5,503,774</u>

CITY OF DANIA BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6. LONG-TERM DEBT (Continued)

The following is a summary of changes in long-term liabilities of the City for business-type activities for the year ended September 30, 2004:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Business-type Activities					
Bonds and loan payable:					
Notes payable	\$ 238,423	\$ -	\$ 71,644	\$ 166,779	\$ 24,647
Capital leases	128,091		103,213	24,878	24,878
Compensated absences	<u>167,791</u>	<u>40,810</u>	<u>43,891</u>	<u>164,710</u>	<u>-</u>
Total	<u>534,305</u>	<u>40,810</u>	<u>218,748</u>	<u>356,367</u>	<u>49,525</u>
Business-type activities:					
Long-term liabilities	<u>\$ 534,305</u>	<u>\$ 40,810</u>	<u>\$ 218,748</u>	<u>\$ 356,367</u>	<u>\$ 49,525</u>

Notes Payable – Enterprise Funds

In February 2003, the City issued a note payable for \$55,000 bearing interest at a rate of 3.29% for the purchase of City vehicles. The note, which is secured by non-ad valorem funds, is payable in 10 equal installments of \$6,027 through April 2008.

\$ 39,546

During fiscal 2003, due to the implementation of GASB Statement No. 34, long-term debt that had been previously classified as a special revenue fund in the general long-term debt account group was moved to the Stormwater Enterprise Fund (and classified as an Enterprise Fund in that year). The \$150,000 balance in outstanding principal is a portion of the original \$2,350,000 issued in March 2002 for the construction of certain capital projects. The note, which is collateralized by Franchise Fees collected from FPL, is payable in monthly installments through December 2012.

127,233
\$ 166,779

Annual debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year ending September 30:			
2005	\$ 24,647	\$ 7,354	\$ 32,001
2006	28,593	6,070	34,663
2007	32,599	4,725	37,324
2008	29,444	3,314	32,758
2009	16,387	2,725	19,112
2010-2012	<u>35,109</u>	<u>379</u>	<u>35,488</u>
	<u>\$ 166,779</u>	<u>\$ 24,567</u>	<u>\$ 191,346</u>

CITY OF DANIA BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7. LEASES

1. Capital Leases

On December 13, 2001, the City entered into a Master Lease agreement, with a local financial institution, as lessee for financing the acquisition of City vehicles and equipment for the City Manager, Fire-Rescue Department, Public Utilities/Public Works Department, and Growth Management Department. In October 2002 and February 2003, the City entered into two Master Lease agreements for financing the acquisition of computers and software. On March 23, 2004, the City entered into a Master Lease agreement for financing the acquisition of computer equipment and software and a radio system for the Fire Department. Also, on March 31, 2004, the City entered into a Master Lease agreement for financing the acquisition of a new fire truck for the Fire Department. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present of these minimum lease payments as of September 30, 2004 were as follows:

	Governmental <u>Funds</u>	Enterprise <u>Funds</u>	<u>Total</u>
Fiscal year ending September 30:			
2005	\$ 231,982	\$ 25,057	\$ 257,039
2006	193,049	-	193,049
2007	189,351	-	189,351
2008	169,604	-	169,604
2009	<u>41,027</u>	<u>-</u>	<u>41,027</u>
Total minimum lease payments	825,013	25,057	850,070
Less interest portion	<u>48,378</u>	<u>179</u>	<u>48,557</u>
Present value of minimum lease payments	<u>\$ 776,635</u>	<u>\$ 24,878</u>	<u>\$ 801,513</u>

2. Operating Leases

The City leases parcels of real estate to private corporations. The leases, classified as operating leases, expire in years 2007, 2010 and 2046 and are subject to contingency rentals, which are calculated as a percentage of gross receipts. In addition, the City leases its Pier facilities on a month-to-month basis. Rental income is recorded as miscellaneous revenue in the General Fund.

CITY OF DANIA BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7. LEASES (Continued)

2. *Operating Leases* (Continued)

The following is a schedule by years of minimum future rental income of non-cancelable operating leases as of September 30, 2004:

Fiscal year ending September 30:	
2005	\$ 225,234
2006	196,557
2007	<u>195,515</u>
Total minimum future rentals	<u>\$ 617,306</u>

NOTE 8. COMMITMENTS AND CONTINGENCIES

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for all types of claims with nominal deductible amounts. Settled claims have not exceeded commercial coverage limitations in any of the past three fiscal years.

In November 1989, the City began providing certain health and dental insurance coverage to its employees through a self-insured health plan. The health plan provides an individual stop loss limit per year of \$50,000 (with the exception of one employee for a specific deductible of \$100,000), and an aggregate stop loss limit of approximately \$1,000,000. The City establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported, but not settled, and of claims that have been incurred, but not reported. The City maintains an Internal Service Fund to account for the activities of the health plan. An independent actuarial report issued annually provided the claims liability of \$308,977 at September 30, 2004.

Changes in claims payable of the fund during the past three fiscal years are as follows:

Fiscal Year <u>Ended</u>	Beginning of Year Claims <u>Payable</u>	Current Year Claims and Changes in <u>Estimated</u>	Claims <u>Payments</u>	End of Year Claims <u>Payable</u>
9/30/2002	\$ 80,024	\$ 1,268,835	\$1,227,859	\$ 121,000
9/30/2003	121,000	1,254,465	1,235,465	140,000
9/30/2004	140,000	1,435,265	1,435,265	140,000

CITY OF DANIA BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

Litigation

Various suits and claims arising in the ordinary course of operations are pending against the City. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of legal counsel, the City has sufficient insurance coverage to cover any claims and/or liabilities, which may arise from such action. The effect of such losses would not materially affect the financial position of the City or the results of its operations.

Interlocal Agreement with Broward County Sheriff's Office

A contract exists between the Broward County Sheriff's Office and the City, whereby the Broward County Sheriff's Office provides police officers to serve the City. These police officers are paid on the Broward County Sheriff's Office payroll. The City pays the Broward County Sheriff's Office for the police services based on the contract. The City paid the Broward County Sheriff's Office \$6,486,344 for the fiscal year ended September 30, 2004.

Interlocal Agreement with City of Hollywood

On August 28, 1990, the City entered into an Interlocal Agreement with the City of Hollywood (which replaced the prior agreement) for utilization of a common area-wide wastewater collection, treatment and disposal facility. The City of Hollywood is required to provide the City of Dania Beach an estimate of all costs at the beginning of each fiscal year. The annual estimate is the basis for monthly billings and is adjusted annually based upon actual flows and actual costs when known. Charges for services provided by the City of Hollywood include operation, maintenance and administrative costs, debt service charges, depreciation charges and renewal, replacement and improvement account contributions. For the fiscal year ended September 30, 2004, the City recognized expenses of \$1,638,245 under this agreement. The agreement will continue in existence until modified by mutual consent or termination by one of the parties after giving one year's notice. Should the City terminate the agreement, it would be required to pay all debt service charges which would otherwise have been chargeable to the City (based upon a weighted average for future years using projected flows) and a sum equal to the present value of 5 years of all other payments based on the annual payment in the year of termination. Management considers the termination of this agreement to be remote. In addition, future payments under this agreement cannot be estimated.

NOTE 9. RELATED PARTY TRANSACTIONS

The City has a towing service contract with the Broward Sheriff's Office ("BSO"). BSO uses various towing companies for these services. A member of the City commission owns one of the towing companies that have contracted with BSO to provide these services. During the year ended September 30, 2004 as a result of the contract with BSO, the towing company owned by the member of the City Commission has provided some towing services to the City. Since the contract for towing services is between the towing company and BSO, determination cannot be made by the City as to the level of services provided by the towing company within the City.

CITY OF DANIA BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS

(Continued)

NOTE 10. DEFINED BENEFIT PENSION PLANS

1. Plan Description

The City is the sponsor of two single-employer Public Employee Retirement Systems (PERS) defined benefit pension plans established to provide pension, disability, and death benefits for its employees and beneficiaries. The two plans are the General Employees' Pension Fund and the City of Dania Beach Retirement System for Police and Firefighters. The Police & Firefighters' Plan issues a publicly available financial report that includes financial statements and required supplementary information. The financial reports for the Police & Firefighters' Plan may be obtained by writing to the Board of Trustees c/o City of Dania Beach, 100 West Dania Beach Boulevard, Dania Beach, Florida 33004.

The City's covered payroll for employees covered by the General Employees Plan for the year ended September 30, 2004 was \$3,857,031.

Under the provisions of the General Employees Plan, all full time employees are eligible to participate. Pension benefits are vested after eight years of credited service. Members are eligible to retire at age 55 with eight (8) years credited service or at age 50 with 25 years of credited service at a benefit of two-and-a-half percent (for each year of credited service) of final average salary based on the highest three years salary during the last ten years of employment. The benefit multiplier is raised to 3% for those who retire after December 31, 1998. City Ordinance establishes these benefit provisions. Amendments to the Plan must be authorized by the City Commission.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Investments that do not have an established market price are presented at estimated fair values as provided by the custodial bank and investment counsel.

CITY OF DANIA BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10. DEFINED BENEFIT PENSION PLANS (Continued)

2. Summary of Significant Accounting Policies (Continued)

Plan Membership Information

At October 1, 2003, the date of the latest actuarial valuation, the Plans' membership consisted of:

	<u>General Employees</u>	<u>Police and Firefighters</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	41	39
DROP participants	7	14
	48	53
Current employees:		
Vested	29	19
Non-vested	62	22
Total	91	41

General Employees Pension Fund

The General Employees Pension Trust Fund does not issue separate stand-alone financial statements, therefore, included below is the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Net Assets as of and for the fiscal year ended September 30, 2004.

STATEMENT OF FIDUCIARY NET ASSETS

<u>ASSETS</u>	
Investments, at fair value	\$ 11,402,933
Contributions receivable:	
Employee	52,866
Employer	95,801
Accrued interest receivable	58
Total assets	11,551,658
<u>LIABILITIES</u>	
Accounts payable	16,344
<u>NET ASSETS</u>	
Net assets held in trust for pension benefits	\$ 11,535,314

CITY OF DANIA BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10. DEFINED BENEFIT PENSION PLANS (Continued)

2. Summary of Significant Accounting Policies (Continued)

General Employees Pension Fund (Continued)

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

ADDITIONS

Contributions:

Employees	\$ 686,023
City	<u>384,194</u>
Total contributions	<u>1,070,217</u>

Investment income:

Net appreciation in fair value of investments	1,015,692
Interest and dividends	<u>54,176</u>
	1,069,868
Less investment expense	<u>60,982</u>
Net investment income	<u>1,008,886</u>
Total additions	<u>2,079,103</u>

DEDUCTIONS

Benefits	584,920
Administrative expenses	<u>88,276</u>
	<u>673,196</u>
Changes in net assets	1,405,907
Net assets, held in trust for pension benefits - beginning	<u>10,129,407</u>
Net assets held in trust for pension benefits - ending	<u>\$11,535,314</u>

3. Funding Policy

City Ordinance establishes the contribution requirements of General Employees Plan members and the City. City employee members are required to contribute 19.74% of their annual covered salary of which 16.08% is contributed by the City on behalf of the employee. The City is required to contribute at an actuarially determined rate. City and employee contributions for fiscal year 2004 were \$384,194 and \$686,023, respectively.

CITY OF DANIA BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10. DEFINED BENEFIT PENSION PLANS (Continued)

4. Annual Pension Cost and Net Pension Asset

The City's annual pension cost and net pension asset to the General Employees Retirement System for the year ended September 30, 2004 was as follows:

Annual required contribution	\$ 383,205
Interest on net pension obligation	(31)
Adjustment to annual required contribution	<u>54</u>
Annual pension cost	383,228
Contributions made	<u>384,194</u>
Increase in net pension asset	(966)
Net pension asset, beginning of year	<u>(387)</u>
Net pension asset, end of year	<u>\$ (1,353)</u>

The annual required contribution for the current year was determined based on an October 1, 2003 actuarial valuation date using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the actuarial valuation include (i) a rate of return on the investment of present and future assets of 8% a year compounded annually, (ii) projected salary increases of 6.5% a year attributable to historical events, including inflation, merit, and seniority, (iii) normal retirement at age 50, and 25 years of credited service or age 55 and 8 years of credited service and (iv) no post retirement benefit increases. Both (i) and (ii) include an inflation component of 4%. 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 frozen entry age actuarial cost method, which was used to determine the funding is the same as the aggregate method when the unfunded liability is zero. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

Three Year Trend Information			
Fiscal Year <u>Ended</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Asset</u>
9/30/2002	\$ 4,985	99.5%	\$ (411)
9/30/2003	161,351	100.0%	(387)
9/30/2004	383,228	100.0%	(1,353)

CITY OF DANIA BEACH, FLORIDA

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10. DEFINED BENEFIT PENSION PLANS (Continued)

4. Annual Pension Cost and Net Pension Asset (Continued)

The City's annual pension cost and net pension asset to the Police & Firefighters' Plan for the year ended September 30, 2004 was as follows:

Annual required contribution*	\$ 517,498
Interest on net pension obligation	(26,771)
Less adjustment to annual required contribution	<u>35,910</u>
Annual pension cost	526,637
Contributions made	<u>738,780</u>
Increase in net pension obligation	(212,143)
Net pension asset, beginning of year	<u>(314,954)</u>
Net pension asset, end of year	<u>\$ (527,097)</u>

*Includes expected State contribution

The annual required contribution for the current year was determined as part of the October 1, 2003 actuarial valuation using the frozen entry age actuarial cost method. The actuarial assumptions included (i) 8.50% investment rate of return (net of investment related expenses) compounded annually and (ii) projected salary increases of 6% a year. Both (i) and (ii) included an inflation component of 4%. 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 dollar of project payroll on a closed basis. The remaining amortization period at October 1, 2003 was 27 years. Cost of living adjustments are determined based on actuarial gains.

Three Year Trend Information

Fiscal Year <u>Ended</u>	Annual Pension <u>Cost (APC)</u>	Actual <u>Contribution</u>	Percentage of APC <u>Contributed</u>	Net Pension Obligation <u>(Asset)</u>
9/30/2002	\$ 270,224	\$ 261,012	96.6%	\$ (282,291)
9/30/2003	267,825	300,488	112.2%	(314,954)
9/30/2004	526,637	738,780	140.3%	(527,097)

NOTE 11. PRIOR PERIOD ADJUSTMENT

The City recorded a prior period adjustment of \$314,954 in the government-wide financial statements in order to properly reflect the net pension asset to the City which was not previously recorded. This prior period adjustment affects the government-wide financial statements only.

STATISTICAL SECTION

CITY OF DANIA BEACH, FLORIDA
GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities							Business-type Activities			Total
	General Government	Public Safety	Highways and Streets	Physical Environment	Culture and Recreation	Economic and Physical Development	Interest on Long-Term Debt	Water	Sewer	Stormwater	
2003	\$6,666,921	\$13,481,340	\$1,943,018	\$ 1,933,693	\$1,689,946	\$ 88,424	\$ 480,498	\$1,916,536	\$2,488,674	\$ 533,327	\$31,222,377
2004	6,308,576	13,854,866	2,460,344	2,216,416	2,395,973	10,536	354,130	2,098,848	2,509,841	529,467	32,738,997

(1) Information for fiscal years ended 1995 - 2002 is unavailable in this format.

CITY OF DANIA BEACH, 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 (2)	Grants and Contributions not Restricted to Specific Programs	Unrestricted Investment Earnings	Miscellaneous	
2003	\$ 13,111,317	\$ 480,316	\$ 1,237,179	\$16,290,410	\$ 3,559,800	\$ 206,985	\$ 1,092,969	\$ 35,978,976
2004	14,210,049	638,222	594,915	17,142,780	2,757,628	273,217	3,054,953	38,671,764

(1) Information for fiscal years ended 1995 - 2002 is unavailable in this format.

(2) Includes property taxes, utility taxes, franchise fees and intergovernmental.

CITY OF DANIA BEACH, FLORIDA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

LAST TEN FISCAL YEARS

Fiscal <u>Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Highways and Streets</u>	<u>Physical Environment</u>	<u>Cultural and Recreation</u>	<u>Debt Service</u>	<u>Total</u>
1995	\$ 2,970,350	\$ 6,991,937	\$ 1,228,211	\$ 1,160,514	\$ 1,391,643	\$ 78,596	\$ 13,821,251
1996	3,008,433	7,999,283	1,416,604	1,198,650	1,177,742	441,203	15,241,915
1997	2,699,466	8,236,473	1,320,691	1,211,234	1,104,284	498,647	15,070,795
1998	3,222,693	8,611,479	1,508,139	1,174,748	1,265,059	518,416	16,300,534
1999	3,973,478	9,943,069	1,354,362	1,155,915	1,310,375	560,101	18,297,300
2000	4,299,754	10,417,685	1,496,630	1,281,694	1,563,107	610,773	19,669,643
2001	5,174,147	11,004,019	1,194,680	1,229,481	1,319,388	526,960	20,448,675
2002	6,177,655	12,158,328	1,966,264	1,490,329	1,589,205	557,963	23,939,744
2003	6,554,238	13,298,322	1,407,046	1,571,169	1,634,197	715,174	25,180,146
2004	5,777,890	13,262,465	1,055,376	2,092,772	1,930,557	606,687	24,725,747

Note: Includes general fund only (GAAP basis).

General government includes economic development, capital outlay and non-departmental expenditures.

- (1) Community Development Department was reclassified to General Government effective 2002.
- (2) As allowed under the State of Florida chart of accounts, capital outlays are shown on a functional activity basis.
- (3) A new debt service fund was established in fiscal year 1994 so principal and interest are no longer shown in the general fund.

CITY OF DANIA BEACH, FLORIDA
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Inter-Governmental</u>	<u>Utility Taxes</u>	<u>Charges for Services</u>	<u>Franchise Fees</u>	<u>Special Assessment</u>	<u>Licenses and Permits</u>	<u>Fines and Forfeitures</u>	<u>Miscellaneous</u>	<u>Total</u>
1995	\$ 4,530,589	\$ 1,614,248	\$ 2,119,972	\$ 2,602,594	\$ 1,023,912	\$ -	\$ 867,682	\$ 197,067	\$ 235,891	\$ 13,191,955
1996	4,768,631	1,474,538	2,231,622	3,737,118	1,078,284	-	983,170	216,662	353,484	14,843,509
1997	4,584,515	1,444,533	2,301,763	3,330,279	1,216,707	-	1,041,915	171,586	335,345	14,426,643
1998	5,078,374	2,988,150	2,416,906	3,818,949	1,175,907	-	986,860	184,475	460,777	17,110,398
1999	5,353,087	1,627,632	2,590,965	3,706,109	1,235,859	-	1,028,332	202,625	547,178	16,291,787
2000	5,825,466	1,677,837	2,606,507	3,652,158	1,192,426	-	1,037,707	274,447	651,566	16,918,114
2001	6,055,311	1,840,396	2,681,833	3,956,375	1,278,809	-	1,183,639	385,872	600,530	17,982,765
2002	9,367,858	3,923,824	2,149,489	2,670,759	963,710	2,210,334	1,131,573	507,500	1,254,542	24,179,589
2003	10,722,255	3,339,800	3,910,206	2,937,312	1,657,949	2,229,338	1,505,675	657,429	1,640,291	28,600,255
2004	11,683,540	2,722,628	3,668,596	3,037,764	1,790,644	2,551,875	1,566,512	600,210	3,333,581	30,955,350

Notes:

(1) Franchise fees assessed at the following rates:

FPL	5.9%
Peoples Gas	6.0%

(2) Effective fiscal year 2002, Bellsouth and Cable TV franchise fees and utility taxes are remitted directly to the Florida Department of Revenue who then redistributed to the municipalities. These revenues are reclassified under intergovernmental in fiscal year 2002.

(3) Includes loan proceeds and interest.

CITY OF DANIA BEACH, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections (1)</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Tax Levy</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>	<u>Millage Rate</u>
1995	\$ 4,732,211	\$ 4,574,191	96.7%	\$ 54,954	\$ 4,629,145	97.8%	\$ 158,020	3.41%	5.9800
1996	5,009,113	4,882,286	97.5%	48,077	4,930,363	98.4%	126,827	2.57%	6.2800
1997	4,865,164	4,689,928	96.4%	49,529	4,739,457	97.4%	175,235	3.70%	5.8000
1998	5,292,436	5,203,840	98.3%	49,225	5,253,065	99.3%	88,596	1.69%	6.1000
1999	5,631,130	5,522,795	98.1%	16,276	5,539,071	98.4%	108,335	1.96%	6.1000
2000	6,141,048	5,998,018	97.7%	36,335	6,034,353	98.3%	143,030	2.37%	6.1000
2001	6,357,215	6,230,703	98.0%	29,994	6,260,697	98.5%	126,512	2.02%	5.8300
2002	9,719,026	9,672,805	99.5%	28,098	9,700,903	99.8%	46,221	0.48%	6.1000
2003	11,258,693	10,681,331	94.9%	40,924	10,722,255	95.2%	577,362	5.38%	6.3900
2004	12,175,802	11,654,249	95.7%	29,292	11,683,541	96.0%	521,553	4.46%	6.3900

(1) This amount represents gross collections, does not include discounts.

CITY OF DANIA BEACH, FLORIDA

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

<u>Tax Year</u>	<u>Real Property</u>	<u>Personal/ Centrally Assessed Property (1)</u>	<u>Gross Total</u>	<u>Exemptions</u>	<u>Net Assessed Value</u>
1995	\$ 911,357,960	\$91,101,127	\$1,002,459,087	\$ 211,119,454	\$ 791,339,633
1996	946,960,299	89,142,584	1,036,102,883	238,473,358	797,629,525
1997	962,450,410	86,874,902	1,049,325,312	210,503,959	838,821,353
1998	1,008,181,293	87,252,395	1,095,433,688	227,821,179	867,612,509
1999	1,083,373,546	87,398,856	1,170,772,402	247,636,279	923,136,123
2000	1,156,935,057	120,513,968	1,277,449,025	270,719,841	1,006,729,184
2001	1,244,620,390	137,225,066	1,381,845,456	291,413,949	1,090,431,507
2002	1,618,420,760	392,701,597	2,011,122,357	419,205,377	1,591,916,980
2003	1,518,846,660	399,667,881	1,918,514,541	177,793,329	1,740,721,212
2004	2,124,060,340	430,897,977	2,554,958,317	618,413,658	1,936,544,659

Source: Broward County Property Appraiser's Office and Florida Department of Revenue.

Note: For each fiscal year ending September 30, property is valued as of January 1st of the preceding calendar year.

(1) Includes centrally assessed railroad property.

CITY OF DANIA BEACH, FLORIDA
PROPERTY TAX RATES (1) AND TAX LEVIES
ALL DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year	City	County	Schools	SFWMD	South Broward Hospital District	Florida Inland Navigation System	Child Services	Total
1995	5.9800	8.0343	10.0259	0.5970	2.1132	0.0490	-	26.7994
1996	6.2800	8.1165	10.0366	0.6470	2.1132	0.0400	-	27.2333
1997	5.8000	7.7524	9.9400	0.6720	2.1132	0.0380	-	26.3156
1998	6.1000	7.8380	9.9745	0.6970	2.1132	0.0500	-	26.7727
1999	6.1000	7.5710	9.7256	0.6970	2.1132	0.0470	-	26.2538
2000	6.1000	7.5710	9.1283	0.6970	2.0831	0.0440	-	25.6234
2001	5.8300	7.5250	8.9553	0.7355	1.7336	0.0385	0.2243	25.0422
2002	6.1000	7.4005	8.7541	0.7355	1.7336	0.0385	0.4028	25.1650
2003	6.3900	7.3650	8.8825	0.6970	1.7336	0.0385	0.3316	25.4382
2004	6.3900	7.1880	8.4176	0.6970	1.7336	0.0385	0.3920	24.8567
1995	\$4,732,211	\$6,357,860	\$7,933,892	\$ 472,430	\$1,618,006	\$ 38,554	\$ -	\$21,152,953
1996	5,009,113	6,473,960	8,005,488	516,066	1,669,593	39,018	-	21,713,238
1997	4,865,164	6,502,879	8,337,884	563,688	1,672,259	38,776	-	21,980,650
1998	5,292,436	6,800,347	8,654,001	604,726	1,685,551	31,905	-	23,068,966
1999	5,631,130	6,989,064	8,978,053	643,426	1,772,597	31,875	-	24,046,145
2000	6,141,048	7,621,947	9,189,726	701,690	1,833,439	43,381	-	25,531,231
2001	6,357,215	(2)	(2)	(2)	1,950,771	43,387	252,772	8,604,139
2002	9,719,026	(2)	(2)	(2)	2,097,119	44,296	463,440	12,323,875
2003	11,258,693	12,976,569	15,650,288	1,228,061	3,054,471	67,834	584,254	44,820,170
2004	12,175,802	13,696,348	16,039,285	1,328,096	3,303,282	73,360	746,935	47,363,108

Source: Broward County Revenue Collection Division

(1) Property tax rates are based on each \$1,000 of net assessed value. Tax rates are per calendar year.

(2) This information is not available at this time.

(SFWMD) South Florida Water Management District

CITY OF DANIA BEACH, FLORIDA

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR NET BONDED DEBT TO GENERAL GOVERNMENTAL EXPENDITURES

LAST TEN FISCAL YEARS

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Debt Service to General Expenditures</u>
1995	\$ 263,496	\$227,266	\$ 490,762	\$ 13,821,253	03.6%
1996	351,934	245,189	597,123	15,241,917	03.9%
1997	464,692	250,026	714,718	15,070,797	04.7%
1998	503,028	250,322	753,350	16,300,536	04.6%
1999	535,891	262,025	797,916	18,297,302	04.4%
2000	565,066	253,527	818,593	19,699,645	04.2%
2001	464,266 (1)	90,338 (1)	554,604 (1)	21,410,413 (2)	02.6%
2002	551,855 (1)	260,388 (1)	812,243 (1)	25,452,619 (2)	03.2%
2003	822,148 (1)	459,047 (1)	1,281,195 (1)	27,462,575	04.7%
2004	1,018,929 (1)	354,130 (1)	1,373,059 (1)	30,234,320	04.5%

Note:

(1) Includes General, Special Revenue, Capital Projects & Other Governmental Funds

(2) Does not include Interfund Transfer Out

CITY OF DANIA BEACH, FLORIDA

STATEMENT OF LEGAL DEBT MARGIN (GENERAL FUND ONLY)

SEPTEMBER 30, 2004

Debt limitation for promissory notes (1)		\$ 6,000,000	
Debt limitation for long-term revenue bonds (2)		<u>3,255,000</u>	
			9,255,000
Present debt application to debt limitation:			
General promissory note	\$ 4,668,070		
Capital lease obligations	776,635		
General revenue bond debt	<u>2,760,000</u>	<u>8,204,705</u>	
			<u>\$ 1,050,295</u>

Note:

- (1) Section 2-12(c) of the City Code.
- (2) Section 2-12(h) of the City Code.

CITY OF DANIA BEACH, FLORIDA

SPECIAL ASSESSMENT (FIRE ASSESSMENT)

LAST SEVEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Special Assessments Due</u>	<u>Special Assessments Collected</u>	<u>Ratio of Collections to Amount Due</u>
1998	\$ 1,316,993	\$1,212,840	92.09%
1999	1,316,993	1,180,887	89.67%
2000	1,250,443	1,329,184	106.30%
2001	1,811,886	1,663,664	91.82%
2002	2,320,478	2,210,334	95.25%
2003	2,257,609	2,229,338	98.75%
2004	2,308,432	2,279,739	98.76%

Note:

Special assessments for fiscal years prior to FY 2002 were classified under "Charges for Services" in the combined generally purpose financial statement. Due to change of information system, only seven years of data is available.

CITY OF DANIA BEACH, FLORIDA

PRINCIPAL TAXPAYERS

SEPTEMBER 30, 2004

<u>Taxpayer</u>	<u>Nature of Activity</u>	<u>Taxable Valuation</u>	<u>% of Total Assessed Valuation</u>
Design Center of the Americas	Office/Showroom Warehouse	\$ 72,491,370	2.84%
Trafalgar Associates	Multi-Family	26,702,850	1.05%
Florida Power & Light	Utility	27,836,940	1.09%
Ft. Lauderdale Owner, LLC	Wyndham Hotel	23,503,670	0.92%
SLT Dania, LLC	Sheraton Hotel	19,915,530	0.78%
Inland Southeast Dania, LLC	Hotel	18,670,020	0.73%
Eqr-Paradise Pointe Vistas, Inc.	Multi-Family	12,862,060	0.50%
Dania Jai-Alai	Jai-Alai Fronton	11,665,440	0.46%
Sheridan 300, Ltd.	Apartment Complex	9,660,030	0.38%
Hertz Realty corp.	Port Everglades Commerce Ctr	<u>8,763,440</u>	<u>0.34%</u>
		<u>\$ 232,071,350</u>	<u>9.09%</u>

(1) Property values assessed as of January 1, 2004 valuation.

Source: Broward County Tax Rolls

CITY OF DANIA BEACH, FLORIDA

DEMOGRAPHICS STATISTICS

<u>Age</u>	<u>City of Dania Beach Population (1)</u>	<u>Broward County Population (1)</u>	<u>Broward County Unemployment Rate (2)</u>	
			<u>Year</u>	<u>Rate</u>
Under 5 years	1,114	103,041	1992	6.1
5-9	1,108	110,142	1993	5.8
10-14	1,161	109,132	1994	6.5
15-19	967	95,161	1995	5.5
20-24	1,041	82,834	1996	4.5
25-34	3,018	230,864	1997	5.1
35-44	3,385	278,547	1998	4.7
45-54	3,011	215,086	1999	4.3
55-59	1,146	76,548	2000	3.7
60-64	876	60,554	2001	4.8
65-74	1,699	116,641	2002	5.8
75-84	1,121	101,417	2003	5.5
85 and over	414	43,051	2004	4.6

Broward County Distribution of Household Income 2000 (1999 Income) (3)

Less than \$9,999	9.02%
\$10,000 to \$14,999	6.56%
\$15,000 to \$24,999	13.15%
\$25,000 to \$34,999	13.07%
\$35,000 to \$49,999	16.36%
\$50,000 to \$74,999	18.94%
\$75,000 to \$99,999	10.11%
\$100,000 to \$149,999	7.95%
\$150,000 to \$199,999	2.30%
\$200,000 and above	2.54%

Source:

- (1) Broward County Planning and Administrative Systems Division 2000 / U.S. Census Bureau, Census 2000. Does not include City's annexation in September 2001.
- (2) Florida Agency for Workforce Innovation 2004 Average for Broward County.
- (3) Census Scope.

CITY OF DANIA BEACH, FLORIDA

PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS

LAST TEN FISCAL YEARS

Fiscal Year	Property Values (1)	Commercial Construction (2)		Residential Construction (2)		Total Deposits (Thousands) (3)
		Number of Units	Value	Number of Units	Value	
1995	\$ 791,339,663	6	\$ 3,799,146	115	\$ 5,464,500	\$ 13,613,773
1996	797,629,525	2	3,311,000	294	11,647,987	13,541,832
1997	838,821,353	13	17,710,425	135	5,181,428	13,689,973
1998	867,612,489	9	22,710,425	114	6,294,034	13,747,758
1999	923,136,123	9	21,978,000	10	732,000	14,855,057
2000	1,006,729,184	4	21,597,481	98	4,699,854	14,861,878
2001	1,090,431,507	7	22,300,526	275	8,845,291	16,114,187
2002	1,591,916,980	20	13,630,000	209	9,057,457	26,335,395
2003	1,740,721,212	4	3,573,800	90	5,665,000	28,430,667
2004	1,936,544,659	86	12,611,000	627	34,813,878	46,924,011

Source:

- (1) For years 1995 and thereafter, final assessed value per Broward County Property Appraisal
- (2) City of Dania Beach Department of Community Development
- (3) For years 1995-2004 Florida Bankers Association, 2004 City's bank deposit records

CITY OF DANIA BEACH, FLORIDA

MISCELLANEOUS STATISTICAL DATA

SEPTEMBER 30, 2004

Date of Incorporation	1904
Population (includes 2001 annexation)	28,080
Form of Government	
Commissioner-Manager. Commission composed of Mayor, Vice Mayor and three Commissioners. At each regular bi-annual election, candidates run for the office of Commission and serve staggered four year terms. The candidate receiving the highest number of votes becomes Mayor for a term of one year.	
Area	5,395 +/- acres (8.43 square miles)
Fire Protection:	
Number of Stations	2
Number of Firemen and Officers	52
Police Protection:	
Broward Sheriff Substation (803)	1
Number of Officers	74
Education:	
Elementary School	2
Middle School	1
Municipal Water Department:	
Number of Consumers	4,688
Average Daily Consumption	2,537,107 gallons
Lengths of Water Mains	68.23 +/- miles
Lengths of Sewer Mains	43.40 +/- miles
Lengths of Storm Drains	18.00 +/- miles
Building Permits Issued	713
Recreation and Culture:	
Number of Parks	9
Area within Beach Boundaries	16.50 +/- acres
Number of Libraries	1
Employees:	
Number of full time positions	160
Number of part time positions (includes temporary and on-call)	38
Transitional	1

(Continued)

CITY OF DANIA BEACH, FLORIDA

MISCELLANEOUS STATISTICAL DATA
(Continued)

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Value of Building Permits</u>	<u>Water Consumption</u>	<u>Communication Services (1)</u>	<u>Electric Service (4)</u>
1995	\$20,238,970	695,072,000	\$ 3,975,004 (2)	\$14,425,561
1996	17,237,267	719,138,000	3,970,322 (2)	15,185,117
1997	41,493,267	732,249,000	4,341,100 (2)	17,539,913
1998	43,986,893	746,510,000	4,550,829 (2)	18,127,285
1999	48,286,674	813,950,000	4,708,929 (2)	18,919,735
2000	26,297,335	800,525,400	5,691,182 (2)	18,556,667
2001	31,145,817	733,049,600	6,005,568 (2)	20,668,297
2002	37,434,812	831,011,301	29,048,154 (3)	25,163,833
2003	61,322,534	863,441,800	28,758,169 (3)	27,735,010
2004	54,036,121	900,673,077	23,357,500 (3)	29,923,826

(1) Telephone service only for fiscal years 1995-2001.

(2) Revenues are derived prior to fiscal year 2001 annexation.

(3) Cable franchise fees and telephone franchise and utility taxes are remitted to Florida Department effective FY 2002, which then redistributed to the appropriate municipality. Florida Department Revenue does not have a record that separates the gross revenue between Cable and Telephone services.

(4) Fluctuations are attributed to rate changes and annexation in fiscal year 2001.

Source: Appropriate utility or responsible government agency.

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX I

Financial Information Regarding City of Fort Walton Beach

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF FORT WALTON BEACH, FLORIDA
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Years Ended September 30

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:			
Taxes	\$ 8,745,555	\$ 8,560,059	\$ 8,049,751
Licenses and permits	358,675	325,274	324,860
Intergovernmental	4,738,764	2,878,616	3,523,598
Charges for services	933,006	899,844	774,411
Fines and forfeitures	263,757	268,962	256,151
Miscellaneous	<u>587,209</u>	<u>945,340</u>	<u>1,082,914</u>
Total revenues	<u>\$15,626,966</u>	<u>\$13,878,095</u>	<u>\$14,011,685</u>
Expenditures:			
Current:			
General governmental services	5,721,941	3,535,710	3,262,744
Public safety	6,405,937	6,365,020	5,612,950
Physical environment	211,388	224,246	216,485
Transportation	1,183,153	1,263,289	1,230,487
Economic environment	--	--	--
Culture and recreation	2,250,304	2,197,934	2,009,976
Capital outlay	977,635	1,455,046	2,354,856
Debt service:			
Principal	--	--	--
Interest	<u>--</u>	<u>--</u>	<u>--</u>
Total expenditures	<u>\$16,750,358</u>	<u>\$15,041,245</u>	<u>\$14,687,498</u>
Excess of revenues over (under) expenditures	<u>(1,123,392)</u>	<u>(1,163,150)</u>	<u>(675,813)</u>
Other financing sources (uses):			
Transfers in	1,991,333	1,872,828	2,022,440
Transfers out	(158,352)	(336,030)	(303,320)
Lease proceeds	143,698	--	58,000
Contributions from others	<u>3,429</u>	<u>--</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>1,980,108</u>	<u>1,536,798</u>	<u>1,777,120</u>
Net Change in Fund Balance	856,716	373,648	1,101,307
Fund balance - beginning of year	<u>10,280,579</u>	<u>9,906,931</u>	<u>8,805,624</u>
Fund balance - end of year	<u>\$ 11,137,295</u>	<u>\$ 10,280,579</u>	<u>\$ 9,906,931</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK



45 Beal Parkway, N.E., Fort Walton Beach, FL 32549 (850) 244-5121

Honorable Mayor and City Council Members
City of Fort Walton Beach, Florida

INDEPENDENT AUDITOR'S REPORT

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fort Walton Beach, Florida, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, there of and the respective budgetary fund information for the general and capital project funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Mayor and City Council Members
City of Fort Walton Beach, Florida
Independent Auditor's Report (Continued)

In accordance with *Government Auditing Standards*, we have also issued a report dated January 14, 2005, on our consideration of the City of Fort Walton Beach, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 - 16, the Schedule of Funding Progress on page 64, and Schedule of Contributions From the Employer and Other Contributing Entities on page 65 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fort Walton Beach, Florida's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the United States 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, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements; and, in our opinion, the information is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the basic financial statements and, accordingly, we express no opinion on them.

O'Sullivan Creel, LLP

January 14, 2005

City of Fort Walton Beach, Florida
STATEMENT OF NET ASSETS
September 30, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Community Redevelopment Agency
ASSETS				
Cash and cash equivalents	\$ 11,736,709	\$ 8,126,956	\$ 19,863,665	\$ 574,788
Receivables, net	455,378	598,191	1,053,569	4,250
Internal balances	475,897	(475,897)	-	-
Due from other governments	2,485,232	23	2,485,255	200,000
Inventory, at cost	250,923	30,589	281,512	-
Restricted assets				
Cash and cash equivalents	92,153	644,173	736,326	-
Capital assets				
Non-depreciable	7,188,987	960,796	8,149,783	-
Depreciable, net	17,878,978	25,808,639	43,687,617	2,862,350
Other assets				
Bond issue costs, net	185,481	213,487	398,968	-
Net pension asset	211,086	-	211,086	-
TOTAL ASSETS	40,960,824	35,906,957	76,867,781	3,641,388
LIABILITIES				
Accounts payable	882,860	331,620	1,214,480	47,297
Accrued liabilities	769,094	162,098	931,192	5,008
Due to other governments	47,302	5,920	53,222	-
Due to depositors	3,000	-	3,000	-
Deferred revenues	70,756	9,087	79,843	-
Payable from restricted assets				
Accrued interest	-	63,410	63,410	-
Customer deposits	-	165,975	165,975	-
Non-current liabilities				
Due within one year				
Compensated absences	167,014	41,006	208,020	508
Leases payable	45,098	212,014	257,112	-
Revenues bonds payable	110,000	465,000	575,000	-
Due in more than one year				
Compensated absences	501,043	123,016	624,059	1,526
Leases payable	141,115	382,032	523,147	-
Revenue bonds payable	5,305,709	5,739,257	11,044,966	-
TOTAL LIABILITIES	8,042,991	7,700,435	15,743,426	54,339
NET ASSETS				
Invested in capital assets, net of related debt	19,401,390	19,907,722	39,309,112	2,862,350
Restricted				
Debt service	92,153	317,444	409,597	-
System improvements	-	160,754	160,754	-
Capital projects	685,174	-	685,174	-
Public safety	301,230	-	301,230	-
Perpetual care - expendable	1,488,402	-	1,488,402	-
Other purposes	817,932	-	817,932	105,667
Unrestricted	10,131,552	7,820,602	17,952,154	619,032
TOTAL NET ASSETS	\$ 32,917,833	\$ 28,206,522	\$ 61,124,355	\$ 3,587,049

City of Fort Walton Beach, Florida
STATEMENT OF ACTIVITIES
Year Ended September 30, 2004

Function / Program Activities	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business Type Activities	Total	Community Redevelopment Agency
Government Activities								
General government	\$ 5,884,025	\$ 1,973,238	\$ 2,110,690	\$ -	\$ (1,800,097)	\$ -	\$ (1,800,097)	\$ -
Public safety	6,952,351	567,601	44,109	51,332	(6,289,309)	-	(6,289,309)	-
Physical environment	276,987	345,529	-	-	68,542	-	68,542	-
Transportation	1,562,995	102,068	-	-	(1,460,927)	-	(1,460,927)	-
Economic environment	210,649	-	210,643	-	(6)	-	(6)	-
Culture and recreation	2,712,947	351,450	176,313	5,000	(2,180,184)	-	(2,180,184)	-
Debt service interest	267,160	-	-	-	(267,160)	-	(267,160)	-
Total government activities	<u>17,867,114</u>	<u>3,339,886</u>	<u>2,541,755</u>	<u>56,332</u>	<u>(11,929,141)</u>	<u>-</u>	<u>(11,929,141)</u>	<u>-</u>
Business type activities								
Utilities	4,403,421	5,888,862	-	100,027	-	1,585,468	1,585,468	-
Sanitation	2,738,742	3,244,899	-	-	-	506,157	506,157	-
Golf	2,596,450	2,275,678	-	-	-	(320,772)	(320,772)	-
Total business type activities	<u>9,738,613</u>	<u>11,409,439</u>	<u>-</u>	<u>100,027</u>	<u>-</u>	<u>1,770,853</u>	<u>1,770,853</u>	<u>-</u>
Total primary government	<u>\$ 27,605,727</u>	<u>\$ 14,749,325</u>	<u>\$ 2,541,755</u>	<u>\$ 156,359</u>	<u>\$ (11,929,141)</u>	<u>\$ 1,770,853</u>	<u>\$ (10,158,288)</u>	<u>\$ -</u>
Community Redevelopment Agency	<u>\$ 517,036</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 178,420</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (338,616)</u>
General Revenues:								
Taxes:								
Property taxes					3,763,976	-	3,763,976	749,783
Sales taxes					2,393,744	-	2,393,744	-
Utility service taxes					3,163,325	7,807	3,171,132	-
Municipal revenue sharing					619,197	-	619,197	-
Gain (loss) on sale of assets					99,587	27,641	127,228	-
Miscellaneous					100,950	12,342	113,292	52
Investment earnings					226,863	128,808	355,671	16,088
Transfers					1,991,333	(1,991,333)	-	-
Total general revenues and transfers					<u>12,358,975</u>	<u>(1,814,735)</u>	<u>10,544,240</u>	<u>765,923</u>
Change in net assets					429,834	(43,882)	385,952	427,307
Net assets - beginning of year					<u>32,487,999</u>	<u>28,250,404</u>	<u>60,738,403</u>	<u>3,159,742</u>
Net assets - end of year					<u>\$ 32,917,833</u>	<u>\$ 28,206,522</u>	<u>\$ 61,124,355</u>	<u>\$ 3,587,049</u>

City of Fort Walton Beach, Florida
GOVERNMENTAL FUNDS
BALANCE SHEET
September 30, 2004

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 9,160,338	\$ 2,576,371	\$ 11,736,709
Receivables	455,299	79	455,378
Due from other funds	431,009	-	431,009
Due from other governments	2,426,001	59,231	2,485,232
Inventory, at cost	250,923	-	250,923
Advances to other funds	100,000	-	100,000
Restricted assets			
Cash and cash equivalents	-	92,153	92,153
TOTAL ASSETS	<u>\$ 12,823,570</u>	<u>\$ 2,727,834</u>	<u>\$ 15,551,404</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 882,581	\$ 279	\$ 882,860
Accrued liabilities	704,441	-	704,441
Due to other funds	-	55,112	55,112
Due to other governments	2,431	44,871	47,302
Due to depositors	3,000	-	3,000
Deferred revenue	93,822	60,612	154,434
Total liabilities	<u>1,686,275</u>	<u>160,874</u>	<u>1,847,149</u>
Fund balance			
Reserved			
Encumbrances	437,917	-	437,917
Advances	100,000	-	100,000
Library	168,928	-	168,928
Inventory	250,923	-	250,923
Unreserved			
Designated			
Fire equipment	8,705	-	8,705
Economic development	1,612,500	-	1,612,500
Self-insurance	589,000	-	589,000
Disaster relief	400,000	-	400,000
Retirement contribution	600,000	-	600,000
Computer replacement	625,000	-	625,000
Special projects	539,400	-	539,400
Softball complex	325,000	-	325,000
Communications systems	200,000	-	200,000
Capital projects	-	685,174	685,174
Debt service	-	92,153	92,153
Undesignated general fund	5,279,922	-	5,279,922
Undesignated special revenue funds	-	1,789,633	1,789,633
Total fund balance	<u>11,137,295</u>	<u>2,566,960</u>	<u>13,704,255</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 12,823,570</u>	<u>\$ 2,727,834</u>	<u>\$ 15,551,404</u>

City of Fort Walton Beach, Florida
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
September 30, 2004

Fund balances - total governmental funds (page 19)		\$ 13,704,255
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.		
Governmental non-depreciable assets	7,188,987	
Governmental depreciable assets	36,231,764	
Less accumulated depreciation	<u>(18,352,786)</u>	25,067,965
Other assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		
Net pension asset	211,086	
Bond issuance costs	192,298	
Less current year amortization	<u>(6,817)</u>	396,567
Deferred revenue in governmental funds is susceptible to full accrual on the entity wide statements.		
Special assessment for street resurfacing		83,678
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Revenue bonds payable	(5,475,000)	
Discount	61,470	
Current year amortization	(2,179)	
Accrued interest	(64,653)	
Capital leases	(186,213)	
Compensated absences	<u>(668,057)</u>	<u>(6,334,632)</u>
Net assets of governmental activities (page 17)		<u>\$ 32,917,833</u>

City of Fort Walton Beach, Florida
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended September 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 8,745,555	\$ 357,113	\$ 9,102,668
Licenses and permits	358,675	-	358,675
Intergovernmental	4,738,764	251,737	4,990,501
Charges for services	933,006	-	933,006
Fines and forfeits	263,757	42,094	305,851
Miscellaneous	587,209	50,251	637,460
TOTAL REVENUES	<u>15,626,966</u>	<u>701,195</u>	<u>16,328,161</u>
EXPENDITURES			
Current			
General governmental services	5,721,941	684	5,722,625
Public safety	6,405,937	91,367	6,497,304
Physical environment	211,388	-	211,388
Transportation	1,183,153	-	1,183,153
Economic environment	-	210,649	210,649
Culture and recreation	2,250,304	-	2,250,304
Capital outlay	977,635	424,720	1,402,355
Debt service			
Principal	-	145,097	145,097
Interest	-	265,769	265,769
TOTAL EXPENDITURES	<u>16,750,358</u>	<u>1,138,286</u>	<u>17,888,644</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,123,392)</u>	<u>(437,091)</u>	<u>(1,560,483)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,991,333	525,465	2,516,798
Transfers out	(158,352)	(367,113)	(525,465)
Lease proceeds	143,698	-	143,698
Contributions from others	3,429	37,500	40,929
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,980,108</u>	<u>195,852</u>	<u>2,175,960</u>
NET CHANGE IN FUND BALANCE	856,716	(241,239)	615,477
FUND BALANCE - BEGINNING OF YEAR	<u>10,280,579</u>	<u>2,808,199</u>	<u>13,088,778</u>
FUND BALANCE - END OF YEAR	<u>\$ 11,137,295</u>	<u>\$ 2,566,960</u>	<u>\$ 13,704,255</u>

City of Fort Walton Beach, Florida
GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
Year Ended September 30, 2004

Net change in fund balances - total governmental funds (page 21)	\$ 615,477
Amounts reported for governmental activities in the statement of activities are different because:	
<p>Governmental funds do not report capital assets on the balance sheet; however, they are reported in the government wide financial statements. Accordingly, proceeds received for disposals of capital assets are shown as income on the governmental financial statements and a gain or loss is reported in the statement of activities.</p>	
Expenditures for capital assets	1,301,821
Less current year depreciation	<u>(1,368,601)</u> (66,780)
<p>Governmental funds do not report capital assets on the balance sheet; however, they are reported in the government wide financial statements. Accordingly, proceeds received for disposals of capital assets are shown as income on the governmental financial statements and a gain or loss is reported in the statement of activities.</p>	
Disposals of capital assets	(671,366)
Accumulated depreciation associated with disposals	<u>645,401</u> (25,965)
<p>Special assessment revenue in the governmental funds is recognized when due; however, the revenue was recognized in the Statement of Activities when it was earned (when levied).</p>	
Special assessment for street resurfacing	(37,510)
<p>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.</p>	
Bond and lease proceeds	(143,698)
Principal payments	145,097
Amortization of current year bond discount	(2,179)
Amortization of current year bond costs	(6,817)
Accrued interest on long-term debt	<u>788</u> (6,809)
<p>Some expenses report in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>	
Net pension asset	(2,344)
Change in long-term compensated absences	<u>(46,235)</u> (48,579)
Change in net assets of governmental activities (page 18)	<u>\$ 429,834</u>

City of Fort Walton Beach, Florida
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
- BUDGET AND ACTUAL
Year Ended September 30, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 8,297,868	\$ 8,297,868	\$ 8,745,555	\$ 447,687
Licenses	368,550	368,550	358,675	(9,875)
Intergovernmental	2,505,866	7,331,997	4,738,764	(2,593,233)
Charges for services	884,285	884,285	933,006	48,721
Fines and forfeits	267,150	267,150	263,757	(3,393)
Miscellaneous	<u>682,492</u>	<u>682,492</u>	<u>587,209</u>	<u>(95,283)</u>
TOTAL REVENUES	<u>13,006,211</u>	<u>17,832,342</u>	<u>15,626,966</u>	<u>(2,205,376)</u>
EXPENDITURES				
Current				
General government services	4,012,038	8,975,166	5,721,941	3,253,225
Public safety	6,487,830	6,616,644	6,405,937	210,707
Physical environment	225,769	226,294	211,388	14,906
Transportation	1,497,318	1,393,776	1,183,153	210,623
Culture and recreation	2,335,740	2,345,680	2,250,304	95,376
Capital outlay	<u>1,364,449</u>	<u>1,660,908</u>	<u>977,635</u>	<u>683,273</u>
TOTAL EXPENDITURES	<u>15,923,144</u>	<u>21,218,468</u>	<u>16,750,358</u>	<u>4,468,110</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,916,933)</u>	<u>(3,386,126)</u>	<u>(1,123,392)</u>	<u>2,262,734</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,050,000	2,050,000	1,991,333	(58,667)
Transfers out	(145,267)	(158,352)	(158,352)	-
Lease proceeds	-	143,748	143,698	50
Contributions from others	<u>433,234</u>	<u>433,234</u>	<u>3,429</u>	<u>(429,805)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,337,967</u>	<u>2,468,630</u>	<u>1,980,108</u>	<u>(488,422)</u>
NET CHANGE IN FUND BALANCE	(578,966)	(917,496)	856,716	1,774,312
FUND BALANCE - BEGINNING OF YEAR	<u>578,966</u>	<u>917,496</u>	<u>10,280,579</u>	<u>9,363,083</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,137,295</u>	<u>\$ 11,137,395</u>

City of Fort Walton Beach, Florida
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
September 30, 2004

	Utilities Fund	Sanitation Fund	Golf Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 5,433,672	\$ 2,691,284	\$ 2,000	\$ 8,126,956
Receivables, net	393,254	200,652	4,285	598,191
Due from other governments	23	-	-	23
Inventory, at cost	-	-	30,589	30,589
Total current assets	<u>5,826,949</u>	<u>2,891,936</u>	<u>36,874</u>	<u>8,755,759</u>
Non-current assets				
Restricted assets				
Cash and cash equivalents	<u>403,372</u>	<u>-</u>	<u>240,801</u>	<u>644,173</u>
Capital assets, net				
Non-depreciable	905,396	-	55,400	960,796
Depreciable, net	<u>20,281,103</u>	<u>595,809</u>	<u>4,931,727</u>	<u>25,808,639</u>
Total capital assets	<u>21,186,499</u>	<u>595,809</u>	<u>4,987,127</u>	<u>26,769,435</u>
Other assets				
Bond issue costs, net	71,415	-	142,072	213,487
Advances to other funds	<u>-</u>	<u>172,810</u>	<u>-</u>	<u>172,810</u>
Total other assets	<u>71,415</u>	<u>172,810</u>	<u>142,072</u>	<u>386,297</u>
Total non-current assets	<u>21,661,286</u>	<u>768,619</u>	<u>5,370,000</u>	<u>27,799,905</u>
TOTAL ASSETS	<u>\$27,488,235</u>	<u>\$ 3,660,555</u>	<u>\$ 5,406,874</u>	<u>\$36,555,664</u>

City of Fort Walton Beach, Florida
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
September 30, 2004

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Golf Fund</u>	<u>Total</u>
LIABILITIES				
Current liabilities				
Accounts payable	96,526	210,839	24,255	331,620
Accrued liabilities				
Compensated absences	20,739	9,226	11,041	41,006
Wages	82,489	39,666	39,943	162,098
Due to other governments	-	-	5,920	5,920
Due to other funds	-	-	375,897	375,897
Leases payable	8,090	-	203,924	212,014
Revenue bonds payable	332,500	-	132,500	465,000
Payable from restricted assets				
Accrued interest	17,860	-	45,550	63,410
Customer deposits	165,975	-	-	165,975
Deferred revenues	9,087	-	-	9,087
Total current liabilities	<u>733,266</u>	<u>259,731</u>	<u>839,030</u>	<u>1,832,027</u>
Non-current liabilities				
Accrued liabilities				
Compensated absences	62,221	27,675	33,120	123,016
Leases payable	53,133	-	328,899	382,032
Revenue bonds payable	2,208,212	-	3,531,045	5,739,257
Advances from other funds	-	-	272,810	272,810
Total non-current liabilities	<u>2,323,566</u>	<u>27,675</u>	<u>4,165,874</u>	<u>6,517,115</u>
TOTAL LIABILITIES	<u>3,056,832</u>	<u>287,406</u>	<u>5,004,904</u>	<u>8,349,142</u>
NET ASSETS				
Invested in capital assets, net of related debt	18,566,704	595,809	745,209	19,907,722
Restricted				
Debt service	76,643	-	240,801	317,444
System improvements	160,754	-	-	160,754
Unrestricted	<u>5,627,302</u>	<u>2,777,340</u>	<u>(584,040)</u>	<u>7,820,602</u>
TOTAL NET ASSETS	<u>\$24,431,403</u>	<u>\$ 3,373,149</u>	<u>\$ 401,970</u>	<u>\$28,206,522</u>

City of Fort Walton Beach, Florida
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended September 30, 2004

	Utilities Fund	Sanitation Fund	Golf Fund	Total
OPERATING REVENUES				
Charges for services	<u>\$ 5,876,502</u>	<u>\$ 3,244,899</u>	<u>\$ 2,180,552</u>	<u>\$11,301,953</u>
OPERATING EXPENSES				
Personal services	1,798,324	931,895	1,111,663	3,841,882
Operating	1,287,393	1,609,567	709,356	3,606,316
Depreciation	<u>1,131,686</u>	<u>197,278</u>	<u>523,010</u>	<u>1,851,974</u>
TOTAL OPERATING EXPENSES	<u>4,217,403</u>	<u>2,738,740</u>	<u>2,344,029</u>	<u>9,300,172</u>
OPERATING INCOME (LOSS)	<u>1,659,099</u>	<u>506,159</u>	<u>(163,477)</u>	<u>2,001,781</u>
NON-OPERATING REVENUES (EXPENSES)				
Taxes	-	7,807	-	7,807
Rental income	12,360	-	95,126	107,486
Interest expense	(140,873)	(2)	(244,895)	(385,770)
Amortization	(10,861)	-	(6,955)	(17,816)
Other debt services costs	(2,798)	-	(571)	(3,369)
Gain (loss) on disposal of fixed assets	4,638	12,370	10,633	27,641
Interest	83,580	41,847	3,381	128,808
Grants in aid	(31,486)	-	-	(31,486)
Miscellaneous	<u>4,262</u>	<u>100</u>	<u>7,980</u>	<u>12,342</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(81,178)</u>	<u>62,122</u>	<u>(135,301)</u>	<u>(154,357)</u>
INCOME (LOSS) BEFORE OPERATING TRANSFERS	<u>1,577,921</u>	<u>568,281</u>	<u>(298,778)</u>	<u>1,847,424</u>
Contributed capital - impact fees	100,027	-	-	100,027
Transfers in	35,000	-	-	35,000
Transfer out	<u>(1,350,000)</u>	<u>(676,333)</u>	<u>-</u>	<u>(2,026,333)</u>
TOTAL CONTRIBUTIONS AND TRANSFERS	<u>(1,214,973)</u>	<u>(676,333)</u>	<u>-</u>	<u>(1,891,306)</u>
CHANGE IN NET ASSETS	362,948	(108,052)	(298,778)	(43,882)
NET ASSETS - BEGINNING OF YEAR	<u>24,068,455</u>	<u>3,481,201</u>	<u>700,748</u>	<u>28,250,404</u>
NET ASSETS - END OF YEAR	<u>\$24,431,403</u>	<u>\$ 3,373,149</u>	<u>\$ 401,970</u>	<u>\$28,206,522</u>

City of Fort Walton Beach, Florida
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended September 30, 2004

	Utilities Fund	Sanitation Fund	Golf Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 5,785,556	\$ 3,198,520	\$ 2,335,108	\$ 11,319,184
Payments to suppliers	(1,288,528)	(1,504,116)	(788,043)	(3,580,687)
Payments to employees	(1,790,212)	(929,539)	(1,114,854)	(3,834,605)
Miscellaneous income	4,262	100	7,980	12,342
Net cash provided (used) by operating activities	<u>2,711,078</u>	<u>764,965</u>	<u>440,191</u>	<u>3,916,234</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Borrowings (repayments)				
Decrease in due to other governments	-	-	(2,359)	(2,359)
Due to other funds	-	-	294,281	294,281
Grants and aids	(31,486)	-	-	(31,486)
Intergovernmental revenues received	-	7,807	-	7,807
Operating transfers in	35,000	-	-	35,000
Operating transfers out	<u>(1,350,000)</u>	<u>(676,333)</u>	<u>-</u>	<u>(2,026,333)</u>
Net cash provided (used) by non-capital financing activities	<u>(1,346,486)</u>	<u>(668,526)</u>	<u>291,922</u>	<u>(1,723,090)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisitions of fixed assets	(619,381)	(99,367)	(155,725)	(874,473)
Proceeds from impact fees	100,027	-	-	100,027
Proceeds from disposal of fixed assets	3,983	1,722	2,561	8,266
Proceeds from issuance of new debt	63,813	-	-	63,813
Principal paid on leases payable	(45,285)	-	(218,617)	(263,902)
Principal paid on notes payable	(320,000)	(347)	-	(320,347)
Interest paid on bonds, loans, and leases payable	(123,472)	-	(242,401)	(365,873)
Other debt service costs	<u>(2,798)</u>	<u>-</u>	<u>(571)</u>	<u>(3,369)</u>
Net cash provided (used) by capital and related financing activities	<u>(943,113)</u>	<u>(97,992)</u>	<u>(744,753)</u>	<u>(1,785,858)</u>
NET CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	<u>83,580</u>	<u>41,847</u>	<u>6,267</u>	<u>131,694</u>
Net cash provided (used) by investing activities	<u>83,580</u>	<u>41,847</u>	<u>6,267</u>	<u>131,694</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	505,059	40,294	(6,373)	538,980
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>5,331,985</u>	<u>2,650,992</u>	<u>249,174</u>	<u>8,232,151</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,837,044</u>	<u>\$ 2,691,286</u>	<u>\$ 242,801</u>	<u>\$ 8,771,131</u>

City of Fort Walton Beach, Florida
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
Year Ended September 30, 2004

	<u>Utilities Fund</u>	<u>Sanitation Fund</u>	<u>Golf Fund</u>	<u>Total</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR				
CONSIST OF				
Current assets	\$ 5,433,672	\$ 2,691,284	\$ 2,000	\$ 8,126,956
Restricted assets	<u>403,372</u>	<u>-</u>	<u>240,801</u>	<u>644,173</u>
Total cash and cash equivalents	<u>\$ 5,837,044</u>	<u>\$ 2,691,284</u>	<u>\$ 242,801</u>	<u>\$ 8,771,129</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income	\$ 1,659,099	\$ 506,159	\$ (163,477)	\$ 2,001,781
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	1,131,686	197,278	523,010	1,851,974
Rental income	12,360	-	95,126	107,486
Miscellaneous revenue	4,262	100	7,980	12,342
Decrease (increase) in assets				
Accounts receivable	(133,901)	(46,379)	13,880	(166,400)
Inventory	-	-	(4,447)	(4,447)
Increase (decrease) in liabilities				
Accounts payable	18,740	105,451	(17,971)	106,220
Compensated absences payable	3,680	1,787	5,992	11,459
Wages	4,431	569	(9,183)	(4,183)
Other accrued liabilities	(19,876)	-	(46,269)	(66,145)
Accrued interest	17,860	-	45,550	63,410
Customer deposits	15,660	-	-	15,660
Retainage	-	-	(10,000)	(10,000)
Deferred revenue	<u>(2,923)</u>	<u>-</u>	<u>-</u>	<u>(2,923)</u>
Net cash provided (used) by operating activities	<u>2,711,078</u>	<u>764,965</u>	<u>440,191</u>	<u>3,916,234</u>
SUPPLEMENTAL DISCLOSURES OF NONCASH TRANSACTIONS				
Amortization of bond issue costs and discounts	<u>\$ 3,223</u>	<u>\$ -</u>	<u>\$ 2,073</u>	<u>\$ 5,296</u>
Amortization of deferred loss on refunding	<u>\$ 14,186</u>	<u>\$ -</u>	<u>\$ 3,491</u>	<u>\$ 17,677</u>

City of Fort Walton Beach, Florida
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
September 30, 2004

	<u>Employee Retirement Funds</u>
ASSETS	
Cash and cash equivalents	\$ 2,706,852
Investments, at market	
Commingled bond funds	16,016,860
Commingled stock funds	<u>29,762,426</u>
TOTAL ASSETS	<u>\$ 48,486,138</u>
NET ASSETS	
Held in trust for pension and employee retirement benefits	<u>\$ 48,486,138</u>

City of Fort Walton Beach, Florida
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended September 30, 2004

	<u>Employee Retirement Funds</u>
ADDITIONS	
Contributions	
Employer	\$ 721,940
Plan members	543,505
State of Florida	<u>329,793</u>
Total contributions	<u>1,595,238</u>
Investment income	3,223,844
Less investment expense	<u>(228,063)</u>
Net investment income	<u>2,995,781</u>
TOTAL ADDITIONS	<u>4,591,019</u>
DEDUCTIONS	
Benefits and refunds paid	
Retirement payments	1,924,717
Disability payments	159,222
Refunds	<u>134,414</u>
Total benefits and refunds paid	<u>2,218,353</u>
Administrative expenses	
Legal	16,743
Contractual services	35,637
Other	<u>9,573</u>
Total administrative expenses	<u>61,953</u>
TOTAL DEDUCTIONS	<u>2,280,306</u>
NET INCREASE (DECREASE)	2,310,713
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
BEGINNING OF YEAR	<u>46,175,425</u>
END OF YEAR	<u>\$ 48,486,138</u>

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fort Walton Beach, Florida, (City) was created as municipality by a Special Act of the Florida Legislature in 1937. The City Manager - Council form of government was established in 1953. As authorized by its charter, the City provides the following services: public safety (police, fire, and inspection), highways and streets, water and sewer, sanitation, culture and recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America applicable to governmental units and the Uniform Accounting System mandated by Chapter 218.33, Florida Statutes. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

The following is a summary of the more significant accounting policies of the City:

A. The Reporting Entity

A seven member City Council and a Mayor govern the City, each elected at-large for four-year terms. The Council has no powers other than those expressly vested in it by State Statute and the City Charter, and their governmental powers cannot be delegated.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Fort Walton Beach (the primary government) and its component unit. In evaluating the City as a reporting entity, management has considered all potential component units for which the City may or may not be financially accountable and, as such, be included within the City's financial statements. Management utilized criteria set forth in GASB No. 14 for determining financial accountability of potential component units in evaluating all potential component units. In accordance with GASB No. 14, the City (primary government) is financially accountable if it appoints a voting majority of the potential component unit's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the City. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

As of September 30, 2004, the City of Fort Walton Beach had one component unit, as defined by GASB 14, which has been presented in the financial statements of the primary government as a "discretely presented component unit." The Fort Walton Beach Community Redevelopment Agency (Agency) was formed to prepare a community redevelopment plan for a designated geographic area within the City of Fort Walton Beach, Florida. The members of the Agency's governing board are appointed by the City Council of Fort Walton Beach, Florida. However, the Agency is fiscally dependent upon the City because City Council approves the Agency's budget, grants final approval to community redevelopment plans, and must approve any debt issuances and acquisition and disposal of property. The Agency is classified and presented as a governmental fund type. Complete financial statements for the Agency are presented in the Combining and Individual Fund Statements and Schedules section of this report.

The Fort Walton Beach Housing Authority (Authority) is considered a related organization to the City rather than a component unit. The City Council of Fort Walton Beach, Florida appoints the board members of the Authority. However, the Authority's board operates independently of the City Council and does not create a financial burden or benefit to the City.

B. Government Wide and Fund Financial Statements

The basic financial statements include both government wide (based on the City as a whole) and fund financial statements. The government wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. 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. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government Wide and Fund Financial Statements (Continued)

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.

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus and Basis of Accounting

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. Pension plans recognize revenue when contributions are due as there is a statutory requirement to make the contribution. Property taxes are recorded 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 6 months of the end of the current fiscal period, except for property taxes, for which the period is 60 days. 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.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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 within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Sales taxes, gasoline taxes, and other intergovernmental revenues collected and held by the state at year-end on behalf of the City, are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Okaloosa County Tax Collector bills and collects property taxes for the City in accordance with the laws of the State of Florida. Property taxes attach as an enforceable lien on property as of the date of assessment and remain in effect until discharge by payment. Taxes are payable when levied (on November 1, or as soon thereafter as the assessment roll becomes available to the Tax Collector).

The following is the current property tax calendar:

Lien Date	January 1, 2004
Levy Date	November 1, 2004
Due Date	November 1, 2004
Delinquent Date	April 1, 2005

Discounts of 1% for each month taxes are paid prior to March 2005, are granted.

Revenue recognition criteria for property taxes under the GASB requires that property taxes expected to be collected within 60 days of the current period be accrued. No accrual has been made for 2004 ad valorem taxes because property taxes are not legally due until subsequent to the end of the fiscal year. Current year taxes, which are uncollected as of the end of the fiscal year, are generally immaterial in amount and highly susceptible to uncollectibility and, therefore, are not recorded as a receivable on the balance sheet date.

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 (GASB). 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 government has elected to follow subsequent private-sector guidance.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is a separate accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes there in, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the government's utility function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City considers all impact fee revenue as capital contributions for the water and sewer system; therefore, no amount from the impact fee is included in operating revenue. Operating expenses for enterprise funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The following three broad classifications are used to categorize the fund types used by the City:

Governmental

Governmental funds focus on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) and not net income. The City has the following major governmental fund.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentation (Continued)

General Fund - This is the City's primary operating fund and is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary

Proprietary funds focus on the determination of net income, changes in net assets, financial position, and cash flows. All of the City's proprietary funds are enterprise funds, as fees are charged to external users for services. The following is a description of the major proprietary funds of the City.

Utilities Fund - Used to account for the operations of the City, which provides distribution of potable water, sales and service and sanitary wastewater collection, treatment and disposal.

Sanitation Fund - Accounts for the operation of the City that provides for solid waste collection, disposal, and/or recycling.

Golf Fund - Accounts for the operations and maintenance of the City-owned golf courses.

Fiduciary

Fiduciary Funds are used to account for the assets held on behalf of outside parties, including other governments, or on behalf of other funds within the City. The City has the following type of Fiduciary Funds.

Pension Trust Funds - Used to report the resources that are required to be held in trust for the members and beneficiaries of the three defined benefit pension plans administered by the City; General Employees' Retirement Fund, Police Officers' Retirement Fund, and Firefighters' Retirement Fund.

E. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

The City considers all highly liquid investments (including restricted assets) with a maturity of ninety days or less when purchased and investments with the State Board of Administration (SBA) to be cash equivalents. Additionally, each fund's equity in the City's investment pool (see Note 3) is considered to be cash equivalent since the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

Deposits and Investments

Section 218.415, Florida Statutes, requires the investment of surplus public funds and prescribes the instruments in which those investments are authorized, specifically the State of Florida Local Government Surplus Funds Trust Fund, direct obligations of the United States Government or other obligations unconditionally guaranteed by the United States Government, collateralized interest-bearing time deposits or savings accounts in state or federal banks or savings and loan associations, debt securities of the Federal Farm Credit Banks, the Federal Home Loan Mortgages Corporation, the Federal Home Loan Bank, the Government National Mortgage Association, the Federal National Mortgage Association, and securities of or other interest in certain investment companies or investment trusts, the portfolio of which is limited to United States Government obligations or repurchase agreements fully collateralized by such obligations. The City adheres strictly to the provisions of those cited Statutes, as well as with Chapter 280, Florida Statutes, which requires the City to maintain deposits only with "Qualified Public Depositories." The City maintains a cash and investment pool available for use by all funds and the Community Redevelopment Agency. Earnings from such investments are allocated to the respective funds based on applicable cash participation by each fund.

In addition, restricted cash accounts, certificates of deposit, and other investments are separately maintained by a few City funds in accordance with bond ordinances, retirement fund plan documents and other contractual agreements. Investments are stated at fair value.

The City's cash and investment pool and certain individual funds participate in the Local Government Surplus Trust Fund, operated by Florida's State Board of Administration (SBA). The SBA is governed by Chapter 19-1 of the Florida Administrative Code (FAC). The FAC provides guidance and establishes the general operating procedures for the administration of the Local Government Surplus Trust Funds. Additionally, the Florida Auditor General performs an operational audit of activities and investments of the SBA. In accordance with GASB Statement Number 31, Local Government Surplus Trust Fund is a "2A-7 like" pool and thus, SBA investments are valued using the pooled share price. City investments with the SBA may be made or liquidated by wire on a same day basis. The City's investments with the SBA are considered to be cash equivalents for reporting purposes.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

Deposits and Investments (Continued)

Pension Trust Funds may invest in direct obligations of the United States Government or other obligations unconditionally guaranteed by the United States Government, collateralized interest-bearing time deposits or savings accounts in state or federal banks or savings and loan associations, bonds or indebtedness of United States corporations rated BAA or better, stocks of U.S. corporations which are listed on the national stock exchanges (limited to 50% of the assets of the fund) and investment accounts maintained by major national banks and insurance companies given the top rating by Best. In addition, to the above investment options, the Firefighters Retirement Pension Trust Fund may invest up to 20% of its assets at cost in real estate.

Bond Sinking Fund Investments are limited by bond ordinances to investments in direct obligations of the United States government or other marketable securities eligible as security of trust funds under regulations of the Board of Governors of the Federal Reserve System. The maturity date on Sinking Fund Investments is limited by the individual bond ordinances to correspond to the related debt service payments.

Receivables and Payables

Interfund transactions are reflected as loans, services provided, reimbursements, or transfers. Loans between funds outstanding at the end of the fiscal year are referred to as either "due to other funds" or "due from other funds" (i.e., the current portion of interfund loans) or "advances" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Services provided, deemed to be at market, or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

All proprietary fund receivables are shown net of an allowance for uncollectibles. The allowance is computed using 100% of receivables in excess of ninety (90) days.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

Inventory

Inventory is valued at cost (first-in, first-out). The consumption method is used to account for inventory. Under the consumption method, inventory items are recorded as expenditures during the period inventory is used. A portion of the General Fund balance equal to the inventory amount has been reserved in the fund financial statements to indicate that it is not available for appropriation.

Restricted Assets

Certain resources in the Debt Service Fund are set aside for the repayment of the Capital Improvement Bonds, Series 2001. Funds are also set-aside in the Utility and Golf Enterprise Funds for repayment of the Public Improvement Revenue Refunding Bonds, Series 1998. Customer utility deposits and impact fees received are set-aside in the Utilities Fund. Finally, certain funds are set aside in the Golf Fund for repayment of Capital Improvement Revenue Bonds, 1999A.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, curbs and sidewalks, drainage systems, lighting systems 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 city as assets with an initial cost more than the following:

Land		All
Buildings and improvements	\$	10,000
Infrastructure	\$	10,000
Improvements - other	\$	10,000
Equipment, vehicles computers	\$	1,000
Library books		All

In the case of the initial capitalization of general infrastructure assets (i.e. those reported by governmental activities) the government chose to include all such items regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through various allowable estimating techniques. As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. Donated capital assets are recorded at estimated fair market value at the date of donation.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until the completion of the project with interest earned on the invested proceeds over the same period.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50 years
Improvements other than buildings	7-100 years
System infrastructure	20-40 years
Machinery and equipment	3-10 Years

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave based on the length of service to the City.

All vacation leave is accrued when incurred in the government-wide and proprietary fund financial statements. Sick leave is accrued in the government-wide and proprietary fund financial statements based on a ratio of the sum of sick leave paid over the last several years to the total balance of sick leave at the end of each fiscal year. A liability for the amounts of vacation and sick leave is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Net Assets or Equity (Continued)

Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

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

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted by ordinance for all governmental and proprietary funds. However, budgets for proprietary funds are not legally required to be reported on and are not included in these financial statements. All appropriations lapse at fiscal year end except for appropriations related to multi-year capital projects.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgets (Continued)

Budgetary data reflected in the financial statements are established by the following procedures:

Prior to September 1 of each year, proposed budgets are received by the City Council from the City Manager. These proposed expenditures, along with all estimated receipts, taxes to be levied, and balances expected to be brought forward are considered by the City Council. The City Council requires such changes as deemed necessary, sets proposed millages, and establishes dates for tentative and final public budget hearings as prescribed by Florida Statutes.

Proposed budgets are advertised in a newspaper of general circulation in the City. Public hearings are conducted for the purposes of receiving input, responding to complaints, and providing reasons and explanations for intended actions to all citizens participating.

Prior to October 1, the budget for all governmental and proprietary funds of the City is legally enacted through passage of an ordinance. Budget amendments are periodically passed through resolutions during the fiscal year. Appropriations lapse at year-end except for appropriations related to multi-year capital projects. Budgeted beginning fund balance in the accompanying financial statements reflects planned utilization of prior years unreserved/undesignated fund balance to the level required to accomplish current year objectives.

The level of budgetary control (that is the level at which expenditures cannot legally exceed appropriations) has been established at the fund level. The City Manager and Finance Director are authorized to transfer budgeted amounts within departments of a fund and between departments of a fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budget amounts reflected in the financial statements are originally adopted amounts as amended by action of the City Council by revision of fund totals. All amendments to originally adopted amounts were made in a legally permissible manner.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

B. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

NOTE 3 - DEPOSITS AND INVESTMENTS

The City maintains a cash and investment management pool in which each fund (except Pension Trust Funds) participates on a dollar equivalent and daily transaction basis. The City's cash and investment management pool includes pooled cash maintained in interest-bearing demand deposit accounts, certificates of deposit and pooled investments of the Local Government Surplus Trust Fund. Interest income (which includes unrealized gains and losses) is distributed monthly based on average daily balances.

The Local Government Surplus Trust Fund is operated by Florida's State Board of Administration (SBA). Although Florida statutes allow a broad range of instruments to administer its varied instrument responsibilities, the investments of the Local Government Surplus Trust Fund investment pool only consist of short-term, high quality instruments.

The City's cash and investment management pool is considered to be cash equivalent for reporting purposes because it is an internally managed fund, which allows individual funds to, at any time, deposit additional cash or make withdrawals without prior notice or penalty.

Deposits

The City maintains its deposits, only with "Qualified Public Depositories" as defined in Chapter 280, Florida Statutes. The provisions of this statute allow "Qualified Public Depositories" to participate in a multiple financial institution collateral pool to ensure the security for public deposits. All Qualified Public Depositories must place with the Treasurer of the State of Florida, securities which have a market value equal to 50% of all public funds on deposit at the end of each month in excess of any applicable deposit insurance. In the event of default by a qualified public institution, the state treasurer will pay public depositors all losses. Losses in excess of insurance and collateral will be paid through assessments between all Qualified Public Depositories. Under this method, all City deposits, including certificates of deposit, are fully insured or collateralized with securities held by the State Treasurer in the City's name.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

At year-end, the value of the City's deposits was \$15,678,078, all of which was held by qualified public depositories under Chapter 280, Florida Statutes.

Investments

The types of investments, which can be made by the City, are restricted by state statutes, bond ordinances, retirement fund plan documents, and other contractual agreements. A description of the requirements and the types of investments allowed can be found in Note 1-E.

The City's investments are categorized below to give an indication of the level of risk assumed by the City at year-end.

- *Category 1* includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.
- *Category 2* includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the City's name.
- *Category 3* includes uninsured and unregistered investments for which the securities are held by the counter party or by its trust department or agent but not in the City's name. Certain investments held by the City are not subject to categorization. The risk category of these investments cannot be determined since the City does not own identified securities and are invested as shareholders of the investment pools.

	Category			Fair Value
	1	2	3	
Investments not subject to categorization:				
Investment with Florida's State Board of Administration				\$ 5,484,525
Investment in money market pension funds				2,706,852
Investment in pension commingled bond funds				16,016,860
Investment in pension commingled stock funds				29,762,426
Total investments				\$ 53,970,663

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 4 - RECEIVABLES

Receivables at September 30, 2004, were as follows:

	Governmental Activities	Business Type Activities			Total
	General	Utilities	Sanitation	Golf	
Taxes	\$ 11,756	\$ -	\$ -	\$ -	\$ 11,756
Accounts	356,391	437,254	219,652	4,285	1,017,582
Less allowance for doubtful accounts	-	(44,000)	(19,000)	-	(63,000)
Assessments	83,678	-	-	-	83,678
Other	3,553	-	-	-	3,553
Total receivables	\$ 455,378	\$ 393,254	\$ 200,652	\$ 4,285	\$ 1,053,569

NOTE 5 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2004, was as follows:

Primary Government

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 7,189,393	\$ 844	\$ (1,250)	\$ 7,188,987
Construction in progress	290,297	172,730	(463,027)	-
Total capital assets not being depreciated	7,479,690	173,574	(464,277)	7,188,987
Capital assets being depreciated				
Buildings	13,323,695	265,719	463,027	14,052,441
Improvements other than buildings	2,951,131	-	-	2,951,131
Infrastructure	11,303,409	383,279	(215,018)	11,471,670
Machinery and equipment	7,328,542	335,501	(186,260)	7,477,783
Equipment under capital lease	403,829	143,748	(268,838)	278,739
Total capital assets being depreciated	35,310,606	1,128,247	(207,089)	36,231,764
Less accumulated depreciation				
Buildings	(3,437,598)	(441,002)	-	(3,878,600)
Improvements other than buildings	(1,447,291)	(125,393)	-	(1,572,684)
Infrastructure	(6,800,989)	(243,526)	215,018	(6,829,497)
Machinery and equipment	(5,653,372)	(534,072)	161,546	(6,025,898)
Equipment under capital lease	(290,337)	(24,608)	268,838	(46,107)
Total accumulated depreciation	(17,629,587)	(1,368,601)	645,402	(18,352,786)
Total capital assets being depreciated, net	17,681,019	(240,354)	438,313	17,878,978
Governmental activities, net	\$ 25,160,709	\$ (66,780)	\$ (25,964)	\$ 25,067,965

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 5 - CHANGES IN CAPITAL ASSETS (CONTINUED)

Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Transfers</u>	<u>Ending Balance</u>
Governmental Activities (Continued)				
Business Type Activities				
Capital assets not being depreciated				
Land	\$ 765,078	\$ -	\$ -	\$ 765,078
Construction in progress	<u>190,964</u>	<u>4,754</u>	<u>-</u>	<u>195,718</u>
Total capital assets not being depreciated	<u>956,042</u>	<u>4,754</u>	<u>-</u>	<u>960,796</u>
Capital assets being depreciated				
Buildings	3,414,296	10,290	-	3,424,586
Improvements other than buildings	32,471,476	460,136	-	32,931,612
Machinery and equipment	8,985,065	335,480	253,603	9,574,148
Equipment under capital lease	<u>1,522,277</u>	<u>63,813</u>	<u>(477,288)</u>	<u>1,108,802</u>
Total capital assets being depreciated	<u>46,393,114</u>	<u>869,719</u>	<u>(223,685)</u>	<u>47,039,148</u>
Less accumulated depreciation				
Buildings	(360,791)	(116,031)	10,455	(466,367)
Improvements other than buildings	(13,289,206)	(808,027)	16,529	(14,080,704)
Machinery and equipment	(5,241,580)	(672,602)	(206,697)	(6,120,879)
Equipment under capital lease	<u>(730,021)</u>	<u>(255,314)</u>	<u>422,776</u>	<u>(562,559)</u>
Total accumulated depreciation	<u>(19,621,598)</u>	<u>(1,851,974)</u>	<u>243,063</u>	<u>(21,230,509)</u>
Total capital assets being depreciated, net	<u>26,771,516</u>	<u>(982,255)</u>	<u>19,378</u>	<u>25,808,639</u>
Business type activities, net	<u>\$ 27,727,558</u>	<u>\$ (977,501)</u>	<u>\$ 19,378</u>	<u>\$ 26,769,435</u>

Discretely Presented Component Unit

Activity for the Community Redevelopment Agency for the year ended September 30, 2004, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets being depreciated				
Improvements other than buildings	\$2,362,514	\$ 781,963	\$ -	\$3,144,477
Machinery and equipment	<u>15,030</u>	<u>44,131</u>	<u>-</u>	<u>59,161</u>
Total capital assets being depreciated	<u>2,377,544</u>	<u>826,094</u>	<u>-</u>	<u>3,203,638</u>

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 5 - CHANGES IN CAPITAL ASSETS (CONTINUED)

Discretely Presented Component Unit (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation				
Improvements other than buildings	(202,844)	(123,414)	-	(326,258)
Machinery and equipment	<u>(14,028)</u>	<u>(1,002)</u>	<u>-</u>	<u>(15,030)</u>
Total accumulated depreciation	<u>(216,872)</u>	<u>(124,416)</u>	<u>-</u>	<u>(341,288)</u>
 Total capital assets being depreciated, net	 <u>2,160,672</u>	 <u>701,678</u>	 <u>-</u>	 <u>2,862,350</u>
 Total, net	 <u>\$2,160,672</u>	 <u>\$ 701,678</u>	 <u>\$ -</u>	 <u>\$2,862,350</u>

Amortization of equipment under capital lease is included with depreciation expense in the financial statements. Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 137,408
Public safety	404,996
Physical environment	65,430
Transportation	335,731
Culture and recreation	<u>425,036</u>
Total depreciation expense - governmental activities	<u>\$ 1,368,601</u>
 Business Type Activities	
Utilities fund	\$ 1,131,686
Sanitation fund	197,278
Golf fund	<u>523,010</u>
Total depreciation expense - business type activities	<u>\$ 1,851,974</u>

Construction Commitments

The City has certain projects in the engineering and design phase. These projects include the Hurlburt Reuse Water Line, Water Treatment and Distribution System, and Wastewater Treatment Plant renovations. The City spent \$4,754 for the year ending September 30, 2004 for a total of \$403,524 spent on these projects from inception.

The Hurlburt Reuse Water Line is being funded by grants and existing Utilities Fund resources. The Water Treatment and Distribution System and Wastewater Treatment Plant renovations commitments are being funded by existing Utilities Fund Resources.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 6 - DEFINED BENEFIT PENSION PLANS

The City of Fort Walton Beach, Florida administers three single-employer defined benefit pension plans - the General Employees' Retirement Fund (GERF), Police Officers' Retirement Fund (PORF) and the Firefighters' Retirement Fund (FRF). These plans provide benefits for all qualifying employees of the City. The financial activity of each plan is reported as a Pension Trust Fund in the City of Fort Walton Beach, Florida's combined financial statements.

A. Basis Of Accounting and Method Used to Value Investments

Each plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

B. Plan Descriptions

Membership of each plan consisted of the following at September 30, 2004, the date of the latest actuarial valuation:

	<u>GERF</u>	<u>PORF</u>	<u>FRF</u>
Retirees and beneficiaries receiving benefits	83	21	13
Terminated plan members entitled to but not yet receiving benefits	5	6	1
Disabled participants	7	4	2
Active plan members	<u>237</u>	<u>52</u>	<u>31</u>
Total	<u>332</u>	<u>83</u>	<u>47</u>

General Employees' Retirement Fund (GERF) - Plan Description

Plan Description. The GERF provides retirement, disability, and death benefits to plan members and beneficiaries. Participation in the plan is mandatory for all full-time general municipal employees hired after May 14, 1996. Cost-of-living increases of up to 3% are provided to members and beneficiaries every year. City ordinance assigns the authority to establish and amend benefit provisions to the City.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Plan Descriptions (Continued)

Police Officers' Retirement Fund (PORF) - Plan Description

Plan Description. The PORF is administered by the Police Officers' Pension Fund Board of Trustees. The PORF provides retirement, disability, and death benefits to plan members and beneficiaries. Participation in the plan is mandatory for all certified police officers. Cost-of-living increases of up to 3% are to members and beneficiaries every year. City ordinance assigns the authority to establish and amend benefit provisions to the Board of Trustees.

Firefighters' Retirement Fund (FRF) - Plan Description

Plan Description. The FRF is administered by the Firefighters' Pension Fund Board of Trustees. The FRF provides retirement, disability, and death benefits to plan members and beneficiaries. Participation in the plan is mandatory for all firefighters. Cost-of-living increases of up to 3% are provided to members and beneficiaries every year. City ordinance assigns the authority to establish and amend benefit provisions to the Board of Trustees.

C. Contributions, Funding Policy and Annual Pension Cost

The contribution requirements of plan members and the City are established annually and amended by City ordinance. Plan members are required to contribute at a set percentage of their annual covered salaries. The City is required to contribute at an actuarially determined rate.

The City's annual pension cost for the current year and related information for each plan is as follows:

	GERF	PORF	FRF
Contribution rates (percentage of covered payroll)			
City	7.2 %	8.1 %	4.5 %
Plan members	5.0 %	5.0 %	6.6 %

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions, Funding Policy and Annual Pension Cost (Continued)

	GERF	PORF	FRF
Annual pension cost	\$ 491,258	\$ 179,000	\$ 51,682
Contributions made			
Employer	\$ 491,258	\$ 179,000	\$ 51,682
Other sources	\$ -	\$ 199,848	\$ 129,945
Net pension obligation (asset)	\$ -	\$ (43,358)	\$ (167,728)
Actuarial valuation date	10/1/2004	10/1/2004	10/1/2004
Actuarial cost method	Entry Age	Aggregate ⁽¹⁾	Entry Age
Amortization method	Normal Cost	N/A	Level percentage of pay, closed
Remaining amortization period	15 years	N/A	27 Years
Asset valuation method	5-year smoothed market	4-year smoothed market	4-year smoothed market
Actuarial assumptions			
Invested rate of return	8.0 %	8.0 %	8.0 %
Projected salary increases*	5.41 %	7.5 %	6.5 %
* Includes inflation at	3.0 %	3.0 %	3.0 %
Post retirement COLA	3.0 %	3.0 %	3.0 %

⁽¹⁾ The aggregate actuarial cost method is based on earnings and service and both are used in the calculation process. No other method is used to value pension plan benefits.

	Three-Year Trend Information			
	Year Ending	Annual Pension Cost (APC)	Percentage Contribution	Net Pension Obligation (Asset)
GERF	9/30/2002	\$ 192,318	100 %	\$ -
	9/30/2003	\$ 467,351	100 %	\$ -
	9/30/2004	\$ 491,258	100 %	\$ -
PORF	9/30/2002	\$ 78,699	100 %	\$ (44,325)
	9/30/2003	\$ 153,844	100 %	\$ (43,839)
	9/30/2004	\$ 179,000	100 %	\$ (43,358)
FRF	9/30/2002	\$ -	(212)%	\$ (129,778)
	9/30/2003	\$ 42,602	100 %	\$ (169,590)
	9/30/2004	\$ 51,682	100 %	\$ (167,728)

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 6 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions, Funding Policy and Annual Pension Cost (Continued)

The components of net pension cost, the increase in Net Pension Asset, and the Net Pension Asset for the year ended September 30, 2004, for the Police Officers' and Firefighters' Retirement Funds are as follows:

	Police	Firefighters
Actuarially determined contribution	\$ 179,000	\$ 51,682
Interest on net pension asset	(3,507)	(13,567)
Adjustment to actuarially determined annual pension cost	3,988	15,429
Annual pension cost	179,481	53,544
Contribution made	179,000	51,682
Increase in net pension asset	481	1,862
Net pension asset - beginning of year	(43,839)	(169,590)
Net pension asset - end of year	\$ (43,358)	\$ (167,728)

D. Required Supplementary Information

The schedule of funding progress and schedule of employer contributions can be found in the supplemental information of this comprehensive annual financial report.

NOTE 7 - DEFERRED COMPENSATION PLAN

The City offers employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is a tax-deferred supplemental retirement program that allows City employees to contribute a portion of their salary before federal income taxes to a retirement account. The assets are held in trust for the employee's benefit. The plan participants, individually, select and make changes in funding options made available by the independent plan administrator. Since plan participants select the investment fund or funds in which their deferred compensation accounts are invested, the City has no liability for investment losses. The City's fiduciary responsibility is to administer the plan properly and to assure the investment alternatives made available are reasonable.

In accordance with GASB Statement No. 32, the assets and liabilities of the plan are not reflected in the City's financial statements since the City has no fiduciary responsibilities, other than administrative, in connection with the Plan.

Assets of the plan have a fair value of \$1,436,766 at September 30, 2004. Contributions made by plan members during the year ended September 30, 2004, were \$156,958.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 8 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee medical benefits and natural disasters. The City purchases insurance through commercial carriers. Insurance coverage for workers' compensation, liability, casualty, Inland Marine, Flood, Police Accidental Death, Public Officials' Bonds, Fiduciary and Fuel Tanks were purchased from several commercial carriers during the year ended September 30, 2004. There has been no significant reduction in insurance coverage from the prior year. Commercial insurance coverage has been sufficient to cover all claims made in the prior two fiscal years.

During fiscal year 1997, the City Council approved a self-insured dental program for its employees, retirees and Consolidated Omnibus Reconciliation Act (COBRA) participants. As part of this program, the City originally purchased aggregate stop-loss coverage; however, it was discontinued beginning in fiscal year 1999 as paid claims did not exceed the stop-loss amount in either of the two previous fiscal years. The City contracts with a service agent and third party administrator to process claims. The risk financing activities are recorded in each individual fund.

During September 30, 2004, all funds of the City participated in the City's dental self-insurance program and made payments on historical cost information of the amounts needed to pay prior and current year claims.

Changes in the Fund's claim liability amount in fiscal year 2003 and 2004 are as follows:

	<u>Beginning of Year Claims Liability</u>	<u>Incurred Claims</u>	<u>Payment of Claims</u>	<u>End of Year Claims Liability</u>
Fiscal Year 2003	\$ 13,417	\$ 138,143	\$ 122,975	\$ 28,585
Fiscal Year 2004	\$ 28,585	\$ 131,121	\$ 145,420	\$ 14,286

NOTE 9 - OPERATING LEASES

The City receives rental income from leasing various parcels of land under cancelable operating agreements. The lease periods vary from one to forty years. Income for the year ended September 30, 2004, was \$155,083 in the General fund, \$12,360 in the Utilities funds and \$31,308 in the Golf fund.

In addition, the City also leases a portion of its Golf Clubhouse for retail and food service operations. The rent received for these leases for the fiscal year ended September 30, 2004, totaled \$63,818.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 9 - OPERATING LEASES (CONTINUED)

Future minimum lease payments are as follows:

Year Ending September 30,	Governmental Activities	Business-Type Activities		
		Utilities	Sanitation	Golf
2005	\$ 127,812	\$ 12,360	\$ -	\$ 83,714
2006	127,744	12,360	-	83,714
2007	108,068	12,360	-	83,714
2008	81,097	12,360	-	48,038
2009	82,630	12,360	-	-
Total minimum lease payments	<u>\$ 527,351</u>	<u>\$ 61,800</u>	<u>\$ -</u>	<u>\$ 299,180</u>

NOTE 10 - CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of certain land moving equipment, water system equipment, sewer vehicles, golf system equipment, and computers and related equipment. The lease agreements qualify as capital leases for accounting purposes as a result of the transfer of title or bargain purchase option and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the General Fund and the Utilities, Sanitation, and Golf enterprise funds respectively.

The assets acquired through capital leases are as follows:

Assets	Governmental Activities	Business-Type Activities		
		Utilities	Sanitation	Golf
Golf carts	\$ -	\$ -	\$ -	\$ 480,214
Golf mowers	-	-	-	153,390
Golf maintenance equipment	-	-	-	411,385
Backhoe (2002)	59,323	-	-	-
Wheel loader	75,668	-	-	-
Backhoe (2004)	-	63,813	-	-
Street sweeper	143,748	-	-	-
Total leases acquired	278,739	63,813	-	1,044,989
Accumulated depreciation	(46,107)	(3,191)	-	(559,367)
Net leases acquired	<u>\$ 232,632</u>	<u>\$ 60,622</u>	<u>\$ -</u>	<u>\$ 485,622</u>

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 10 - CAPITAL LEASES (CONTINUED)

The future minimum lease obligations and net present value of these minimum lease payments as of September 30, 2004, is as follows:

Year Ending September 30,	Governmental Activities	Business-Type Activities		
		Utilities	Sanitation	Golf
2005	\$ 52,359	\$ 10,360	\$ -	\$ 223,533
2006	46,251	10,360	-	305,842
2007	23,330	10,360	-	32,975
2008	23,330	10,360	-	-
2009	23,330	10,360	-	-
Thereafter	<u>40,116</u>	<u>18,130</u>	<u>-</u>	<u>-</u>
Total minimum lease payments	<u>208,716</u>	<u>69,930</u>	<u>-</u>	<u>562,350</u>
Less amount representing interest	<u>(22,503)</u>	<u>(8,707)</u>	<u>-</u>	<u>(29,527)</u>
Present value of minimum lease payments	<u>\$ 186,213</u>	<u>\$ 61,223</u>	<u>\$ -</u>	<u>\$ 532,823</u>

NOTE 11 - LONG-TERM DEBT

Changes in Long-Term Debt Liabilities

The following is a summary of changes in long-term debt liabilities of the City for the year ended September 30, 2004:

Long-term debt activity for the year ended September 30, 2004, is summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Capital improvement revenue bonds Series 2001	\$ 5,580,000	\$ -	\$ (105,000)	\$ 5,475,000	\$ 110,000
Less deferred amounts for issuance costs	(61,470)	-	2,179	(59,291)	-
Capital leases	82,613	143,698	(40,098)	186,213	45,098
Compensated absences	<u>621,822</u>	<u>542,841</u>	<u>(496,606)</u>	<u>668,057</u>	<u>167,014</u>
Total governmental activities	<u>\$ 6,222,965</u>	<u>\$ 686,539</u>	<u>\$ (639,525)</u>	<u>\$ 6,269,979</u>	<u>\$ 322,112</u>

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 11 - LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Debt Liabilities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities					
Public improvement refunding bonds Series 1998	\$ 2,585,000	\$ -	\$ (280,000)	\$ 2,305,000	\$ 290,000
Less deferred amounts for issuance discount	(28,415)	-	3,647	(24,768)	-
For loss on refunding	(137,734)	-	17,677	(120,057)	-
Capital improvement revenue bonds Series 1999	3,210,000	-	(60,000)	3,150,000	60,000
Less deferred amounts for issuance discount	(35,455)	-	1,353	(34,102)	-
Florida municipal loan revenue bonds Series 2000	1,040,000	-	(110,000)	930,000	115,000
Less deferred amounts For issuance discount	(2,112)	-	296	(1,816)	-
Compensated absences	152,562	11,460	-	164,022	41,006
Leases	794,485	63,813	(264,252)	594,046	212,014
Total business-type activities	<u>\$ 7,578,331</u>	<u>\$ 75,273</u>	<u>\$ (691,279)</u>	<u>\$ 6,962,325</u>	<u>\$ 718,020</u>

Description of Long-Term Debt Outstanding

	Current	Long-Term	Total
GOVERNMENTAL ACTIVITIES			
<i>Capital Improvement Bonds</i>			
\$5,740,000 City of Fort Walton Beach, Florida, Capital Improvement Bonds, Series 2001, due in annual installments of \$55,000 to \$350,000 through 2031; interest at 2.5% to 5.00%. Available non-ad valorem revenues are pledged for payment of the bonds. Proceeds used for construction certain capital improvements.	\$ 110,000	\$ 5,365,000	\$ 5,475,000
Less unamortized bond discount	-	(59,291)	(59,291)
Total Bonds	<u>110,000</u>	<u>5,305,709</u>	<u>5,415,709</u>
<i>Leases</i>			
\$58,000 capital lease payable, 2002, due in monthly installments of \$12,664 through April 2005, collateralized by a backhoe.	11,577	12,108	23,685
\$70,560 capital lease payable, 2001, due in monthly installments of \$1,364 through April 2006, collateralized by a wheel loader.	15,304	9,359	24,663

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 11 - LONG-TERM DEBT (CONTINUED)

Description of Long-Term Debt Outstanding (Continued)

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
GOVERNMENTAL ACTIVITIES (CONTINUED)			
<i>Leases (continued)</i>			
\$143,698 capital lease payable, 2004, due in quarterly installments of \$5,832 through May 2011, collateralized by a street sweeper.	18,217	119,648	137,865
Total Leases	<u>45,098</u>	<u>141,115</u>	<u>186,213</u>
<i>Accrued Compensated Absences</i>			
Total long-term portion of accumulated, vested annual and sick leave for governmental fund types.	167,014	501,043	668,057
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 322,112</u>	<u>\$ 5,947,867</u>	<u>\$ 6,269,979</u>
BUSINESS-TYPE ACTIVITIES			
<i>Revenue bonds</i>			
\$1,250,000 Florida Municipal Loan Council Revenue Bonds, Series 2000B, due in annual installments of \$105,000 to \$150,000 through November 2010; interest at 4.25% to 4.75%. Available non-ad valorem and net revenues from Sewer Fund services are pledged for payment of the bonds. Proceeds used for constructing City sewer system improvements.	115,000	815,000	930,000
Less unamortized bond discount	-	(1,816)	(1,816)
\$4,680,000 City of Fort Walton Beach, Florida, Public Improvement Revenue Refunding Bonds, Series 1998, due in annual installments of \$200,000 to \$500,000 through 2011; interest at 3.100% to 4.250%. Available half-cent sales taxes are pledged for payment of the bonds. Proceeds used for sewer and golf system improvements. The liability is recorded pro-rata in the respective funds.	290,000	2,015,000	2,305,000
Less unamortized bond discount	-	(24,768)	(24,768)
Less unamortized deferred loss on refunding	-	(120,057)	(120,057)
<i>Capital Improvement Bonds</i>			
\$3,055,000 City of Fort Walton Beach, Florida, Capital Improvement Bonds, Series 1999A, due in annual installments of \$25,000 to \$200,000 through 2029; interest at 4.00% to 5.75%. Available non-advalorem and net revenues from golf course recreation facilities are pledged for payment of the bonds. Proceeds used for capital improvements of golf recreation facilities.	60,000	3,090,000	3,150,000
Less unamortized bond discount	-	(34,102)	(34,102)
Total Bonds	<u>465,000</u>	<u>5,739,257</u>	<u>6,204,257</u>

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 11 - LONG-TERM DEBT (CONTINUED)

Description of Long-Term Debt Outstanding (Continued)

	<u>Current</u>	<u>Long-Term</u>	<u>Total</u>
BUSINESS-TYPE ACTIVITIES (CONTINUED)			
<i>Leases</i>			
\$474,064 capital lease payable, 2001, due in monthly installments of \$1,350 to \$8,472 through May 2006, balloon payment of \$128,000 in June 2006, collateralized by golf carts.	88,096	188,979	277,075
\$153,390 capital lease payable, 2000 due in monthly installments of \$2,951 through January 2005, collateralized by by golf mowers.	11,624	-	11,624
\$342,944 capital lease payable, 2003, due in monthly installments of \$22,623 through November 2006, collateralized by golf course maintenance equipment.	85,691	110,679	196,370
\$68,441 capital lease payable, 2003, due in monthly installments of \$4,471 through January 2007, collateralized by golf course maintenance equipment.	17,002	26,277	43,279
\$6,150 capital lease payable, 2003, due in monthly installments of \$141 through July 2007, collateralized by 3 golf carts.	1,511	2,964	4,475
\$63,813 capital lease payable, 2004, due in quarterly installments of \$2,590 through May 2011, collateralized by an extend-a-hoe.	8,090	53,133	61,223
<i>Total leases</i>	<u>212,014</u>	<u>382,032</u>	<u>594,046</u>
<i>Accrued Compensated Absences</i>			
Accumulated, vested annual compensation for Enterprise Funds.	41,006	123,016	164,022
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 718,020</u>	<u>\$ 6,244,305</u>	<u>\$ 6,962,325</u>
GRAND TOTAL LONG-TERM DEBT			<u>\$ 13,232,304</u>

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 11 - LONG-TERM DEBT (CONTINUED)

Annual Requirements to Amortize Debt Outstanding

The annual requirements to amortize all debt outstanding except accrued and annual leave and advances from other funds as of September 30, 2004, are as follows:

Governmental Activities

Year Ending September 30	Capital Improvement Bonds		Leases	
	Principal	Interest	Principal	Interest
2005	\$ 110,000	\$ 258,613	\$ 45,098	\$ 7,261
2006	115,000	255,175	40,405	5,135
2007	120,000	251,150	19,687	3,642
2008	120,000	246,650	20,467	2,863
2009-2013	690,000	1,155,265	60,556	3,600
2014-2018	855,000	988,825	-	-
2019-2023	1,080,000	762,500	-	-
2024-2028	1,380,000	465,250	-	-
2029-2031	1,005,000	102,000	-	-
Total	<u>\$ 5,475,000</u>	<u>\$ 4,485,428</u>	<u>\$ 186,213</u>	<u>\$ 22,501</u>

Business-Type Activities

Year Ending September 30	Capital Improvement Bonds		Municipal Loan/Revenue Bonds		Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 60,000	\$ 182,201	\$ 405,000	\$ 133,523	\$ 212,014	\$ 21,879
2006	65,000	179,271	420,000	117,099	304,607	11,595
2007	70,000	176,051	440,000	99,855	41,444	1,891
2008	70,000	172,531	465,000	81,621	9,089	1,271
2009-2013	420,000	803,184	1,505,000	122,516	26,892	1,599
2014-2018	555,000	671,228	-	-	-	-
2019-2023	200,000	462,128	-	-	-	-
2024-2028	810,000	298,137	-	-	-	-
2029-2031	900,000	51,750	-	-	-	-
Total	<u>\$ 3,150,000</u>	<u>\$2,996,481</u>	<u>\$ 3,235,000</u>	<u>\$ 554,614</u>	<u>\$ 594,046</u>	<u>\$ 38,235</u>

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 12 - COMMENTS REQUIRED BY THE BOND AND NOTE ORDINANCES

Public Improvement Refunding Revenue Bonds, Series 1998

1. The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows for the Utilities and Golf Enterprise Funds are shown in the financial statements section of the report.
2. The City is required to establish Sinking Fund amounts sufficient to pay one-sixth (1/6) of all interest becoming due on the Bonds on the next semi-annual interest payment date and one-twelfth (1/12) of all principal maturing on the Bonds in the current Bond Year.

	Principal/Interest Payments Due	Sinking Fund Requirement at 9/30/2004	Utilities Fund Allocation	Golf Fund Allocation
Principal due at 7/01/05	\$ 290,000	\$ 72,500	\$ 58,000	\$ 14,500
Interest due at 1/01/05	46,608	23,304	18,643	4,661
Total	\$ 336,608	\$ 95,804	\$ 76,643	\$ 19,161 ⁽¹⁾

⁽¹⁾ Amounts are included in restricted cash amounts on the Statement of Net Assets of the respective funds.

3. The City is required to establish a reserve in the amount of the Reserve Requirement. The Reserve Requirement is the maximum bond service amount in the current or any subsequent year. The City satisfied the Reserve Requirement by obtaining, on the date of the issuance, a municipal bond debt service reserve account insurance policy.
4. Insurance schedules are included in the statistical section of the insurance in force at September 30, 2004.
5. The City is not aware of any noncompliance with the bond ordinances.

Capital Improvement Revenue Bonds, Series 1999

1. The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows for the Golf Enterprise Fund are shown in the financial statements section of the report.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 12 - COMMENTS REQUIRED BY THE BOND AND NOTE ORDINANCES
(CONTINUED)

Capital Improvement Revenue Bonds, Series 1999 (Continued)

2. The City is required to establish Sinking Fund amounts sufficient to pay one-sixth (1/6) of all interest becoming due on the Bonds on the next semi-annual interest payment date and one-twelfth (1/12) of all principal maturing on the Bonds in the current Bond Year. Additionally, the City is required to establish additional Sinking Fund amounts sufficient to cover the cost of operations and maintenance for the next ensuing month.

	Annual O&M, Interest, and Principal Costs	Sinking Fund Requirement at 9/30/2004
Operation and maintenance costs	\$ 1,933,076	\$ 161,090
Principal due at 7/01/05	60,000	15,000
Interest due at 1/01/05	91,101	45,551
Total	\$ 2,084,177	\$ 221,641 ⁽¹⁾

⁽¹⁾ Amounts are included in restricted cash amounts on the Statement of Net Assets of the Golf fund.

3. The City is required to establish a reserve in the amount of the Reserve Requirement. The Reserve Requirement is the maximum bond service amount in the current or any subsequent year. The City satisfied the Reserve Requirement by obtaining, on the date of the issuance, a municipal bond debt service reserve account insurance policy.
4. Insurance schedules are included in the statistical section of the insurance in force at September 30, 2004.
5. The City is not aware of any noncompliance with the bond ordinances.

Capital Improvement Revenue Bonds, Series 2001

1. The Balance Sheet and Statement of Revenues, Expenses, and Changes in Fund Balance of the Debt Service Fund are shown in the financial statements section of the report.
2. The City is required to establish Sinking Fund amounts sufficient to pay one-sixth (1/6) of all interest becoming due on the Bonds on the next semi-annual interest payment date and one-twelfth (1/12) of all principal maturing on the Bonds in the current Bond Year.

	Principal/Interest Payments Due	Sinking Fund Requirement at 9/30/2004
Principal due at 7/01/05	\$ 110,000	\$ 27,500
Interest due at 1/01/05	129,306	64,653
Total	\$ 239,306	\$ 92,153 ⁽¹⁾

⁽¹⁾ Amounts are included in restricted cash amounts on the Balance Sheet of the Debt Service Fund.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 12 - COMMENTS REQUIRED BY THE BOND AND NOTE ORDINANCES
(CONTINUED)

Capital Improvement Revenue Bonds, Series 2001 (Continued)

3. The City is required to establish a reserve in the amount of the Reserve Requirement. The Reserve Requirement is the maximum bond service amount in the current or any subsequent year. The City satisfied the Reserve Requirement by obtaining, on the date of the issuance, a municipal bond debt service reserve account insurance policy.
4. Insurance schedules are included in the statistical section of the insurance in force at September 30, 2004.
5. The City is not aware of any noncompliance with the bond ordinances.

NOTE 13 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables and are not considered to be available to liquidate liabilities of the current period. Governmental and Proprietary funds also defer revenue recognition in connection with resources received, but not yet earned. At September 30, 2004, the various components of deferred and unearned revenue were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
<i>Governmental Funds</i>			
Special assessment for street resurfacing not yet due	\$ 83,678	\$ -	\$ 83,678
Grant funds received in advance	-	489	489
Sound Park project	-	47,450	47,450
Other	-	22,817	22,817
	<u>83,678</u>	<u>70,756</u>	<u>154,434</u>
<i>Utilities Fund</i>			
Prepaid utility bills	-	9,087	9,087
Total	<u>\$ 83,678</u>	<u>\$ 79,843</u>	<u>\$ 163,521</u>

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 14 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2004, is as follows:

<i>Due To/From Other Funds</i>			
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
General	Nonmajor Governmental	\$	55,112
General	Golf		375,897
		<u>\$</u>	<u>431,009</u>
<i>Advances To/From Other Funds</i>			
<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
Sanitation	Golf	\$	172,810
General	Golf		100,000
		<u>\$</u>	<u>272,810</u>

General Fund receivables from the Nonmajor Governmental Funds (Community Development Block Grant Special Revenue Fund) and the Golf Fund are the result of temporary deficit cash balances. Advances from the Sanitation and General Fund to the Golf Fund are for operational expenses.

	<u>Transfers In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Utilities Fund</u>	<u>Non-Major Governmental Fund</u>	
Transfers Out				
General	\$ -	\$ -	\$ 158,352	\$ 158,352
Utilities	1,350,000	-	-	1,350,000
Sanitation	641,333	35,000	-	676,333
Nonmajor governmental	-	-	367,113	367,113
	<u>\$ 1,991,333</u>	<u>\$ 35,000</u>	<u>\$ 525,465</u>	<u>\$ 2,551,798</u>

All transfers occur on a routine basis and are consistent with the activities of the Fund making the transfer, contingent upon the availability of funds.

NOTE 15 - INDUSTRIAL DEVELOPMENT REVENUE BONDS

Since 1980, the City has authorized three industrial development revenue bond issues. The original issues totaled \$13,490,000, and as of September 30, 2004, \$6,605,000 was still outstanding. These bonds do not constitute an indebtedness of the City and are not a charge against its general credit or taxing powers. The bonds are payable solely from revenues of the respective industries to which these bond proceeds were remitted.

City of Fort Walton Beach, Florida
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 16 - COMMITMENTS AND CONTINGENCIES

Grants

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

Hurricane Ivan

In September 2004, the City, along with most of Northwest Florida, sustained damage due to Hurricane Ivan. As of September 30, 2004, the City has recorded revenues and expenses attributable to hurricane activities incurred through that date. There was no significant damage to the City's facilities and infrastructure. Expenses incurred for storm preparation, emergency assistance, debris removal and damage repair through September 30, 2004, were \$2,252,664. Of this amount, the City has recorded revenues and receivables from Federal Emergency Management Agency (FEMA) and the State Department of Community Affairs in the amount of \$2,024,750 and \$85,888, respectively. The City estimates total disaster related expenditures to be approximately \$4,950,000, of which \$4,579,400 is anticipated to be reimbursed from FEMA and the State of Florida.

NOTE 17 - SUBSEQUENT EVENTS

On November 9, 2004, the City passed a resolution declaring the intention of the City to design, acquire, construct and equip certain improvements to the City's water and wastewater facilities. The resolution also included funding these projects through proceeds of tax exempt obligations (Utility Revenue Bonds) in an amount not to exceed \$11,000,000.

III. STATISTICAL SECTION

This section contains statistical tables reflecting various supplemental financial data concerning General Government and Proprietary Fund Operations. When applicable, a 10-year history has been depicted to disclose trends in finance-related matters. These tables have been included as a part of this report for information purposes only, and therefore, have not been subjected to audit by the City's independent certified public accountants.

City of Fort Walton Beach, Florida
TABLE I
REVENUES AND OTHER FINANCING SOURCES ⁽¹⁾
Last Ten Fiscal Years
Unaudited

Fiscal Year	Taxes	Licenses & Permits	Intergovernmental Revenues	Charges for Services	Fines & Forfeitures	Interest & Other Revenues	Other Financing Sources	TOTAL
2004	\$ 9,506,835	\$ 358,675	\$ 5,514,537	\$ 933,006	\$ 305,851	\$ 653,600	\$ 2,701,425	\$ 19,973,929
2003	9,272,422	325,274	4,027,442	899,844	358,988	1,086,958	2,419,143	18,390,071
2002	8,707,276	324,860	4,831,914	774,411	295,755	1,271,123	8,269,071	24,474,410
2001	7,926,999	364,647	3,541,556	729,542	156,766	892,042	2,253,572	15,865,124
2000	7,327,816	322,066	2,976,734	547,393	349,927	755,182	2,249,485	14,528,603
1999	6,906,585	301,335	3,092,534	533,197	268,714	842,096	3,041,438	14,985,899
1998	6,675,336	273,323	2,320,343	541,688	317,108	887,397	2,113,402	13,128,597
1997	6,346,667	313,279	2,168,283	519,575	170,112	864,339	2,888,808	13,271,063
1996	6,109,794	297,692	4,079,559	587,958	319,580	1,178,024	3,009,829	15,582,436
1995	5,766,540	235,055	2,342,129	4,949,346	308,419	704,267	4,923,084	19,228,840

⁽¹⁾ Includes General Fund, LETFs, CDBG Fund, CRA Fund, Debt Service Fund, Capital Projects Fund, and Beal Memorial Fund

SOURCE: City of Fort Walton Beach Finance Department

City of Fort Walton Beach, Florida
TABLE II
EXPENDITURES AND OTHER FINANCING USES ⁽¹⁾
Last Ten Fiscal Years
Unaudited

Fiscal Year	General Government Services	Public Safety	Physical Environment	Transportation	Economic Environment	Human Services	Culture/ Recreation	Capital Outlay	Debt Service	Other Financing Uses	TOTAL
2004	\$ 5,722,625	\$ 6,497,310	\$ 211,388	\$ 1,183,153	\$ 571,929	\$ -	\$ 2,250,304	\$ 2,258,452	\$ 410,866	\$ 525,465	\$ 19,631,492
2003	3,537,638	6,450,462	224,246	1,263,289	471,883	-	2,197,934	4,710,721	505,491	706,315	20,067,979
2002	3,467,844	5,794,370	216,485	1,230,487	475,665	-	2,012,907	8,432,902	331,966	560,579	22,523,205
2001	3,135,889	5,538,513	194,511	1,155,002	348,245	-	1,872,877	3,030,097	113,019	155,182	15,543,335
2000	3,074,808	5,283,662	123,664	1,209,145	302,187	-	1,767,581	2,291,181	311,488	355,417	14,719,133
1999	2,987,914	5,209,137	117,303	1,140,063	319,829	-	1,658,680	2,394,016	371,779	395,965	14,594,686
1998	2,675,301	4,802,289	96,357	1,219,089	285,613	-	1,557,207	1,059,670	277,027	540,377	12,512,930
1997	2,750,871	4,580,675	107,210	1,172,908	151,554	-	1,515,414	1,394,715	954,628	418,904	13,046,879
1996	3,750,729	4,629,303	96,716	1,115,136	248,086	-	1,481,442	970,154	1,107,859	914,275	14,313,700
1995	2,516,060	4,449,373	2,273,781	1,419,212	199,326	-	2,266,276	895,093	1,422,964	3,542,013	18,984,098

⁽¹⁾ Includes General Fund, LETFs, CDBG Fund, CRA Fund, Debt Service Fund, Capital Projects Fund, and Beal Memorial Fund

SOURCE: City of Fort Walton Beach Finance Department

City of Fort Walton Beach, Florida
TABLE III
ASSESSED VALUE OF TAXABLE PROPERTY ⁽¹⁾
Last Ten Fiscal Years
Unaudited

Year	Real Property	Personal Property	Total Assessed Value	Exemptions	Assessed Value for Operations
2004	\$ 1,194,748,692	\$ 123,444,654	\$ 1,318,193,346	\$ 400,213,897	\$ 917,979,449
2003	1,089,753,957	124,154,533	1,213,908,490	350,277,840	863,630,650
2002	1,038,333,842	123,362,138	1,161,695,980	330,677,926	831,018,054
2001	1,002,041,532	123,331,603	1,125,373,135	323,878,140	801,494,995
2000	957,323,785	110,859,745	1,068,183,530	313,946,259	754,237,271
1999	922,849,388	103,023,634	1,025,873,022	299,095,411	726,777,611
1998	902,497,808	96,951,847	999,449,655	302,724,415	696,725,240
1997	864,708,574	96,757,351	961,465,925	291,818,790	669,647,135
1996	774,854,779	91,678,473	866,533,252	232,674,297	633,858,955
1995	748,850,099	70,891,722	819,741,821	216,468,778	603,273,043

⁽¹⁾ Florida State Law requires all property to be assessed at current fair market value.

SOURCE: Okaloosa County Property Appraiser

City of Fort Walton Beach, Florida
TABLE IV
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
Unaudited

Fiscal Year	Total Tax Levy ⁽¹⁾	Amount of Current Taxes Collected	Percent of Current Taxes Collected	Amount of Delinquent Taxes Collected	Total Collected for the Year	Ratio of Total Taxes Collected to Current Levy	Amount of Delinquent Taxes	Ratio of Delinquent Taxes to Current Levy
2004				This levy will be collected during Fiscal Year 2005				
2003	\$ 4,305,962	\$ 4,151,604	96.4%	\$ 16,263	\$ 4,167,867	96.8%	\$ 11,174	0.3%
2002	4,145,081	3,996,625	96.4%	24,236	4,020,861	97.0%	14,663	0.4%
2001	4,001,772	3,852,832	96.3%	21,379	3,874,211	96.8%	17,892	0.4%
2000	3,764,476	3,471,789	92.2%	18,940	3,490,729	92.7%	172,693	4.6%
1999	3,629,853	3,495,174	96.3%	16,503	3,511,677	96.7%	15,464	0.4%
1998	3,475,131	3,345,886	96.3%	14,858	3,360,744	96.7%	15,297	0.4%
1997	3,635,701	3,204,425	88.1%	36,357	3,240,782	89.1%	22,685	0.6%
1996	3,150,280	3,027,743	96.1%	31,222	3,058,965	97.1%	21,647	0.7%
1995	2,820,956	2,881,136	102.1%	10,785	2,891,921	102.5%	12,647	0.4%

⁽¹⁾ Includes discount taken for early payment of taxes (maximum of 4%).

SOURCE: Okaloosa County Tax Collector

City of Fort Walton Beach, Florida
TABLE V
PROPERTY TAX RATES PER \$1,000 OF TAXABLE VALUE
ALL DIRECT AND OVERLAPPING GOVERNMENTS ⁽¹⁾
Last Ten Fiscal Years
Unaudited

Government or District	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
County	4.2500	4.2500	4.2500	4.2500	4.3755	4.4604	4.5000	4.5280	4.5280	4.5280
School	8.2940	8.2940	8.4120	8.2180	8.2180	7.9720	8.7230	5.5720	8.5872	8.5860
NW Florida Water Mgmt	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500
Cinco Bayou	2.3000	2.3000	2.3000	2.3000	2.3000	2.3000	2.3000	2.3000	2.3000	2.3500
Crestview	6.9990	6.9990	6.9990	6.9990	6.9990	5.8610	5.8610	5.8600	5.2500	5.0900
Destin	1.8000	1.8000	1.8000	1.7500	1.7500	1.6000	1.5491	1.5491	1.5400	1.4817
Fort Walton Beach	4.9700	4.9700	4.9700	4.9700	4.9700	4.9700	4.9700	4.9700	4.9700	4.9700
Mary Esther	3.5000	3.5000	3.5000	2.8370	2.8370	2.7760	2.7760	2.7760	2.7760	2.7760
Niceville	3.5000	3.3000	3.0000	3.0000	3.0000	2.7300	2.7300	2.7300	2.7300	2.7800
Shalimar	2.7000	2.8000	2.8000	3.0000	3.0000	3.2000	3.2000	3.2000	3.2000	3.2000
Valparaiso	3.9900	3.9900	3.9900	3.5000	3.3000	3.1000	2.9000	2.7500	2.7500	2.7500
Destin Fire	0.8600	0.8600	0.7386	0.7386	0.7386	1.6000	1.5491	1.5491	0.8900	0.7600
East Niceville Fire	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Florosa Fire	1.0000	1.0000	1.0000	0.9798	1.0000	1.0000	FLAT	FLAT	FLAT	FLAT
North Bay Fire	1.8750	1.8500	1.7500	1.6500	1.5320	1.5320	1.5720	1.5720	1.6250	1.6300
Ocean City - Wright Fire	1.8000	1.8000	1.6900	1.6900	1.6900	1.5660	1.5660	1.6279	1.6900	1.6900
Okaloosa Island Fire	2.6461	2.9500	3.3042	3.3745	3.4500	3.4500	3.4500	3.2500	3.9500	3.8000

⁽¹⁾ As of levy date, November 1 of each year listed

SOURCE: Okaloosa County Tax Collector

City of Fort Walton Beach, Florida
TABLE VI
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE
AND NET BONDED DEBT PER CAPITA
Last Ten Fiscal Years
Unaudited

Fiscal Year	Estimated Population	Assessed Value for Operations ⁽¹⁾	Gross Bonded Debt	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Gross Bonded Debt
2004	20,619	\$ 917,979,449	\$ -	\$ -	\$ -	-	\$ -
2003	20,513	863,630,650	-	-	-	-	-
2002	20,239	831,018,054	-	-	-	-	-
2001	19,973	801,494,995	-	-	-	-	-
2000	22,226	754,223,701	-	-	-	-	-
1999	21,980	726,777,611	-	-	-	-	-
1998	22,052	696,725,540	-	-	-	-	-
1997	22,136	669,647,135	-	-	-	-	-
1996	21,471	633,858,975	-	-	-	-	-
1995	22,003	603,273,043	-	-	-	-	-

⁽¹⁾ From Table III

SOURCE: Bureau of Economic and Business Research, University of Florida

www.state.fl.us/edr/population.htm
 BERB report

City of Fort Walton Beach, Florida
TABLE VII
SCHEDULE OF PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
Last Ten Fiscal Years
Unaudited

Fiscal Year	Total Assessed Value ⁽¹⁾	Commercial Construction		Residential Construction		Bank Deposits ⁽³⁾
		# of Units ⁽²⁾	Value	# of Units ⁽²⁾	Value	
2004	\$ 1,318,193,346	5	\$ 3,775,736	35	\$ 3,997,776	\$ 933,828,000
2003	1,213,908,490	10	3,349,600	36	4,892,750	806,189,000
2002	1,161,695,980	10	2,070,775	78	6,062,808	749,957,000
2001	1,125,373,135	50	14,793,015	45	5,631,190	704,381,000
2000	1,068,183,530	42	9,323,200	156	3,622,298	646,011,000
1999	1,025,873,022	152	15,807,704	777	6,298,506	633,476,000
1998	999,499,655	195	17,108,890	560	7,815,346	627,493,000
1997	961,465,925	337	11,864,738	540	5,871,821	436,487,000
1996	866,532,272	236	8,599,198	1,027	7,006,499	427,742,000
1995	819,741,821	151	5,317,125	568	3,951,159	449,402,000

SOURCE:

⁽¹⁾ Okaloosa County Property Appraiser

⁽²⁾ City of Fort Walton Beach Inspection Department

⁽³⁾ FDIC Website - Summary of Deposits

City of Fort Walton Beach, Florida
TABLE VIII
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
GENERAL OBLIGATIONS
Unaudited

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to Fort Walton Beach</u>	<u>Amount Applicable to Fort Walton Beach</u>
Fort Walton Beach	-	100.00%	-
Okaloosa County	-	0.00%	-
Okaloosa School District	<u>27,117,036</u>	26.48%	<u>7,180,591</u>
Total	<u>\$27,117,036</u>		<u>\$7,180,591</u>

SOURCE: Okaloosa County School Board

City of Fort Walton Beach, Florida
TABLE IX
SCHEDULE OF REVENUE CERTIFICATE COVERAGE
UTILITY TAX REVENUE CERTIFICATES
Last Ten Fiscal Years
Unaudited

Fiscal Year	Utility Tax Revenue	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			
				Principal	Interest	Total	Coverage
2004				(1)			
2003				(1)			
2002				(1)			
2001				(1)			
2000				(1)			
1999				(1)			
1998	1,504,230	-	1,504,230	170,000	87,900	257,900	5.83
1997	1,549,321	-	1,549,321	160,000	97,500	257,500	6.02
1996	1,418,170	-	1,418,170	150,000	106,500	256,500	5.53
1995	1,377,631	-	1,377,631	145,000	115,055	260,055	5.30

(1) Debt retired with Public Improvement Refunding Bonds, Series 1998.

SOURCE: City of Fort Walton Beach Finance Department

City of Fort Walton Beach, Florida
TABLE X
SCHEDULE OF REVENUE CERTIFICATE COVERAGE
WATER TAX REVENUE CERTIFICATES
Last Ten Fiscal Years
Unaudited

Fiscal Year	Operating Revenue	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2004				(1)			
2003				(1)			
2002				(1)			
2001				(1)			
2000				(1)			
1999				(1)			
1998	1,784,364	867,615	916,749	29,000	1,250	30,250	30.31
1997	1,716,753	956,224	760,529	86,000	4,750	90,750	8.38
1996	1,691,224	968,244	722,980	83,000	8,130	91,130	7.93
1995	1,601,788	1,009,130	592,658	80,000	11,390	91,390	6.48

(1) Debt retired with Public Improvement Refunding Bonds, Series 1998.

SOURCE: City of Fort Walton Beach Finance Department

City of Fort Walton Beach, Florida
TABLE XI
SCHEDULE OF REVENUE BOND COVERAGE
SEWER REVENUE CERTIFICATES
Last Ten Fiscal Years
Unaudited

Fiscal Year	Operating Revenue	Cigarette Tax	Direct Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			
					Principal	Interest	Total	Coverage
2004				(1)				
2003				(1)				
2002				(1)				
2001				(1)				
2000				(1)				
1999	3,081,438	328,381	1,422,719	1,987,100	81,000	3,619	84,619	23.48
1998	3,124,465	352,628	1,429,894	2,047,199	250,000	246,975	496,975	4.12
1997	2,946,187	342,147	1,495,546	1,792,788	240,000	258,401	498,401	3.60
1996	2,950,230	352,735	1,631,714	1,671,251	186,250	204,834	391,084	4.27
1995	2,817,804	455,621	1,165,130	2,108,295	70,000	16,521	86,521	24.37

(1) Bond Series 1960, 1961, and 1965 retired.

SOURCE: City of Fort Walton Beach Finance Department

City of Fort Walton Beach, Florida
TABLE XI (A)
SCHEDULE OF REVENUE BOND COVERAGE
SEWER PUBLIC IMPROVEMENT REFUNDING REVENUE BONDS - SERIES 1998
Last Ten Fiscal Years
Unaudited

Fiscal Year	Operating Revenue	Sales Tax ⁽¹⁾	Direct Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2004	\$ 5,876,502	\$ 1,371,506	\$ 3,085,717	\$ 4,162,291	\$ 210,000	\$ 77,787	\$ 287,787	14.46
2003	5,348,195	1,204,946	2,877,190	3,675,951	433,750	106,023	539,773	6.81
2002	5,123,375	1,141,363	2,838,501	3,426,237	416,250	120,969	537,219	6.38
2001	2,996,967	1,119,279	1,652,960	2,463,286	403,750	135,253	539,003	4.57
2000	3,054,325	1,111,789	1,458,520	2,707,594	390,000	148,262	538,262	5.03
1999	3,081,438	1,050,941	1,422,719	2,709,660	177,500	91,775	269,275	10.06

(1) Bond Ordinance requires Sales Tax to be part of bond covenant.

(2) Depreciation not included.

SOURCE: City of Fort Walton Beach Finance Department

City of Fort Walton Beach, Florida
TABLE XI (B)
SCHEDULE OF REVENUE BOND COVERAGE
GOLF PUBLIC IMPROVEMENT REFUNDING REVENUE BONDS - SERIES 1998
Last Ten Fiscal Years
Unaudited

Fiscal Year	Operating Revenue	Sales Tax ⁽¹⁾	Direct Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
					Principal	Interest	Total	
2004	\$ 2,180,552	\$ 342,878	\$ 1,821,019	\$ 702,411	\$ 70,000	\$ 25,929	\$ 95,929	7.32
2003	1,942,550	301,236	1,816,706	427,080	66,250	16,194	82,444	5.18
2002	2,050,888	285,341	1,847,205	489,024	63,750	18,527	82,277	5.94
2001	2,099,824	279,820	1,609,396	770,248	61,250	20,518	81,768	9.42
2000	2,181,985	277,948	1,509,328	950,605	60,000	22,810	82,810	11.48
1999	2,021,443	262,735	1,364,703	919,475	22,500	11,633	34,133	26.94

(1) Bond Ordinance requires Sales Tax to be part of bond covenant.

(2) Depreciation not included.

SOURCE: City of Fort Walton Beach Finance Department

City of Fort Walton Beach, Florida
TABLE XII
SCHEDULE OF REVENUE BOND COVERAGE
Last Ten Fiscal Years
Unaudited

Fiscal Year	Non Ad Valorem Revenues ⁽¹⁾	Average Non Ad Valorem Revenues Avail. For Debt Service	Debt Service Requirements ⁽²⁾			Coverage
			Principal	Interest	Total	
2004	\$ 26,974,332	\$ 26,011,445	\$ 275,000	\$ 492,124	\$ 767,124	33.91
2003	25,048,557	25,106,627	265,000	502,591	767,591	32.71
2002	25,164,696	24,139,057	215,000	400,090	615,090	39.24
2001	23,113,418	22,489,206	55,000	218,874	273,874	82.12
2000	21,864,993	22,141,242	30,000	113,226	143,226	154.59

⁽¹⁾ Non Ad Valorem Revenues of General Fund, Capital Projects Fund, Other Governmental Funds, and Proprietary Funds

⁽²⁾ Combined Debt Service requirements for Golf Capital Improvement Revenue Bonds-Series 1999, Florida Municipal Loan Council Revenue Bonds-Series 2000B, and Capital Improvement Revenue Bonds-Series 2001

SOURCE: City of Fort Walton Beach Finance Department

City of Fort Walton Beach, Florida
TABLE XIII
PRINCIPAL TAXPAYERS
Unaudited

<u>Taxpayer</u>	<u>Total Assessed Valuation</u>	<u>Percentage</u>
Sprint Florida Inc.	\$ 22,563,122	2.46%
Gulf Power Co.	14,327,675	1.56%
99 Eglin Ltd.	10,180,490	1.11%
Aero Technical Service	9,670,506	1.05%
American Senior Living of FWB	8,039,951	0.88%
Inland Southeast Paradise Point	5,009,660	0.55%
Metric Systems	4,967,997	0.54%
Home Depot USA Inc.	4,749,285	0.52%
Emerald Coast Housing Corp.	4,635,287	0.50%
Mariner Plaza Realty Assoc.	<u>4,592,717</u>	<u>0.50%</u>
Total Taxable Assessed Value of Principal Taxpayers	88,736,690	9.67%
Total Taxable Assessed Value of Other Taxpayers	829,242,759	90.33%
Total Taxable Assessed Value	<u><u>917,979,449</u></u>	<u><u>100.00%</u></u>

SOURCE: Okaloosa County Property Appraiser

City of Fort Walton Beach, Florida
TABLE XIV
MAJOR EMPLOYERS
Unaudited

Employer	Product	Number of Employees		
		2004	2003	2002
USAF - Eglin*	Air Force Development Test Center	20,000	19,135	19,135
USAF - Hurlburt*	Air Force Special Ops Command	8,734	8,453	8,453
Okaloosa County School District	School System: grades K-12	3,718	3,460	4,000
Okaloosa County	County government services	1,360 ¹	1,286	740
Abbott Realty Services	Realty services	1,300	1,200	1,200
Ft. Walton Beach Medical Center	Hospital services	975	940	926
State of Florida	State government services	966	966	966
BAF Systems	Technical support for military projects	900	900	900
Metric Systems Corporation	Radar systems, digital computers	747	600	600
North Okaloosa Medical Center	Hospital services	625	592	587
Sverdup Technologies	Technical support for military projects	439	400	400
City of Fort Walton Beach	City government services	436	437	479
Tybrin Corporation	Electronics manufacturing & technical support for military projects	413	410	410
Okaloosa-Walton Community College	Educational services	320	308	270
Twin Cities Hospital	Hospital services	261	275	270

* Includes civilian and military personnel

¹ Clerk of Court, Property Appraiser, Sheriff, Supervisor of Elections, Tax Collector included

SOURCE: Personnel Department of each employer

City of Fort Walton Beach, Florida
TABLE XV
PERMITS, LICENSES AND RECREATION FACILITIES
Unaudited

MISCELLANEOUS PERMITS

<u>Year</u>	<u>Mechanical</u>	<u>Electrical</u>	<u>Gas</u>	<u>Plumbing</u>	<u>Water & Sewer</u>
2004	163	396	61	182	53
2003	145	371	84	158	70
2002	168	337	70	128	63
2001	264	368	85	259	64
2000	346	349	71	270	71
1999	213	192	119	126	25
1998	347	212	109	157	52
1997	430	342	216	201	36
1996	372	339	249	210	18
1995	302	266	184	220	25

OCCUPATIONAL LICENSES

<u>Year</u>	<u>Number Sold</u>
2004	2,389
2003	2,279
2002	2,324
2001	2,346
2000	2,022
1999	2,207
1998	2,144
1997	2,088
1996	2,670
1995	1,967

RECREATIONAL FACILITIES

4	Recreation Center	4	Tennis Court Facilities
4	Beaches (with Parks)	21	Tennis Courts
1	Football Stadium	12	Baseball-Softball Diamonds
21	Playgrounds	2	18-hole Golf Courses
1	Public Library	3	Museum
5	Boat Ramps	5	Soccer Fields
4	Racquetball Courts	1	BMX/Skateboard Facility
1	Municipal Auditorium	2	Fitness Track

SOURCE: City of Fort Walton Beach Departments

City of Fort Walton Beach, Florida
TABLE XXI
SANITATION AND RECYCLING SERVICE RATES
Unaudited

Basic Garbage Rates

	Garbage	Tipping	Total
Residential			
One Container	\$ 10.27	\$ 4.91	\$ 15.18
Residential Dumpsters, Individual Meters	\$ 10.27	\$ 4.91	\$ 15.18
Commercial			
One Container	\$ 27.75	\$ 5.63	\$ 33.38
Two Containers	\$ 55.50	\$ 11.26	\$ 66.76
Special Pick-up	\$ 36.25	\$ 5.63	\$ 41.88
Shared Dumpster (minimum charge)	\$ 27.75	\$ 5.63	\$ 33.38

Miscellaneous Fees

Utility Tax	10% of water service, \$10.00 maximum
Late Charge	5% of balance
Septic, portable toilet, boat trailer waster collection	25 gallons or less - \$5.00 over 25 gallons - \$0.20 per gallon
Delinquent Charge	\$15.00
Minimum Deposit	Residential - \$50.00 Commercial - \$75 or 3 x minimum bill
Industrial Permits Fee	\$100.00, plus \$25.00 per sample, plus sample cost, plus 10% of analysis cost

SOURCE: City of Fort Walton Beach Comprehensive Fee Schedule

City of Fort Walton Beach, Florida
TABLE XVI
MISCELLANEOUS STATISTICAL DATA
Unaudited

		OKALOOSA COUNTY		
		FY 2003-04	FY 2002-03	FY 2001-02
EDUCATION:				
Schools:	Grades K - 5	21	21	21
	Grades 6 - 8	8	8	8
	Grades 9 - 12	4	4	4
	PK-12 / Charter / Alternate	2 / 3 / 9	2 / 3 / 9	2 / 3 / 6
	Vocational / Technical	2	2	2
	Exceptional Children	1	1	1
Students:	Grades K - 5	13,762	13,067	13,304
	Grades 6 - 8	7,300	7,350	7,425
	Grades 9 - 12	9,820	9,878	9,732
	Vocational & Adult Students	600	662	834
	Exceptional Children	6,446	6,379	6,412
	Charter	1,070	1,023	1,030
Personnel:	Instructional (Classroom)	1,764	1,852	1,859
	Non-Instructional	1,689	1,573	1,632
		CITY OF FORT WALTON BEACH		
		FY 2003-04	FY 2002-03	FY 2001-02
	Police Protection - number of sworn officers	56	56	57
	Fire Protection - number of firefighters	32	32	32
	City Employees	345	346 full time	348 full time
		91	91 part time	94 part time
	Water Lines	115.54	115.37 miles	115.30 miles
	Sewer Lines	118.64	118.29 miles	118.26 miles
	Storage Capacity of Elevated Tanks	2 tanks 200,000 gallons each 2 tanks 100,000 gallons each 1 tank 500,000 gallons		
	Storage Capacity of Ground Storage	1 tank 135,000 gallons 1 tank 250,000 gallons 1 tank 25,000 gallons 1 tank 1,000,000 gallons		
	Design Pumping Capacity of Water Wells	9.3 million gallons per day		
	Paved Streets	97.7 miles	97.7 miles	97.7 miles
	Unpaved Streets	0.8 miles	0.8 miles	0.8 miles
	Area of City	7.41 sq. miles	7.41 sq. miles	7.41 sq. miles

SOURCE: Okaloosa County School Board
City of Fort Walton Beach Departments

City of Fort Walton Beach, Florida
TABLE XVII
ELECTIONS - OKALOOSA COUNTY VOTER REGISTRATION
Unaudited

Precinct #	Republican	Democrat	Minor	No Party	Total
01	1,040	563	10	189	1,802
02	362	226	4	59	651
03	531	343	11	196	1,081
04	465	356	4	156	981
05	412	386	5	136	939
06	1,142	565	15	262	1,984
07	508	325	6	208	1,047
08	1,883	1,160	29	643	3,715
09	1,373	502	13	328	2,216
10	3,534	1,728	50	1,280	6,592
11	1,049	757	18	523	2,347
11A	3,566	1,030	21	1,297	5,914
12	190	558	8	181	937
13	1,698	902	27	488	3,115
14	1,348	702	23	430	2,503
15	1,835	804	20	570	3,229
16	1,735	795	34	533	3,097
17	1,764	1,081	23	758	3,626
18	1,345	764	23	450	2,582
19*	556	562	7	342	1,467
20	1,461	655	29	477	2,622
21	1,665	787	22	441	2,915
22*	949	811	17	410	2,187
23	1,036	428	9	504	1,977
24*	1,598	991	12	583	3,184
25	1,046	519	8	361	1,934
26	1,739	485	19	368	2,611
27	158	77	5	62	302
28*	214	98	0	48	360
29*	1,424	452	11	306	2,193
30	928	298	18	320	1,564
31	1,278	398	17	213	1,906
32*	1,503	649	16	346	2,514
33	2,753	610	21	503	3,887
34	1,996	944	28	725	3,693
35	1,630	445	14	377	2,466
36	1,488	446	8	299	2,241
37	1,992	449	36	332	2,809
38	1,270	564	16	347	2,197
39	1,359	799	26	493	2,677
40	2,021	403	11	448	2,883
41*	900	342	11	148	1,401
42*	1,058	647	8	397	2,110
43	1,330	603	21	349	2,303
44	932	380	18	328	1,658
45	1,830	779	16	733	3,358
46	2,877	700	40	647	4,264
47	1,134	523	26	470	2,153
48*	131	66	1	13	211
49	1,453	267	16	334	2,070
50	1,996	483	14	471	2,964
51	885	386	10	194	1,475
52	1,860	761	25	674	3,320
TOTAL	72,230	31,354	900	21,750	126,234

* City Precinct

SOURCE: County Supervisor of Elections Office

City of Fort Walton Beach, Florida
TABLE XVIII
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
Last Ten Fiscal Years
Unaudited

Fiscal Year	Assessments ⁽¹⁾	Assessments Collected or Released	Ratio of Collections to Amount Assessed	Total Outstanding Current and Delinquent Assessment
2004	\$ -	\$ 37,510	0.00%	\$ 83,770
2003	-	13,783	0.00%	121,280
2002	161,037	27,360	16.99%	135,064
2001	-	92	0.00%	1,294
2000	-	50	0.00%	1,386
1999	-	2,809	0.00%	1,436
1998	-	2,860	0.00%	5,191
1997	-	-	0.00%	-
1996	-	-	0.00%	-
1995	-	-	0.00%	-

⁽¹⁾ Paving assessments are payable over a twenty year period.

SOURCE: City of Fort Walton Beach Finance Department
001-0000-121-1020

City of Fort Walton Beach, Florida
TABLE XIX
WATER SERVICE RATES
Unaudited

Monthly Water Rates ⁽¹⁾	Residential ⁽²⁾		Commercial ⁽³⁾	
	Inside	Outside	Inside	Outside
Lifeline Rate ⁽⁴⁾	\$5.84	\$7.30	-	-
Monthly Base Charge ⁽⁵⁾ , Meter Size:				
3/4"	\$5.84	\$7.30	\$5.84	\$7.30
1.0"	\$5.84	\$7.30	\$5.84	\$7.30
1.5"	\$7.92	\$9.90	\$0.79	\$9.90
2.0"	\$13.48	\$16.85	\$13.48	\$16.85
3.0"	\$20.56	\$25.69	\$20.56	\$25.69
4.0"	\$25.67	\$32.09	\$25.67	\$32.09
6.0"	\$40.89	\$51.12	\$40.89	\$51.12
8.0"	\$61.24	\$76.54	\$61.24	\$76.54
Gallorage Rate (per 1,000 gallons per unit)	Inside		Outside	
Block 1 (0 - 2,000)	Included in monthly base charge			
Block 2 (2,001 - 4,000)	\$1.29		\$1.61	
Block 3 (4,001 - 8,000)	\$1.57		\$1.97	
Block 4 (8,001 and above)	\$2.36		\$2.95	

⁽¹⁾Irrigation customers subject to water rates as outlined herein

⁽²⁾Multi-residential customers assessed at \$4.32 inside and \$5.40 outside per additional unit after the first unit per meter

⁽³⁾Assessed on a per unit basis

⁽⁴⁾Single family residence with less than 2,000 gallons per month

⁽⁵⁾Includes 2,000 gallons per month

SOURCE: City of Fort Walton Beach Comprehensive Fee Schedule

City of Fort Walton Beach, Florida
TABLE XX
SEWER SERVICE RATES
Unaudited

Monthly Sewer Rates	Residential	
	Single Family	Multi-Family / Trailer Park
Up to 2,000 gallons	\$12.80	\$12.80
Rate per 1,000 additional gallons ⁽¹⁾	\$2.98	\$2.98
	Commercial	
	Single Outlet / Single Unit	Multi-Outlet / Multi-Unit
Up to 2,000 gallons	\$15.37	\$15.37
Rate per 1,000 additional gallons	\$3.57	\$3.57

⁽¹⁾Maximum usage charge based on 16,000 gallons

SOURCE: City of Fort Walton Beach Comprehensive Fee Schedule

City of Fort Walton Beach, Florida
TABLE XXI
SANITATION AND RECYCLING SERVICE RATES
Unaudited

Garbage and Trash Collection

	Garbage	Tipping	Total
2 Cubic Yards			
2 times per week	\$ 58.93	\$ 40.59	\$ 99.52
3 times per week	\$ 88.40	\$ 60.88	\$ 149.28
4 times per week	\$ 117.87	\$ 81.18	\$ 199.05
5 times per week	\$ 147.33	\$ 101.47	\$ 248.80
6 times per week	\$ 176.80	\$ 121.76	\$ 298.56
4 Cubic Yards			
2 times per week	\$ 83.20	\$ 81.18	\$ 164.38
3 times per week	\$ 124.80	\$ 121.77	\$ 246.57
4 times per week	\$ 166.40	\$ 162.35	\$ 328.75
5 times per week	\$ 208.00	\$ 202.94	\$ 410.94
6 times per week	\$ 249.60	\$ 243.53	\$ 493.13
6 Cubic Yards			
2 times per week	\$ 109.20	\$ 121.77	\$ 230.97
3 times per week	\$ 163.80	\$ 182.65	\$ 346.45
4 times per week	\$ 218.40	\$ 243.53	\$ 461.93
5 times per week	\$ 273.00	\$ 304.41	\$ 577.41
6 times per week	\$ 327.60	\$ 365.30	\$ 692.90
8 Cubic Yards			
2 times per week	\$ 131.73	\$ 162.35	\$ 294.08
3 times per week	\$ 197.60	\$ 243.53	\$ 441.13
4 times per week	\$ 263.47	\$ 324.71	\$ 588.18
5 times per week	\$ 329.33	\$ 405.89	\$ 735.22
6 times per week	\$ 395.20	\$ 487.06	\$ 882.26
One time fee to change size of dumpster		\$20.00	
Extra trash pick-up		\$60.00 per hour, \$15.00 minimum	

Recycling

Per household or business \$1.45 per month

City of Fort Walton Beach, Florida
TABLE XXII
INSURANCE COVERAGE
September 30, 2004
Unaudited

<u>Effective Dates</u>	<u>Company</u>	<u>Policy Number</u>	<u>Agent, Broker, or Company Rep.</u>	<u>Type</u>	<u>Amount</u>	<u>Location</u>
10/12/03 to 10/12/04	First Community Ins	097700238331	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 16,300 C	4th Avenue & Carson Chester Pruitt Building
10/12/03 to 10/12/04	First Community Ins	097700238323	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 23,500 C	50 Ferry Road Recreation Building
10/12/03 to 10/12/04	First Community Ins	097700238332	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 84,500 C	14 Robinwood Drive SW Sanitation Building
10/12/03 to 10/12/04	First Community Ins	097700559066	Fisher-Brown Agency	Flood	\$ 500,000 B \$ 500,000 C	#7 Hollywood Blvd. Police Department
10/12/03 to 10/12/04	First Community Ins	097700238321	Fisher-Brown Agency	Flood	\$ 500,000 B \$ 260,000 C	#5 Hollywood Blvd. Fire Department
10/12/03 to 10/12/04	First Community Ins	097700238327	Fisher-Brown Agency	Flood	\$ 366,100 B \$ 31,100 C	Memorial Parkway Senior Citizens Building
10/12/03 to 10/12/04	First Community Ins	09770238328	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 128,200 C	107 Miracle Strip Parkway Auditorium
10/12/03 to 10/12/04	First Community Ins	097700238329	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 382,900 C	107 Miracle Strip Parkway City Hall
10/12/03 to 10/12/04	First Community Ins	097700238322	Fisher-Brown Agency	Flood	\$ 177,300 B \$ 16,300 C	107 Miracle Strip Parkway Council Chamber

City of Fort Walton Beach, Florida
TABLE XXII
INSURANCE COVERAGE
September 30, 2004
Unaudited

<u>Effective Dates</u>	<u>Company</u>	<u>Policy Number</u>	<u>Agent, Broker, or Company Rep.</u>	<u>Type</u>	<u>Amount</u>	<u>Location</u>
10/12/03 to 10/12/04	First Community Ins	097700238326	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 382,900 C	107 Miracle Strip Parkway Annex Building
10/12/03 to 10/12/04	First Community Ins	097700238324	Fisher-Brown Agency	Flood	\$ 389,700 B \$ 16,300 C	107 Miracle Strip Parkway Utility Building
10/12/03 to 10/12/04	First Community Ins	097700238330	Fisher-Brown Agency	Flood	\$ 402,700 B \$ 51,200 C	141 Miracle Strip Parkway City Museum
10/12/03 to 10/12/04	First Community Ins	097700238325	Fisher-Brown Agency	Flood	\$ 324,200 B 7,900 C	22 McGriff Child Care Facility
12/02/03 to 12/02/04	First Community Ins	097700274858	Fisher-Brown Agency	Flood	\$ 35,000 B	338 Miracle Strip Parkway Restroom, East of Pavillion Liza Jackson Park
12/02/03 to 12/02/04	First Community Ins	097700274859	Fisher-Brown Agency	Flood	\$ 35,000 B	338 Miracle Strip Parkway Restroom Near Ditch Liza Jackson Park
05/17/03 to 05/17/04	Omaha	3508829839	Fisher-Brown Agency	Flood	\$ 98,300 B	55 Ferry Road Boy Scout Hut
07/23/03 to 07/23/04	Bankers Insurance	097700165626	Fisher-Brown Agency	Flood	\$ 266,200 B \$ 33,600 C	18 Robinwood Drive Pump Station #1
10/01/03 to 10/01/04	Mid-Continent Casu	00059188	Public Risk Insurance Agency	Petroleum Liability	\$ 1,000,000/inc \$ 2,000,000/agg	Golf Course, Police, City Shop, Fuel Station, Wastewater Treatment Plant

City of Fort Walton Beach, Florida
TABLE XXII
INSURANCE COVERAGE
September 30, 2004
Unaudited

<u>Effective Dates</u>	<u>Company</u>	<u>Policy Number</u>	<u>Agent, Broker, or Company Rep.</u>	<u>Type</u>	<u>Amount</u>	<u>Location</u>
10/01/03 to 10/01/04	Gulf Underwriters	GU002828383	Public Risk Insurance Agency	Pollution Liability	\$ 1,000,000/inc \$ 1,000,000/agg	
10/01/03 to 10/01/04	FMIT	FMIT0198	Florida League of Cities	Inland Marine	\$ 153,320/fine \$ 10,000/sched \$ 5,722,886 \$ 1,914,537 \$ 250,000	Art Museum EDP/Minicomputer/Word Processor Valuable Papers
10/01/03 to 10/01/04	Hartford	21SUN336376	Fisher-Brown Agency	Public Official Bond	\$ 50,000	Finance Director
11/12/03 to 11/12/04	Hartford	21BSBCG4874	Fisher-Brown Agency	Public Official Bond	\$ 50,000	Cashier, Finance Department
10/01/03 to 10/01/04	FMIT	FMIT0198	Florida League of Cities	Auto	\$ 100,000 \$ 200,000 \$ 1,000,000	Person Occurrence CSL Liability
10/01/03 to 10/01/04	FMIT	FMIT0198	Florida League of Cities	Forgery Alteration	\$ 250,000	
10/01/03 to 10/01/04	FMIT	FMIT0198	Florida League of Cities	Money & Securities	varies by location	
10/01/03 to 10/01/04	FMIT	FMIT0198	Florida League of Cities	Crime	\$ 250,000	Public Employees Blanket Fidelity Bond
10/01/03 to 10/01/04	FMIT	FMIT0198	Florida League of Cities	General Liability	\$ 100,000 \$ 200,000 \$ 5,000,000	Person Occurrence CSL Liability

City of Fort Walton Beach, Florida
TABLE XXII
INSURANCE COVERAGE
September 30, 2004
Unaudited

<u>Effective Dates</u>	<u>Company</u>	<u>Policy Number</u>	<u>Agent, Broker, or Company Rep.</u>	<u>Type</u>	<u>Amount</u>	<u>Location</u>
10/01/03 to 10/01/04	FMIT	FMIT0198	Florida League of Cities	Property	\$ 43,303,000	Blank Real & Personal Property, extra expense
10/01/03 to 10/01/04	FMIT	FMIT0198	Florida League of Cities	Property	\$ 50,000	Business Income Water & Wastewater Enterprises
10/01/03 to 10/01/04	FMIT	FMIT0198	Florida League of Cities	Worker's Comp	\$ 1,000,000 \$ 1,000,000	Accident Disease
10/01/03 to 10/01/04	FMIT	FMIT0198	Florida League of Cities	Supplemental Empl. Practice	\$ 5,000,000 CSL	
10/01/03 to 10/01/04	AIG Life Insurance	SRG0008064841	LB Bryan & Co.	AD&D	\$ 52,000 \$ 52,000 \$ 155,000	Occupational Death Response to Emergency Unlawful/Unintentional
10/01/03 to 10/01/04	FMIT	FMIT0198	Florida League of Cities	Boiler & Machinery	\$ 16,000,000 \$ 50,000 \$ 100,000	Accident/Direct Damage Consequential Damage Extra Expense
02/01/03 to 02/01/04	Travelers	103148718	Fisher-Brown Agency	Fiduciary	\$ 2,000,000	Retirement Fund for General Liability Employees, Police, and Fire

08-1

SOURCE: City of Fort Walton Beach Human Resources Department

City of Fort Walton Beach, Florida
TABLE XXIII
MISCELLANEOUS DEMOGRAPHICAL STATISTICS
Last Ten Fiscal Years
Unaudited

Section One - Population

<u>Fiscal Year</u>	<u>Fort Walton Beach Population</u>	<u>Okaloosa County Population</u>	<u>FWB as a % of the County</u>
2004	20,619	185,778	11.10%
2003	20,513	181,102	11.33%
2002	20,239	176,971	11.44%
2001	19,973	170,498	11.71%
2000	22,226	170,049	13.07%
1999	21,980	175,284	12.54%
1998	22,052	175,530	12.56%
1997	22,044	165,319	13.33%
1996	22,037	162,707	13.54%
1995	22,003	162,707	13.52%

Section Two - Age Distribution

<u>Census</u>	<u>Under 19</u>	<u>20-24</u>	<u>25-44</u>	<u>45-64</u>	<u>Over 65</u>
2000	4,982	1,277	5,845	4,605	3,264

Section Three - Race Distribution

<u>Census</u>	<u>White</u>	<u>Black</u>	<u>Hispanic</u>	<u>Asian</u>	<u>Other</u>
2000	15,746	2,664	807	543	213

Section Four - Miscellaneous

Per Capita Income - 2000	\$ 21,085		
Median Household Income - 2000	\$ 40,153		
Less than \$25,000	26.8%		
\$25,000 to \$74,999	55.7%		
Over \$75,000	17.5%		
Labor Force - 2000	10,874 Total	53.3% male	46.7% female
Unemployment - Sept. 2004	2.10%		

SOURCE: BEBR Website, U.S. Census Bureau, FL Research & Economic Database

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX J

Financial Information Regarding Village of Palmetto Bay

THIS PAGE INTENTIONALLY LEFT BLANK

VILLAGE OF PALMETTO BAY, FLORIDA
Statement of Revenues, Expenditures and Changes In Fund Balances
General Fund
For the Period from September 11, 2002 (Inception) to September 30, 2003

	<u>2003</u>
Revenues:	
Real and personal property taxes	\$ 4,224,785
Utility taxes	2,344,606
Communication service tax	1,470,541
Franchise fees	900,000
Intergovernmental	1,658,149
Licenses and permits	154,828
Impact fees	343,465
Fines and forfeitures	137,944
Interest	46,906
Miscellaneous fees	<u>4,060</u>
Total revenues	\$ 11,285,284
Expenditures:	
Current:	
General Government	\$ 1,153,401
Public Safety	3,292,636
Public Works	181,719
Community Service	694,496
Planning and Zoning	65,918
Mitigation/QNIP	1,864,041
Capital outlay	89,075
Debt service	<u>6,053</u>
Total expenditures	\$ 7,347,339
Excess of revenues over expenditures	\$3,937,945
Other financing sources	
Proceeds from capital leases	51,188
Total other financing sources	51,188
Net change in fund balances	<u>\$ 3,989,133</u>
Fund balances, beginning	--
Fund balances, ending	<u>\$ 3,989,133</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor, Village Council and Village Manager
Village of Palmetto Bay, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Village of Palmetto Bay, Florida (the Village), as of and for the period from September 11, 2002 (inception) to September 30, 2003, which collectively comprise the Village'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 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinions, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Palmetto Bay, Florida, as of September 30, 2003, and the respective changes in financial position, thereof for the period from September 11, 2002 (inception) to September 30, 2003 in conformity with accounting principles generally accepted in the United States.

As described in Note 1 to the basic financial statements, the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for the State and Local Governments* and related pronouncements. This results in a significant change in the form and content of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 10, 2004, on our consideration of the Village's internal control over financial reporting and our tests of compliance with certain laws, regulations, grants, agreements, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and other matters and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The 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.

Rachlin Cohen & Holtz LLP

One Southeast Third Avenue ■ Tenth Floor ■ Miami, Florida 33131 ■ Phone 305.377.4228 ■ Fax 305.377.8331 ■ www.rachlin.com

An Independent Member of Baker Tilly International

Honorable Mayor, Village Council and Village Manager
Village of Palmetto Bay, Florida
Page Two

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Rachlen Cohen & Holtz LLP

Miami, Florida
September 10, 2004

VILLAGE OF PALMETTO BAY, FLORIDA

STATEMENT OF NET ASSETS

SEPTEMBER 30, 2003

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 690,808
Due from other government, net	3,980,365
Capital assets being depreciated, net	81,309
Prepaid assets	8,394
Total assets	<u>4,760,876</u>
<u>LIABILITIES</u>	
Accounts payable	202,921
Accrued liabilities	59,383
Capital lease:	
Due in one year	19,134
Due in more than one year	26,001
Total liabilities	<u>307,439</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	36,174
Unrestricted	4,417,263
Total net assets	<u>\$ 4,453,437</u>

See notes to basic financial statements.

VILLAGE OF PALMETTO BAY, FLORIDA

STATEMENT OF ACTIVITIES

FOR THE PERIOD FROM SEPTEMBER 11, 2002 (INCEPTION) TO SEPTEMBER 30, 2003

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenue and Changes in Net Assets</u>
			<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
					<u>Governmental Activities</u>
Governmental activities:					
General Government	\$ 1,161,167	\$ 94,000	\$ -	\$ -	\$ (1,067,167)
Public Safety	3,292,636	137,944	-	23,248	(3,131,444)
Public Works	190,219	60,828	-	-	(129,391)
Community Service	694,497	-	-	320,217	(374,280)
Planning and Zoning	65,918	-	-	-	(65,918)
Mitigation/QNIP	1,864,041	-	-	-	(1,864,041)
Total governmental activities	<u>\$ 7,268,478</u>	<u>\$ 292,772</u>	<u>\$ -</u>	<u>\$ 343,465</u>	<u>(6,632,241)</u>
General revenues:					
Real and personal property taxes					4,224,785
Utility taxes					2,344,606
Communication service tax					1,470,541
Franchise fees based on gross receipts					900,000
Intergovernmental					2,094,780
Interest					46,906
Miscellaneous					4,060
Total general revenue					<u>11,085,678</u>
Change in net assets					4,453,437
Net assets, beginning					-
Net assets, ending					<u>\$ 4,453,437</u>

See notes to basic financial statements.

VILLAGE OF PALMETTO BAY, FLORIDA

BALANCE SHEET GOVERNMENTAL FUNDS

SEPTEMBER 30, 2003

<u>ASSETS</u>	<u>General</u>	Special Revenue (A Nonmajor Fund)	<u>Totals</u> Governmental Funds
Assets:			
Cash	\$ 690,808	\$ -	\$ 690,808
Due from general fund	-	428,131	428,131
Due from other governments	3,980,365	-	3,980,365
Prepaid expenses	8,394	-	8,394
Total assets	\$ 4,679,567	\$ 428,131	\$ 5,107,698

LIABILITIES AND FUND BALANCES

Liabilities:			
Accounts payable	\$ 202,920	\$ -	\$ 202,920
Accrued liabilities	59,383	-	59,383
Due to special revenue fund	428,131	-	428,131
Total liabilities	690,434	-	690,434

Fund balances:			
Unreserved recorded in:			
General fund	3,989,133	-	3,989,133
Special revenue	-	428,131	428,131
Total fund balances	3,989,133	428,131	4,417,264
Total liabilities and fund balances	\$ 4,679,567	\$ 428,131	

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

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

81,309

Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in the funds.

(45,136)

Net assets of governmental activities

\$ 4,453,437

See notes to basic financial statements.

VILLAGE OF PALMETTO BAY, FLORIDA

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

FOR THE PERIOD FROM SEPTEMBER 11, 2002 (INCEPTION) TO SEPTEMBER 30, 2003

	<u>General</u>	Special Revenue (A Nonmajor Fund)	Total Governmental Funds
Revenues:			
Real and personal property taxes	\$ 4,224,785	\$ -	\$ 4,224,785
Utility taxes	2,344,606	-	2,344,606
Communication service tax	1,470,541	-	1,470,541
Franchise fees	900,000	-	900,000
Intergovernmental	1,658,149	436,631	2,094,780
Licenses and permits	154,828	-	154,828
Impact fees	343,465	-	343,465
Fines and forfeitures	137,944	-	137,944
Interest	46,906	-	46,906
Miscellaneous fees	4,060	-	4,060
Total revenues	<u>11,285,284</u>	<u>436,631</u>	<u>11,721,915</u>
Expenditures:			
Current:			
General Government	1,153,401	-	1,153,401
Public Safety	3,292,636	-	3,292,636
Public Works	181,719	8,500	190,219
Community Service	694,496	-	694,496
Planning and Zoning	65,918	-	65,918
Mitigation/QNIP	1,864,041	-	1,864,041
Capital outlay	89,075	-	89,075
Debt service	6,053	-	6,053
Total expenditures	<u>7,347,339</u>	<u>8,500</u>	<u>7,355,839</u>
Excess of revenues over expenditures	<u>3,937,945</u>	<u>428,131</u>	<u>4,366,076</u>
Other financing sources			
Proceeds from capital leases	51,188	-	51,188
Total other financing sources	<u>51,188</u>	<u>-</u>	<u>51,188</u>
Net change in fund balances	3,989,133	428,131	4,417,264
Fund balances, beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, ending	<u>\$ 3,989,133</u>	<u>\$ 428,131</u>	<u>\$ 4,417,264</u>

See notes to basic financial statements.

VILLAGE OF PALMETTO BAY, FLORIDA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE PERIOD FROM SEPTEMBER 11, 2002 (INCEPTION) TO SEPTEMBER 30, 2003

Amounts reported for governmental activities in the statement
of activities (Page 11) are different because:

Net change in fund balances - total government funds (Page 13) \$ 4,417,264

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. This is the amount
by which capital outlay exceeds depreciation in the current period:

Details of the difference are as follows:

Expenditures for capital outlays	\$ 84,924	
Less current year depreciation	<u>(3,615)</u>	
		81,309

In the year of acquisition, governmental funds report the
acquisition of capital leases as an expenditure as well as an
other financing source. Repayment of capital lease principal
is an expenditure in the governmental funds, but the repayment
reduces long-term liabilities in the statement of net assets.

Details of the difference are as follows:

Capital lease acquired	(51,189)	
Less principal payments	<u>6,053</u>	
		<u>(45,136)</u>

Change in net assets of governmental activities (Page 11) \$ 4,453,437

See notes to basic financial statements

NOTES TO BASIC FINANCIAL STATEMENTS

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

FOR THE PERIOD FROM SEPTEMBER 11, 2002 (INCEPTION)
TO SEPTEMBER 30, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Palmetto Bay, Florida (the Village) was incorporated on September 11, 2002. The Village operates under a Council-Manager form of government. In addition to the general government function, the Village provides its residents with public safety (police), public works, community service and planning and zoning. The Village does not provide educational or hospital facilities; those services are provided by the Miami-Dade County School Board and Miami-Dade County, respectively.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the fiscal year ended September 30, 2003, the Village adopted the new accounting and financial reporting requirements of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Omnibus, an amendment of GASB Statements No. 21 and 34; Statement No. 38, *Certain Financial Statement Note Disclosures*; and *Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments. As a result, an entirely new financial presentation format has been provided. The more significant of the Village's accounting policies are described below:

A. Financial Reporting Entity

The financial statements were prepared in accordance with GASB Statement No. 14, *The Financial Reporting Entity* as amended, 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, organizations for which the Village is financially accountable, and other organizations for which the nature and significance of their relationship with the Village are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Village 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. Based upon the application of these criteria, there were no organizations that met the criteria described above.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 1. 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 Village. 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 Village does not have any business-type activities.

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. The major individual governmental fund is reported as a separate column in the fund financial statements. All remaining nonmajor governmental funds are aggregated and reported as other governmental funds. The Village has only one nonmajor governmental fund (the Special Revenue Fund).

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*. 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 Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. For the Village's initial period of operations the majority of the revenues recorded were collected on-behalf of the Village by Miami-Dade County (the County). These monies were collected by the County within 60 days of the Village's year-end and therefore are recorded as if they were received by the Village within the 60 day period. As of September 30, 2003, substantially all of the amounts due from other governments were due from the County.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, franchise fees and other 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 reports the following major governmental fund:

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 Village also reports the following nonmajor governmental fund:

The *Special Revenue Fund* accounts for the revenues received from the transportation surtax and expenditures for related transportation costs.

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

D. Assets, Liabilities, and Net Assets or Equity

1. 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 of assets, liabilities, disclosures of contingent liabilities, revenues and expenditures/expenses reported in the financial statements and accompanying notes. These estimates include assessing the collectibility of receivables and the useful lives of capital assets. Although these estimates as well as all 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. Capital Assets

Capital assets, which include furniture and equipment are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$1,000 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.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

2. Capital Assets (Continued)

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:

Estimated Useful Lives (Years)

Furniture and equipment	5
-------------------------	---

Although the Village has implemented GASB 34, the Capital Assets balance as of September 30, 2004 does not include infrastructure. The Village is in the process of negotiating the transfer of infrastructure from Miami-Dade County. Once the transfer is complete, the addition may result in a restatement of the beginning capital assets balance for the year the assets are transferred.

3. Compensated Absences

The Village's policy is to permit employees to accumulate earned but unused sick and vacation pay benefits, limited to certain maximums, based on length of service. For certain employees, the Village also grants compensation time. All vacation, sick and compensated pay is accrued when incurred in the government-wide fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For the governmental funds, compensated absences are liquidated by the general fund.

4. Capital Contributions

Contributions from private developers represents amounts collected by the County for the future development or expansion of capital improvements to the Village's parks or public safety.

NOTE 2. PROPERTY TAXES

Property values are assessed on a county-wide basis by the Miami-Dade County Property Appraiser as of January 1, the lien date, of each year and are due the following November 1. Taxable value of property within the Village is certified by the Property Appraiser and the Village levies a tax millage rate upon the taxable value, which will provide revenue required for the fiscal year beginning October 1.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 2. PROPERTY TAXES (Continued)

Property taxes levied each November 1, by the Village and all other taxing authorities within the County, are centrally billed and collected by Miami-Dade County, with remittances to the Village of their proportionate share of collected taxes. Taxes for the fiscal year beginning October 1 are billed in the month of November, subject to a 1% per month discount for the period November through February, and are due no later than March 31. On April 1, unpaid amounts become delinquent with interest and penalties added thereafter. Beginning June 1, tax certificates representing delinquent taxes with interest and penalties are sold by Miami-Dade County, with remittance to the Village for its share of those receipts. At September 30, 2003, there were no material delinquent taxes.

NOTE 3. BUDGETARY PROCEDURES AND ACCOUNTING

Although an annual budget was not adopted for the Village's initial period of operations, the following is the budgetary information for the next fiscal year-end. An annual appropriated budget is prepared for the general fund.

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

- (a) The Village Manager submits to the Council a proposed operating budget for the ensuing fiscal year. The operating budget includes appropriations and the means of financing them with an explanation regarding each expenditure that is not of a routine nature.
- (b) Public hearings are conducted to obtain taxpayer comments.
- (c) Prior to October 1, the budget is legally enacted through passage of an ordinance.
- (d) The Village Council, by motion, may make supplemental appropriations for the year up to the amount of revenues in excess of those estimated.
- (e) Formal budgetary integration is employed as a management control device for the general fund.
- (f) The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP).

NOTE 4. DEPOSITS

Deposits

In addition to insurance provided by the Federal Depository Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, *Florida Security for Public Deposits Act*, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are insured or collateralized with securities held by the entity or its agent in the entity's name.

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 5. CAPITAL ASSETS

	Beginning	Increases	Decreases	Ending
<u>Governmental activities</u>	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets being depreciated:				
Furniture and equipment	\$ -	\$ 84,924	\$ -	\$ 84,924
Total capital assets being depreciated	<u>-</u>	<u>84,924</u>	<u>-</u>	<u>84,924</u>
Less accumulated depreciation for:				
Furniture and equipment	-	3,615	-	3,615
Total accumulated depreciation	<u>-</u>	<u>3,615</u>	<u>-</u>	<u>3,615</u>
Governmental activities capital assets, net	<u>\$ -</u>	<u>\$ 81,309</u>	<u>\$ -</u>	<u>\$ 81,309</u>

Depreciation expense charged to the general government function of the Village amounted to \$3,615.

NOTE 6. LONG-TERM DEBT – CAPITAL LEASES

Long-term liability activity for the period ended September 30, 2003 was as follows:

	Beginning	Additions	Reductions	Ending	Due
<u>Governmental activities:</u>	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Within</u>
Capital leases	-	\$ 51,188	\$ 6,053	\$ 45,135	One
Capital leases	\$ -	\$ 51,188	\$ 6,053	\$ 45,135	Year
Long-term liabilities	<u>\$ -</u>	<u>\$ 51,188</u>	<u>\$ 6,053</u>	<u>\$ 45,135</u>	<u>\$ 19,134</u>

The Village has entered into two lease agreements for the financing of equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Furniture and equipment	\$ 51,188
Less accumulated depreciation	<u>1,506</u>
Total	<u>\$ 49,682</u>

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 6. LONG-TERM DEBT – CAPITAL LEASES (Continued)

The future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2003 were as follows:

Fiscal year ending September 30:	
2004	\$ 19,134
2005	18,559
2006	<u>10,268</u>
Total minimum lease payments	47,961
Less amount representing interest	<u>(2,826)</u>
Present value of minimum lease payments	<u>\$ 45,135</u>

NOTE 7. DEFINED CONTRIBUTION PLAN

The Village provides retirement benefits for full time employees through a money purchase plan (a defined contribution plan). The Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of the employees are tax deferred until the time of withdrawal. The Plan is administered by ICMA Retirement Corporation. The contribution plan was established pursuant to Resolution 03-82 adopted on October 7, 2003 by the Village Council.

Plan benefits depend solely on amounts contributed to the Plan, plus investment earnings, less administrative expenses. The Village's contribution for participating employees is 6% of the employees' gross salary. Plan members may contribute up to 6% of the Plan member's gross salary and receive matching from the Village for a total Village contribution of up to 12% of the member's salary. Employees are fully vested after 5 years of service. The Village's unfunded liability for this Plan at the end of the year was approximately \$6,000 which represents total contributions for the period ended September 30, 2003. The Village's contributions were calculated using a covered base payroll of approximately \$93,000 for the fiscal year. At September 30, there were 7 participants in the Plan.

NOTE 8. COMMITMENTS AND CONTINGENCIES

Municipal Service Trust Fund

The Village is required to contribute municipal property tax revenues into a municipal service Trust Fund (MSTF) of the County. The MSTF will be utilized by the County to (1) maintain police services in the unincorporated areas proximate to the Village; and (2) to provide a municipal assistance retainer enabling the Village to obtain certain advice, expertise, training, financial planning and technological services, and other assistance from the County. The contribution ("Mitigation Payment") will vary yearly and is based on the Consumer Price Index and other calculations. The Mitigation Payment totaled \$1,663,000 for the period ended September 30, 2003, which included \$85,000 from inception to September 30, 2002

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

Municipal Service Trust Fund (Continued)

and \$1,578,000 for the year ended September 30, 2003. The mitigation amount payable by the Village to the County for fiscal year 2003-04 is approximately \$1,456,000. In subsequent years, the mitigation amount payable from the Village to the County will be adjusted by the CPI for the residential area with limitations as defined.

Quality Neighborhood Improvement Program (QNIP)

The Village is required to pay the County its pro rata share for the Public Service Tax Revenue Bonds, Series 1999 issued prior to the Village's incorporation. The payment for the period ended September 30, 2003 was approximately \$201,000. The estimated payment for the fiscal year ended September 30, 2004 is approximately \$190,000 and the balance of the remaining payments are estimated to be relatively the same per year until the debt is liquidated.

Litigation

The Village is involved in several lawsuits incidental to its operations, the outcome of which, in the opinion of management and legal counsel, should not have a material adverse effect on the financial position of the Village.

Risk Management

The Village is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the Village carries commercial insurance. There were no settlements that exceeded coverage during the year.

Agreement with Miami-Dade County for Local Police Patrol Services

On May 5, 2003, the Village executed an agreement with Miami-Dade County for local police patrol services. The Village will make regular monthly installments of \$295,892 to the County based on a budgeted amount of \$3,550,698 for the first year of the agreement. Payments for this initial term will be adjusted to accrual labor costs incurred and deducted from the gross revenues due the Village from Miami-Dade County. Payments for the services provided by the County for subsequent fiscal years shall be based upon the level of staffing services requested by the Village utilizing the actual personnel costs of officers and equipment. The initial term of the agreement expires on June 30, 2006 and may be renewed for a period of up to five years.

Agreement with Miami-Dade County for Specialized Police Services

Effective June 1, 2003, the Village executed an agreement with Miami-Dade County for specialized police services. The payment for specialized police services in fiscal year ending September 30, 2003 will be \$412,072. A payment credit is provided to the Village based on

VILLAGE OF PALMETTO BAY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

(Continued)

NOTE 8. COMMITMENTS AND CONTINGENCIES (Continued)

Agreement with Miami-Dade County for Specialized Police Services (Continued)

the contribution made by Village residents in their countywide millage for specialized police services. This ensures that there is no double taxation to the residents of Village. Payments for the services provided by the County for subsequent fiscal years shall be determined by the County based on factors detailed in the agreement. The initial term of the agreement expires in three years, unless otherwise terminated in accordance with Article X of the agreement, the agreement is automatically renewed for consecutive three year terms in perpetuity.

Agreement for Professional Services

On August 1, 2003, the Village executed two contracts for professional services with two consulting firms to provide public information services. Fees for the services total \$50,000. The initial fee for the partial year is \$10,000 (\$5,000 each). The Village may make equitable adjustments to the maximum price in the event that modifications made by the Village cause an increase or decrease in the fees charged. The term of each agreement is for one year, but may be extended for up to one additional year.

Operating Lease

On March 14, 2003, the Village executed a lease agreement for office space from May 1, 2003 for a period of ten years. An addendum to this agreement was executed on August 29, 2003 to provide for additional office space starting November 1, 2003. The Village is paying a base rent of \$12,160.66 per month. The lease is subject to a 10% rental increase on each three year anniversary. Utilities are not included in the rent.

The future minimum lease payments for this lease are as follows:

Year ending September 30:	
2004	\$ 146,000
2005	146,000
2006	161,000
2007	161,000
2008	161,000
2009-2013	915,000
Total	<u>\$ 1,690,000</u>

NOTE 9. SUBSEQUENT EVENTS

Subsequent events for the Village through September 10, 2004 consisted of land purchase in January 2004 in the amount of \$300,000; as well as in October 2003, the Coral Reef, Perrine Way Side and Perrine parks were transferred to the Village from Miami-Dade County.

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX K

Financial Information Regarding City of Parkland

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF PARKLAND, FLORIDA
Statement of Revenues, Expenditures and Changes In Fund Balances
General Fund
Years Ended September 30

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:			
Ad valorem taxes	\$7,426,920	\$ 5,959,299	\$ 4,926,852
Franchise fees	311,988	267,266	266
Licenses and permits	2,934,485	2,200,990	2,592,576
Intergovernmental	1,547,332	854,508	609,010
Charges for services	543,235	578,645	488,806
Fines and forfeitures	93,457	90,707	109,036
Interest income	56,495	66,426	111,684
Miscellaneous	262,636	162,473	167,778
Utility service taxes	824,451	556,617	642,284
Contributions	<u>755</u>	<u>--</u>	<u>31,000</u>
Total revenues	<u>\$14,001,754</u>	<u>\$10,736,931</u>	<u>\$ 9,679,292</u>
Expenditures:			
Current:			
General government	\$2,016,025	\$1,849,538	\$1,733,029
Public safety	8,201,321	5,023,000	4,353,508
Physical environment	1,107,865	939,947	774,179
Culture and recreation	3,003,965	2,487,789	1,867,590
Capital outlay	210,877	887,385	349,559
Debt service:			
Principal retirement	--	--	68,223
Interest	<u>--</u>	<u>--</u>	<u>8,386</u>
Total expenditures	<u>\$14,540,053</u>	<u>\$11,207,659</u>	<u>\$ 9,154,474</u>
Excess (deficiency) of revenues over expenditures	(538,299)	(470,728)	524,818
Other financing sources (uses):			
Operating transfers in	--	--	--
Operating transfers out	--	(1,211,587)	--
Debt proceeds	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>(1,211,587)</u>	<u>--</u>
Net change in fund balances	(538,299)	(1,682,315)	--
Fund balances at beginning of year	<u>\$ 1,714,519</u>	<u>\$ 3,396,834</u>	<u>\$ 2,872,016</u>
Fund balances at end of year	<u>\$ 1,176,220</u>	<u>\$ 1,714,519</u>	<u>\$ 3,396,834</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK



KEEFE, McCULLOUGH & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS

JOHN R. KEEFE, C.P.A.
JOHN E. McCULLOUGH, C.P.A. (RETIRED)
THOMAS T. CARPENTER, C.P.A.
PAUL B. SNEIDER, C.P.A. (RETIRED)
STEVEN H. WOODS, C.P.A.
DAVID T. WILLIAMS, C.P.A.

JOSEPH D. LEO, C.P.A.
WILLIAM G. BENSON, C.P.A.
BRIAN D. PINNELL, C.P.A.
KENNETH G. SMITH, C.P.A.
LOUIS R. PROJETTO, C.P.A.
CYNTHIA L. CALVERT, C.P.A.

CHRISTOPHER L. COLLINS, C.P.A.
CHARLES K. RUMPF, C.P.A.

ISRAEL I. GOMEZ, C.P.A.
KEVIN R. ROACH, C.P.A.

6550 NORTH FEDERAL HIGHWAY
SUITE 410
FORT LAUDERDALE, FLORIDA 33308
(954) 771-0896
FAX: (954) 938-9353
E-MAIL: kmc@kmccpa.com

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor, City Commission and City Manager
City of Parkland, Florida
Parkland, Florida

We have audited the accompanying financial statements of governmental activities, business-type activities, each major fund and the aggregate remaining fund information of City of Parkland, Florida (the City), as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express 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 basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above, present fairly, in all material respects, the respective financial positions of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of City of Parkland, Florida at September 30, 2004, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, thereof 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 our report dated January 14, 2005, on our consideration of City of Parkland'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 is not a required part of the basic financial statements, but is supplementary information required by GASB. We applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

City of Parkland, Florida

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of City of Parkland, Florida taken as a whole. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining and individual fund statements and schedules and other financial information, as listed in the table of contents, are also presented for purposes of additional analysis and are not a required part of the basic financial statements. All 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.

Keefe, McCullough & Co., LLP
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida
January 14, 2005

CITY OF PARKLAND, FLORIDA
STATEMENT OF NET ASSETS
September 30, 2004

	<u>Governmental Activities</u>
ASSETS:	
Equity in pooled cash and investments	\$ 3,842,214
Cash	32,637
Accounts receivable	8,446,411
Prepaid expenses	59,513
Due from other governments	1,307,394
Deposits	1,525
Capital assets, depreciable (net)	15,051,201
Capital assets, nondepreciable	<u>10,597,745</u>
Total assets	<u>39,338,640</u>
LIABILITIES:	
Accounts payable	2,186,473
Accrued expenses	143,514
Unearned revenues	8,269,858
Accrued interest payable	27,474
Customer deposits	1,108,485
Due within one year:	
Compensated absences payable	97,968
Current portion of debt	196,934
Due in more than one year:	
Compensated absences	335,298
Long-term debt	<u>5,357,774</u>
Total liabilities	<u>17,723,778</u>
NET ASSETS:	
Invested in capital assets (net of related debt)	20,094,238
Restricted for:	
Special purposes	355,389
Unrestricted	<u>1,165,235</u>
Total net assets	\$ <u>21,614,862</u>

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

CITY OF PARKLAND, FLORIDA
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2004

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
FUNCTIONS/PROGRAMS:					
Governmental activities:					
General government	\$ 2,240,710	\$ 1,532,377	\$ --	\$ 2,372,611	\$ 1,664,278
Public safety	8,323,321	1,502,325	--	41,222	(6,779,774)
Physical environment	1,157,329	119,504	--	--	(1,037,825)
Culture and recreation	3,574,551	443,221	755	407,575	(2,723,000)
Interest and other financing costs	244,813	--	--	--	(244,813)
Total governmental activities	\$ 15,540,724	\$ 3,597,427	\$ 755	\$ 2,821,408	\$ (9,121,134)

General revenues:

Taxes:

Ad valorem taxes	7,426,920
Franchise fees	460,466
Utility service taxes	1,619,716
Interest income	58,761
Miscellaneous	265,449

Total general revenues 9,831,312

Change in net assets 710,178

Net assets at beginning of year 20,904,684

Net assets at end of year \$ 21,614,862

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

CITY OF PARKLAND, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2004

	<u>Major Governmental Funds</u>		<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>		
ASSETS:				
Equity in pooled cash and investments	\$ 3,131,047	\$ 463,904	\$ 247,263	\$ 3,842,214
Cash	32,637	--	--	32,637
Receivables:				
Ad valorem taxes	8,233,416	--	--	8,233,416
Accounts	86,123	109,129	--	195,252
Assessments	17,743	--	--	17,743
Due from other governments	849,499	394,595	63,300	1,307,394
Prepaid items	59,513	--	--	59,513
Deposits	<u>1,375</u>	<u>150</u>	<u>--</u>	<u>1,525</u>
Total assets	\$ <u>12,411,353</u>	\$ <u>967,778</u>	\$ <u>310,563</u>	\$ <u>13,689,694</u>
 LIABILITIES AND FUND BALANCES:				
Liabilities:				
Accounts payable	\$ 1,669,949	\$ 511,350	\$ 5,174	\$ 2,186,473
Accrued payroll and related taxes	143,514	--	--	143,514
Compensated absences payable	43,327	--	--	43,327
Customer deposits	1,108,485	--	--	1,108,485
Unearned revenues	<u>8,269,858</u>	<u>--</u>	<u>--</u>	<u>8,269,858</u>
Total liabilities	<u>11,235,133</u>	<u>511,350</u>	<u>5,174</u>	<u>11,751,657</u>
 Fund balances:				
Reserved for:				
Encumbrances	6,743	174,566	--	181,309
Prepaid items	59,513	--	--	59,513
Unreserved:				
Designated for subsequent years' expenditures				
Special revenue	--	--	305,389	305,389
Capital	--	50,000	--	50,000
Undesignated (deficit)	<u>1,109,964</u>	<u>231,862</u>	<u>--</u>	<u>1,341,826</u>
Total fund balances	<u>1,176,220</u>	<u>456,428</u>	<u>305,389</u>	<u>1,938,037</u>
Total liabilities and fund balances	\$ <u>12,411,353</u>	\$ <u>967,778</u>	\$ <u>310,563</u>	\$ <u>13,689,694</u>

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

CITY OF PARKLAND, FLORIDA
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 September 30, 2004

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
 STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:

Total fund balance of governmental funds in the balance sheet, Page 12		\$ 1,938,037
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds:		
The cost of capital assets is	\$ 29,916,124	
Accumulated depreciation is	<u>(4,267,178)</u>	25,648,946
Long-term liabilities, including note payable, are not due and payable in the current period and therefore are not reported in the funds.		<u>(5,972,121)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 10		\$ <u>21,614,862</u>

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

CITY OF PARKLAND, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2004

	<u>Major Governmental Funds</u>		Nonmajor Governmental Funds	Total Governmental Funds
	<u>General Fund</u>	<u>Capital Projects Fund</u>		
REVENUES:				
Ad valorem taxes	\$ 7,426,920	\$ --	\$ --	\$ 7,426,920
Franchise fees	311,988	148,478	--	460,466
Licenses and permits	2,934,485	--	--	2,934,485
Intergovernmental	1,547,332	1,210,776	63,300	2,821,408
Charges for services	543,235	--	26,250	569,485
Fines and forfeitures	93,457	--	--	93,457
Interest income	56,495	1,210	1,056	58,761
Miscellaneous	262,636	--	2,813	265,449
Utility service taxes	824,451	795,265	--	1,619,716
Contributions	<u>755</u>	<u>--</u>	<u>--</u>	<u>755</u>
Total revenues	<u>14,001,754</u>	<u>2,155,729</u>	<u>93,419</u>	<u>16,250,902</u>
EXPENDITURES:				
Current:				
General government	2,016,025	--	--	2,016,025
Public safety	8,201,321	--	391	8,201,712
Physical environment	1,107,865	--	--	1,107,865
Culture and recreation	3,003,965	--	--	3,003,965
Capital outlay	210,877	1,362,043	161,672	1,734,592
Debt service:				
Principal retirement	--	184,728	--	184,728
Interest	<u>--</u>	<u>244,999</u>	<u>--</u>	<u>244,999</u>
Total expenditures	<u>14,540,053</u>	<u>1,791,770</u>	<u>162,063</u>	<u>16,493,886</u>
Excess (deficiency) of revenues over expenditures	<u>(538,299)</u>	<u>363,959</u>	<u>(68,644)</u>	<u>(242,984)</u>
Net change in fund balances	(538,299)	363,959	(68,644)	(242,984)
FUND BALANCES AT BEGINNING OF YEAR	<u>1,714,519</u>	<u>92,469</u>	<u>374,033</u>	<u>2,181,021</u>
FUND BALANCES AT END OF YEAR	\$ <u><u>1,176,220</u></u>	\$ <u><u>456,428</u></u>	\$ <u><u>305,389</u></u>	\$ <u><u>1,938,037</u></u>

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

CITY OF PARKLAND, FLORIDA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 For the Year Ended September 30, 2004

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS, PAGE 14 \$ (242,984)

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

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

Expenditures for capital assets	\$ 1,623,626	
Less current year depreciation expense	<u>(923,514)</u>	700,112

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which debt proceeds exceed repayments.

Principal payments		184,728
--------------------	--	---------

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.

Change in interest payable	186	
Change in long-term compensated absences payable	<u>68,136</u>	<u>68,322</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 11 \$ 710,178

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

CITY OF PARKLAND, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance</u>
	<u>Original and Final Budget</u>			
REVENUES:				
Ad valorem taxes	\$ 7,648,589		\$ 7,426,920	\$ (221,669)
Franchise fees	272,596		311,988	39,392
Licenses and permits	2,313,550		2,934,485	620,935
Intergovernmental	745,036		1,547,332	802,296
Charges for services	444,500		543,235	98,735
Fines and forfeitures	101,000		93,457	(7,543)
Interest income	77,000		56,495	(20,505)
Miscellaneous	116,400		263,391	146,991
Prior year surplus	1,658,328		--	(1,658,328)
Utility service taxes	<u>983,315</u>		<u>824,451</u>	<u>(158,864)</u>
Total revenues	<u>14,360,314</u>		<u>14,001,754</u>	<u>(358,560)</u>
EXPENDITURES:				
General government:				
City Commission	281,865		383,943	(102,078)
City Manager	387,882		350,201	37,681
Finance	571,503		446,034	125,469
Legal services	204,957		151,663	53,294
Planning	194,298		168,101	26,197
Engineering services	269,771		196,717	73,054
City Clerk	178,823		157,388	21,435
Personnel	206,466		167,904	38,562
Computer support	23,698		12,284	11,414
Reserve for nondepartmental capital improvements	<u>801,084</u>		<u>32,877</u>	<u>768,207</u>
Total general government	<u>3,120,347</u>		<u>2,067,112</u>	<u>1,053,235</u>
Public Safety:				
Police	3,227,546		4,830,242	(1,602,696)
Fire rescue	1,831,860		1,876,977	(45,117)
Building	<u>1,554,224</u>		<u>1,498,980</u>	<u>55,244</u>
Total public safety	<u>6,613,630</u>		<u>8,206,199</u>	<u>(1,592,569)</u>
Physical environment:				
Public works	1,016,972		922,733	94,239
Environmental resources	<u>240,566</u>		<u>224,910</u>	<u>15,656</u>
Total physical environment	<u>1,257,538</u>		<u>1,147,643</u>	<u>109,895</u>

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

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

(continued)

For the Year Ended September 30, 2004

	<u>Budgeted Amounts</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance</u>
	<u>Original and Final Budget</u>		
Culture and recreation:			
Parks and recreation	2,867,121	2,646,505	220,616
Library	<u>501,678</u>	<u>476,033</u>	<u>25,645</u>
Total culture and recreation	<u>3,368,799</u>	<u>3,122,538</u>	<u>246,261</u>
Total expenditures	<u>14,360,314</u>	<u>14,543,492</u>	<u>(183,178)</u>
Excess (deficiency) of revenues over expenditures	<u> --</u>	<u>(541,738)</u>	<u>(541,738)</u>
 FUND BALANCE AT BEGINNING OF YEAR	 <u> --</u>	 <u>1,711,215</u>	 <u>1,711,215</u>
FUND BALANCE AT END OF YEAR	\$ <u> --</u>	\$ <u>1,169,477</u>	\$ <u>1,169,477</u>

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

CITY OF PARKLAND, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUND
September 30, 2004

ASSETS:	
Investment in mutual funds	\$ 2,099,579
Due from participants	<u>48,689</u>
Total assets	2,148,268
LIABILITIES	<u>---</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ <u>2,148,268</u>

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

CITY OF PARKLAND, FLORIDA
STATEMENT OF CHANGES
IN FIDUCIARY NET ASSETS
PENSION TRUST FUND
For the Year Ended September 30, 2004

ADDITIONS:	
City contributions	\$ 327,779
Employee contributions	<u>93,345</u>
Total additions	421,124
INVESTMENT INCOME:	
Interest, dividends and investment value changes	<u>145,335</u>
Net change	<u>566,459</u>
DEDUCTIONS:	
Participant distributions	478,704
Service fees	<u>439</u>
Total deductions	<u>479,143</u>
Net increase	87,316
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	<u>2,060,952</u>
End of year	\$ <u><u>2,148,268</u></u>

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

CITY OF PARKLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The financial statements of the City of Parkland, Florida (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Generally accepted accounting principles (GAAP) include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Reporting entity:

The financial reporting entity consists of the City including all funds, agencies and departments, and those component units for which the City is financially accountable. The City is financially accountable if it appoints a voting majority of an organization's governing body and it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. The City may also be financially accountable if an organization is fiscally dependent on the City regardless of whether the organization has a separately elected governing board, a governing board appointed by another government, or a jointly approved board. In addition, component units can be other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As a result of evaluating the above criteria, management has determined that no component units exist for which the City is financially accountable which would require inclusion in the City's financial statements.

Basis of presentation:

Government-wide financial statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for the fiduciary fund. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. As of September 30, 2004, the City had no business-type activities.

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.

Fund financial statements

The accounts of the City are organized on the basis of funds, each of which is considered and accounted for as a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary and fiduciary. As of September 30, 2004, the City had no proprietary funds. An emphasis is placed on major funds within the governmental category.

The City reports the following major governmental funds:

General Fund - the General Fund is the principal operating fund of the City and is used to account for all financial transactions except those that are required to be accounted for in another fund.

CITY OF PARKLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Projects Fund - the Capital Projects Fund is used to account for the acquisition and construction of major capital facilities as well as to account for financial resources to be used for the purchase of equipment and the construction of major improvements to City facilities.

Additionally, the City reports the following fund types:

Park Improvements Fund - this Special Revenue Fund is used to account for revenues and expenditures for capital improvements to and the acquisition of City parks.

Law Enforcement Fund - this Special Revenue Fund is used to account for revenues derived from the enforcement of the Florida Contraband Act. Expenditures are restricted to the purchase of law enforcement equipment.

Fiduciary Trust Fund - the Fiduciary Trust Fund is used to account for assets held by the City as trustee for others. The Pension Trust Fund, reported as a Fiduciary Trust Fund, is used to account for the activities of the City-sponsored pension plan.

Measurement focus and basis of accounting:

Government-wide 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 nonfiduciary activities of the government. Fiduciary funds are excluded from the government-wide financial statements. The effect of interfund activity has been removed from these statements.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fund financial statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The accrual basis of accounting is followed in the Pension Trust Fund. Under this method of accounting, additions are recognized in the accounting period in which they are earned and deductions are recognized in the period in which they are incurred. The Pension Trust Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of this fund are included on the statement of fiduciary net assets.

CITY OF PARKLAND, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All governmental fund types use the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within sixty days after year end. Other taxes, intergovernmental revenues, 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 such as fines and forfeitures and licenses and permits are considered to be measurable and available only when cash is received by the City.

Expenditures are generally recognized when the related fund liability is incurred except for principal and interest on long-term debt which are recognized as expenditures on the due date.

Use of estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents:

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

Investments:

All City investments are stated at fair value. Interest income from pooled cash and investments is allocated on the basis of each individual fund's proportionate share of the investment pool.

Capital assets:

Capital assets, which include land, buildings, improvements other than buildings, machinery and equipment and infrastructure are reported in the governmental activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$ 1,000 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 asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets of the government are depreciated using the straight-line method over their estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Improvements other than buildings	5-25
Machinery and equipment	5-20
Infrastructure	10-50

CITY OF PARKLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GASB No. 34 required the City to report and depreciate new infrastructure assets effective as of September 30, 2003. Infrastructure assets include roads, bridges, underground pipe, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for fiscal years ending in 2006. The City elected to implement the general provisions of GASB No. 34 in the prior fiscal year and because of its classification as a small government is not required to implement the retroactive infrastructure provisions by the fiscal year ending September 30, 2007.

Encumbrances:

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the governmental funds for which an annual budget is adopted. Encumbrances outstanding at year end are reported as reservations of fund balance since they do not constitute expenditures or liabilities. At September 30, 2004, encumbrances outstanding are as follows:

General Fund	\$	6,743
Capital Projects Fund	\$	174,566

Prepaid expenses/expenditures:

Certain payments to vendors reflect costs applicable to a future accounting period and are recorded as prepaid items in both government-wide and fund financial statements.

Compensated absences:

City employees are granted vacation, sick and compensatory leave in varying amounts based on length of service. Upon separation in good standing, employees receive full reimbursement for accumulated vacation and compensatory hours as well as reimbursement for sick hours at a rate of one hour of pay for every two hours accumulated.

The liability due beyond one year for these compensated absences is recorded as long-term debt in the government-wide statement of net assets. The current portion of this obligation is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Unearned revenue:

Governmental funds report unearned 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. Unearned revenues at the government-wide level arise only when the City receives resources before it has a legal claim to them.

Long-term obligations:

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. The long-term debt consists primarily of notes and accrued compensated absences payable.

CITY OF PARKLAND, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the fund financial statements, debt proceeds are reported as an other financing source. Issue costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Equity classifications:

Government-wide statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets - consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund statements

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

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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 note payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$ 5,972,121 difference are as follows:

Note payable	\$ 5,554,708
Compensated absences payable	389,939
Accrued interest payable	<u>27,474</u>
 Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	 \$ <u>5,972,121</u>

CITY OF PARKLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and budgetary data:

The City adopts an annual operating budget, which is employed as a management control device, for the general governmental activities of the General Fund, Park Improvements Special Revenue Fund, Law Enforcement Special Revenue Fund and Capital Projects Fund. These budgets, as adopted or amended during the year by the City Commission, were prepared on the same basis of accounting utilized to prepare the financial statements, except that encumbrances are treated as expenditures for budgetary purposes. During the year, all legal requirements with regard to budget adoption were met.

Process of adoption:

1. On or about August 1, the City Manager submits a proposed operating budget for the coming fiscal year to the City Commission.
2. During August, the City Commission holds workshops, which are open to the public, to review the proposed budget and determine the tentative budget.
3. During September, two public hearings are held for the purpose of presenting to and receiving input from citizens on the tentative budget and the proposed millage rate. At the second hearing, the annual budget is adopted and the taxes are levied.

Period of appropriation:

Unless encumbered by a purchase order, budgeted appropriations lapse at the end of each fiscal year. For budgetary control purposes, encumbrances are added to the current year expenditures and are treated as a use of current year appropriations.

Level of control:

The adoption of the budget by the City Commission constitutes the legal appropriation of the amounts specified therein as expenditures from the appropriate governmental fund. The amount of the appropriation cannot be exceeded unless the City Commission has approved a supplemental appropriation. Budgetary control of expenditures is maintained at the departmental level. A departmental budget cannot be exceeded without the approval, by motion, of the City Commission at a public meeting. The City Manager may authorize a budget adjustment among the various line items within a department, as long as the total budget for the department does not change.

During the year, departmental expenditures exceeded the legally authorized budget as follows:

General Fund

General government -	
City Commission	\$ 102,078
Public Safety - Police	1,602,696
Public Safety - Fire Rescue	45,117

General government - City Commission - Cost incurred for consultant and actuarial services to assist with preparation and implementation of fire assessment fees were not budgeted and therefore exceeded projected costs.

CITY OF PARKLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

Public Safety - Police - This activity includes the budget for disaster preparedness and disaster cleanup. The City incurred expenses for Hurricanes Frances and Jeanne in excess of approximately \$ 1.3 million.

Public Safety - Fire - The City transitioned from a City operated volunteer fire department to a full time contracted fire department. This change resulted in start-up expenditures that were not originally anticipated.

Supplemental appropriations:

If during the fiscal year revenues in excess of the original budgeted amounts become available, the City Commission may make supplemental appropriations.

NOTE 4 - DEPOSITS AND INVESTMENTS

Deposits:

As required by Chapter 280.03 of the Florida Statutes, all deposits of the City during the year ended September 30, 2004 including time deposit accounts and demand deposit accounts, were held in the institutions designated by the Treasurer of the State of Florida as "qualified depositories" and were accordingly covered by a collateral pool pledged to the State Treasurer of Florida by such institutions. At year end, the City's deposit balance and carrying amount was \$ 247,172. The City's financial institution balance at year end was \$ 837,111. In accordance with Chapter 280.08 of the Florida Statutes, if any member institution fails, the entire collateral pool becomes available to satisfy the claims of government entities. If the value of the pools collateral is inadequate to cover a loss, additional amounts would be assessed on a prorata basis to the members of the pool. This ensures that there will be no loss of public funds. Accordingly, all deposits are considered insured at September 30, 2004.

Investments:

Florida Statutes authorize City officials to invest pooled funds in United States bonds and obligations, guaranteed United States agency and other issues, Florida State Investment Pool, Florida bank certificates of deposit, bankers acceptances and reverse repurchase agreements.

The City's investments are categorized as either (1) insured or registered or for which the securities are held by the City or its agent in the City's name, (2) uninsured and unregistered for which the securities are held by a counter-party's trust department or agent in the City's name, or (3) uninsured and unregistered for which the securities are held by a counterparty, or by its trust department or agent, but not in the City's name.

The City has investments in a collective pool managed by the State of Florida Board of Administration (a 2a7-like pool) and are stated at amortized cost which approximates fair value of the pool shares. These had a carrying amount and fair value of \$ 3,506,208. Because these investments are not evidenced by securities, they are not categorized for risk.

The City has \$ 2,099,580 in investment pools with the International City Management Association Retirement Corporation (ICMA) representing the investments of the Pension Plan. The City has no direct fiduciary responsibility for the selection of the investments within the ICMA plans and accordingly, such investments are not categorized for risk disclosure purposes. Pension investments are managed by the ICMA Retirement Corporation and are invested in the ICMA Retirement Trust, a trust established by public employers for the collective investment of funds.

CITY OF PARKLAND, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2004

NOTE 5 - PROPERTY TAXES

Property taxes levied by the City are billed and collected by Broward County and remitted to the City. Taxes for the fiscal year beginning October 1 are levied prior to October 1 and become a lien on real property on October 1 of each year based upon the assessed value as of January 1. These taxes are billed in the month of November and are due no later than March 31. On April 1, unpaid amounts become delinquent, subject to penalties and interest, and become subject to the issuance of tax sale certificates on June 1. Generally the City collects nearly all of the current year property taxes during the year in which they are due. Property tax revenues for fiscal year 2004 have been recognized when levied as a unearned revenue since they are a budgeted revenue of the subsequent year.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2004, was as follows:

	<u>Balance October 1, 2003</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance September 30, 2004</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 9,265,855	\$ 890,617	\$ --	\$ 10,156,472
Construction in progress	<u>4,818,006</u>	<u>441,273</u>	<u>4,818,006</u>	<u>441,273</u>
Total capital assets, not being depreciated	<u>14,083,861</u>	<u>1,331,890</u>	<u>4,818,006</u>	<u>10,597,745</u>
Capital assets, being depreciated:				
Buildings	5,411,956	1,018,618	--	6,430,574
Improvements other than buildings	3,693,122	1,701,027	--	5,394,149
Machinery and equipment	3,828,359	245,526	--	4,073,885
Infrastructure	<u>1,275,200</u>	<u>2,144,571</u>	<u>--</u>	<u>3,419,771</u>
Total capital assets being depreciated	<u>14,208,637</u>	<u>5,109,742</u>	<u>--</u>	<u>19,318,379</u>
Less accumulated depreciation for:				
Buildings	396,771	123,298	--	520,069
Improvements other than buildings	1,251,368	295,046	--	1,546,414
Machinery and equipment	1,495,564	425,657	--	1,921,221
Infrastructure	<u>199,961</u>	<u>79,513</u>	<u>--</u>	<u>279,474</u>
Total accumulated depreciation	<u>3,343,664</u>	<u>923,514</u>	<u>--</u>	<u>4,267,178</u>
Total capital assets, being depreciated, net	<u>10,864,973</u>	<u>4,186,228</u>	<u>--</u>	<u>15,051,201</u>
Governmental activities, capital assets, net	\$ <u>24,948,834</u>	\$ <u>5,518,118</u>	\$ <u>4,818,006</u>	\$ <u>25,648,946</u>

CITY OF PARKLAND, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2004

NOTE 6 - CAPITAL ASSETS (continued)

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

Governmental activities:	
General government	\$ 216,839
Public safety	121,609
Physical environment	73,312
Culture and recreation	<u>511,754</u>
Total depreciation expense - governmental activities	\$ <u>923,514</u>

NOTE 7 - LONG-TERM DEBT

The following is a summary of the changes in the long-term debt of the City for the year ended September 30, 2004:

	Balance, October 1, <u>2003</u>	<u>Additions</u>	<u>Retirements</u>	Balance, September 30, <u>2004</u>	Due Within <u>One Year</u>
Notes	\$ 5,739,436	\$ --	\$ 184,728	\$ 5,554,708	\$ 196,934
Compensated absences payable	<u>508,974</u>	<u>433,326</u>	<u>508,974</u>	<u>433,266</u>	<u>97,968</u>
Governmental activity long-term debt	\$ <u>6,248,410</u>	\$ <u>433,326</u>	\$ <u>693,702</u>	\$ <u>5,987,974</u>	\$ <u>294,902</u>

During the year, the City refinanced existing debt which was utilized to fund certain capital improvements. The new note requires quarterly payments of approximately \$ 107,400 including principal and interest, amortized over a twenty year term, at 4.25% payable through November 2010 at which time the remaining principal balance is due. Interest and principal are to be paid principally from a pledge of certain utility service taxes and half-cent sales tax revenues, and on a secondary basis, from the Capital Projects Fund.

Future debt service requirements to amortize the debt of the City are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 196,934	\$ 232,792	\$ 429,726
2006	205,438	224,288	429,726
2007	214,310	215,416	429,726
2008	223,564	206,162	429,726
2009	233,218	196,508	429,726
Thereafter, through November, 2010	<u>4,481,244</u>	<u>231,422</u>	<u>4,712,666</u>
	\$ <u>5,554,708</u>	\$ <u>1,306,588</u>	\$ <u>6,861,296</u>

CITY OF PARKLAND, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2004

NOTE 8 - ACCOUNTS PAYABLE

Accounts payable at September 30, 2004 were as follows:

	<u>Vendors</u>	<u>Sub Contractor</u>	<u>Total Payables</u>
Governmental activities:			
General Fund	\$ 1,669,949	\$ --	\$ 1,669,949
Capital Projects Fund	--	511,350	511,350
Special Revenue Funds	<u>5,174</u>	<u>--</u>	<u>5,174</u>
Total governmental activities	\$ <u>1,675,123</u>	\$ <u>511,350</u>	\$ <u>2,186,473</u>

NOTE 9 - SPECIAL ASSESSMENTS

At September 30, 2004:

1. Special assessments were levied in prior years on a drainage swale project in the City's North Pinetree Estates section. These special assessments were fully due and payable on September 30, 2004.
2. The City previously levied a special assessment on all lots in the Ranches area for providing major drainage improvements. Assessments were calculated at approximately \$ 319 per acre, payable in full, or in five equal semiannual payments of principal and interest, at 8%.

Delinquent balances outstanding on the above assessments at September 30, 2004 were \$ 7,887. Interest and penalties on these delinquent balances at September 30, 2004 were \$ 9,857.

NOTE 10 - PENSION PLAN

The City has a pension plan and trust for the sole benefit of the employees of the City. The City contributes to the ICMA 401 Money Purchase Plan, which is a defined contribution pension plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be reallocated to such participant's account. Substantially all permanent, full-time employees participate in this Plan.

CITY OF PARKLAND, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2004

NOTE 10 - PENSION PLAN (continued)

City contributions and related earnings are 20% vested after one year of service and the remaining City contributions vest at 20% each year until fully vested after five years. Contributions made by an employee vest immediately. Employees must complete ICMA forms within 90 days of termination to elect the method by which they will receive their distribution of funds held in trust. In the case of a death, the beneficiaries must complete forms for the distribution of funds held in trust. Upon death or retirement due to disability, the employee is immediately vested at 100%.

During the year, the City was required to contribute 10% of each eligible general employee's gross earnings and 10% of management employees gross earnings with a mandatory employee contribution of 8%. The City is also required to contribute 12% of the City Manager's salary with a mandatory employee contribution of 5%.

The contribution requirements of covered payroll and actual contributions made for fiscal year 2004 and the two preceding years were as follows:

	<u>FY 2004</u>	<u>FY 2003</u>	<u>FY 2002</u>
Contributions requirements	\$ 327,779	\$ 412,674	\$ 337,053
Contributions made (100%)	\$ 327,779	\$ 412,674	\$ 337,053
Total approximate covered payroll	\$ 4,300,000	\$ 4,833,785	\$ 3,900,000
Percent of contributions to total covered payroll	7.62%	8.54%	8.64%

The Plan investments are held and accounted for in the Trust Fund at their fair value.

A summary of Plan investments at September 30, 2004 is as follows:

Vantagepoint Mutual Funds:

PLUS Fund	\$ 681,143
Growth Fund	331,598
Aggressive Growth Fund	251,684
Growth Portfolio	147,695
Long-Term Growth	113,162
Twenty-five other mutual funds each at less than 5% of total investments	<u>574,297</u>
Total investments	\$ <u>2,099,579</u>

CITY OF PARKLAND, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2004

NOTE 10 - PENSION PLAN (continued)

Plan membership at September 30, 2004 consisted of the following:

	<u>General</u>	<u>Public Safety</u>	<u>Management</u>
Retirees and beneficiaries currently receiving benefits	2	--	2
Terminated members entitled to, but not yet receiving benefits	12	39	3
Current employees:			
Fully vested but not receiving benefits	9	--	16
Partially vested	30	--	4
Nonvested	<u>4</u>	<u>--</u>	<u>--</u>
Total membership	<u>43</u>	<u>39</u>	<u>20</u>
Total current employees	<u><u>57</u></u>	<u><u>--</u></u>	<u><u>25</u></u>

Deferred compensation plan:

The City also offers its employees a deferred compensation plan created in accordance with Internal Revenue Code 457. The Plan is available to all full-time employees and permits them to defer a portion of their salary until future years. Such deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

Under the provisions of IRC Section 457, the City modified its Plan documents and transferred all 457 Plan assets to custodial accounts. In the opinion of City management, this custodial account structure removes any presumption of fiduciary responsibility. Accordingly, because City management has little administrative involvement with the Plan and does not perform any investing functions for the Plan, the 457 Plan assets are not reflected in the City's financial statements as of September 30, 2004.

NOTE 11 - CONTINGENCIES AND COMMITMENTS

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of City management, the resolution of these matters will not have a materially adverse effect on the financial condition of the City.

The City has entered into a contract for the construction of park facilities. At year-end, the City's commitments with contractors are as follows:

<u>Project</u>	<u>Expended to-Date</u>	<u>Remaining Contract Commitment</u>
Park Trails	\$ 441,327	\$ 418,273

The City provides no post-retirement benefits to retired employees.

CITY OF PARKLAND, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2004

NOTE 11 - CONTINGENCIES AND COMMITMENTS

On March 2, 2004, the City entered into an interlocal agreement with the City of Coral Springs, Florida to provide emergency medical and fire protection services for an annual initial annual cost of approximately \$ 1,267,000. On or before June 30th of each year, the City of Coral Springs will provide the City with the budgetary costs of providing emergency medical and fire protection services, which the City will be obligated to pay in monthly installments, through September 30, 2010, with an option to renew for an additional five years. After April 30, 2006, either party may terminate this agreement with twelve months written notice.

On March 1, 2004, the City entered into an agreement with the Broward County Sheriff's Office to provide law enforcement services for an annual cost of approximately \$ 3,682,000 plus annual increases not to exceed 5.0% of budgetary costs through September 30, 2009, with an option to renew for an additional five years. The City may terminate this agreement with one hundred eighty (180) days written notice. For the fiscal year ended September 30, 2004, the City had expenditures of approximately \$ 2,136,000 related to this agreement.

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the South East Risk Management Association (SERMA), a public entity risk pool with six municipal members in Broward and Palm Beach Counties, Florida. SERMA provides the City with automobile liability, general liability, property, and workers compensation coverages at the following self-insured retentions: \$ 100,000/\$ 200,000 on all liability coverages and \$ 1,000,000 on employment practices liability. Additionally, SERMA provides excess insurance of up to \$ 1 million per event for liability coverages, statutorily required coverages for workers' compensation, and up to \$ 176 million in excess property coverage on a blanket basis. Risk is transferred to SERMA but members are subject to supplementary assessments in the event that pool assets become inadequate to meet obligations. Settlements have not exceeded coverages for each of the past three years. As of September 30, 2004, the City has not provided for any estimated future assessments due to insufficient pool assets.

The municipalities included in SERMA are also covered by Florida Statute under the Doctrine of Sovereign Immunity which limits the liability amount for municipalities to individual claims of \$ 100,000, or \$ 200,000 for all claims relating to the same incident.

NOTE 13 - RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS

The following is a reconciliation of budgetary basis to GAAP basis for the results of operations of the General Fund for the year ended September 30, 2004:

		Excess (Deficiency) of Revenues over <u>Expenditures</u>
Statement of revenues, expenditures and changes in fund balances - page 14	\$	(538,299)
Net change in encumbrances		<u>(3,439)</u>
Statement of revenues, expenditures and changes in fund balances - budget and actual - page 17	\$	<u>(541,738)</u>

CITY OF PARKLAND, FLORIDA
 GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
 Last Ten Fiscal Years.

TABLE 1

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Physical Environment</u>	<u>Culture and Recreation</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
1994/95	\$ 915,774	\$ 2,072,494	\$ 372,086	\$ 473,579	\$ 2,539,629	\$ 156,667 (2)	\$ 6,530,229
1995/96	1,093,484	2,520,275	389,714	782,855	428,918	(3) 224,503	5,439,749
1996/97	1,087,122	2,383,897	413,936	4,351,052	236,206	290,855	8,763,068
1997/98	1,133,803	2,355,231	516,092	(4) 1,947,795	743,064	494,076	7,190,061
1998/99	1,307,488	2,696,472	450,886	1,585,343	225,244	540,758	6,806,191
1999/00	2,011,634	3,209,859	(5) 585,813	1,455,278	1,404,190	526,579	9,193,353
2000/01	1,690,752	3,499,650	743,369	1,568,388	2,793,914	(6) 548,558	10,844,631
2001/02	1,733,029	4,356,108	774,179	1,867,590	2,103,791	813,106	11,647,803
2002/03	1,869,538	5,023,221	939,947	2,487,789	6,031,076	(8) 6,339,186	(7) 22,690,757
2003/04	2,016,025	8,201,712	1,107,865	3,003,965	1,734,592	429,727	16,493,886

Notes:

- (1) Includes General, Special Revenue and Capital Projects Funds
- (2) Includes acquisition of 32 acres of land for park site
- (3) Includes acquisition of 10 acres of land for municipal facility
- (4) Includes the refunding of a \$ 119,547 developer contribution for road improvements
- (5) Includes purchase of a fire truck for \$ 376,547
- (6) Includes purchase of 25 acres of land for park site for \$ 1,375,000
- (7) Implementation of GASB 34. Refinanced existing debt of \$ 5,739,435
- (8) Includes initial major construction at Pine Trails Park of approximately \$ 4,800,000.

**CITY OF PARKLAND, FLORIDA
GENERAL REVENUES BY SOURCE (1)
Last Ten Fiscal Years**

TABLE 2

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Franchise Fees</u>	<u>Licenses and Permits</u>	<u>Inter-governmental</u>	<u>Fines and Forfeitures</u>	<u>Other Revenues</u>	<u>Total</u>
1994/95	\$ 2,060,068	\$ 391,020	\$ 1,500,123	\$ 673,815	\$ 82,417	\$ (2) 695,213	\$ 5,402,656
1995/96	2,327,751	489,853	847,085	762,740	102,393	(3) 881,447	5,411,269
1996/97	2,778,064	563,100	812,513	775,543	114,293	(4) 1,095,653	6,139,166
1997/98	3,069,466	131,423	(5) 983,704	1,056,603	47,719	(6) 1,501,496	6,790,411
1998/99	3,374,340	145,291	1,561,012	1,068,193	47,368	1,776,006	7,972,210
1999/00	3,695,325	139,440	2,203,632	1,244,828	65,537	1,958,462	9,307,224
2000/01	4,138,758	157,557	2,728,486	1,361,760	109,725	1,959,895	10,456,181
2001/02	4,926,852	146,308	2,592,576	1,393,737	109,036	(7) 2,534,787	11,703,296
2002/03	5,959,299	407,161	2,200,990	2,009,058	90,707	(8) 2,645,389	13,312,604
2003/04	7,426,920	460,466	2,934,485	2,821,408	93,457	(9) 2,514,166	16,250,902

K-29

Notes:

- (1) Includes General, Special Revenue and Capital Projects Funds
- (2) Includes \$ 223,358 in utility taxes on electricity
- (3) Includes \$ 303,276 in utility taxes on electricity
- (4) Includes \$ 425,867 in utility taxes on electricity
- (5) Reflects loss of electric franchise fees
- (6) Includes \$ 672,767 in utility taxes on electricity
- (7) Includes \$ 433,028 in communications services tax revenues
- (8) Includes \$ 1,878,448 in communication services tax and utility tax on electricity.
- (9) Includes \$ 824,451 in communication services tax and \$ 1,104,535 in utility tax on electricity.

CITY OF PARKLAND, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS (1)
Last Ten Fiscal Years

TABLE 3

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>(2) Current Tax Collections</u>	<u>Percentage of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Tax Collections as a Percentage of Tax Levy</u>
1994/95	\$ 2,028,157	\$ 2,058,833	101.5%	\$ 1,235	\$ 2,060,068	101.6%
1995/96	2,492,404	2,321,946	93.2%	5,805	2,327,751	93.4%
1996/97	2,920,822	2,777,390	95.1%	674	2,778,064	95.1%
1997/98	3,178,331	3,094,834	97.4%	1,632	3,096,466	97.4%
1998/99	3,519,535	3,372,214	95.8%	2,126	3,374,340	95.9%
1999/00	3,832,374	3,694,272	96.4%	1,053	3,695,325	96.4%
2000/01	4,231,344	4,128,389	97.6%	10,369	4,138,758	97.8%
2001/02	5,005,564	4,921,568	98.3%	5,284	4,926,852	98.4%
2002/03	6,093,639	5,941,224	97.5%	18,075	5,959,299	97.8%
2003/04	7,715,795	7,421,165	96.2%	5,755	7,426,920	96.3%

Notes:

(1) Source: Broward County, Florida, Department of Revenue Collection

(2) Florida law allows up to a 4% discount for timely payment of property taxes

CITY OF PARKLAND, FLORIDA
ASSESSED VALUE OF TAXABLE PROPERTY (1)
Last Ten Fiscal Years

TABLE 4

<u>Fiscal Year</u>	<u>Nonexempt Real Property</u>	<u>Nonexempt Personal Property</u>	<u>Total Taxable Valuations</u>
1994/95	\$ 520,707,801	\$ 6,836,213	\$ 527,544,014
1995/96	588,712,850	6,995,471	595,708,321
1996/97	704,361,760	8,033,937	712,395,697
1997/98	763,716,810	11,485,933	775,202,743
1998/99	846,454,230	11,968,924	858,423,154
1999/00	923,562,050	11,163,347	934,725,397
2000/01	1,020,056,960	11,978,247	1,032,035,207
2001/02	1,205,392,750	15,476,526	1,220,869,276
2002/03	1,470,220,150	16,033,199	1,486,253,349
2003/04	1,862,717,020	19,172,057	1,881,889,077

Notes:

- (1) Source: Broward County, Florida, Property Appraiser's Office and Broward County, Florida, Department of Revenue Collection
- (2) Florida law requires that all property be assessed at current market value

CITY OF PARKLAND, FLORIDA
PROPERTY TAX MILLAGE RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$ 1,000 OF TAXABLE VALUE)
Last Ten Fiscal Years

TABLE 5

<u>Fiscal Year</u>	<u>City</u>	<u>School</u>	<u>County</u>	<u>Children's Services Council of Broward County</u>	<u>North Broward Hospital District</u>	<u>South Florida Water Management District</u>	<u>Florida Inland Navigation District</u>	<u>Total</u>
1994/95	4.1000	10.0259	8.0343	--	2.4459	.5970	.0490	25.2521
1995/96	4.1000	10.0366	8.1165	--	2.4327	.6470	.0400	25.3728
1996/97	4.1000	9.9400	7.7524	--	2.4200	.6720	.0380	24.9224
1997/98	4.1000	9.9745	7.8380	--	2.4087	.6970	.0500	25.0682
1998/99	4.1000	9.7256	7.5710	--	2.5000	.6970	.0470	24.6406
1999/00	4.1000	9.1283	7.5710	--	2.4895	.6970	.0440	24.0298
2000/01	4.1000	8.9533	7.5250	--	2.4803	.6970	.0410	23.7966
2001/02	4.1000	8.7541	7.3650	.3055	2.4803	.6970	.0385	23.7404
2002/03	4.1000	8.8825	7.1880	.3316	2.4803	.6970	.0385	23.7179
2003/04	4.1000	8.2695	7.0230	.4231	2.4803	.6970	.0385	23.0314

K-32

Note:

(1) Source: Broward County, Florida, Property Appraiser's Office and Department of Revenue Collection

CITY OF PARKLAND, FLORIDA
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
Last Ten Fiscal Years

TABLE 6

<u>Fiscal Year</u>	<u>Balance, October 1</u>	<u>Net Assessments Levied During Fiscal Year</u>	<u>Assessments Collected During Fiscal Year</u>	<u>Balance, September 30</u>
1994/95	\$ 158,511	\$ 36,503	\$ (1) 106,179	\$ 88,835
1995/96	88,835	--	35,636	53,199
1996/97	53,199	--	14,455	38,744
1997/98	38,744	--	5,692	33,052
1998/99	33,052	--	14,444	18,608
1999/00	18,608	--	1,541	17,067
2000/01	17,067	(2) 765	--	17,832
2001/02	17,832	(2) 651	291	18,192
2002/03	18,192	(2) 1,506	797	18,901
2003/04	18,901	(2) 341	1,499	17,743

Notes:

- (1) This represents an adjustment to a prior year assessment
- (2) Represents interest and penalties on assessments

CITY OF PARKLAND, FLORIDA
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 September 30, 2004

TABLE 7

<u>Jurisdiction</u>	<u>Net Debt Outstanding</u>	(1) <u>Percentage Applicable to Parkland</u>	<u>Amount Applicable to Parkland</u>
Broward County	\$ 307,459,830	(2) 1.85	\$ 5,688,006
Broward District Schools	107,018,220	(3) 1.85	1,979,837
City of Parkland	--	100%	--
Total			\$ <u>7,667,843</u>

Notes:

- (1) Source: Broward County Property Appraiser's Office provided total assessed taxable values to provide a basis for the ratio on assessed taxable values
- (2) Source: Broward County, Florida, Budget Office
- (3) Source: Broward County, Florida, School Board

CITY OF PARKLAND, FLORIDA
CONSTRUCTION, POPULATION AND TAXABLE VALUES
 Last Ten Fiscal Years

TABLE 8

Fiscal Year	Construction (1)						(2) Population	Taxable Values
	Commercial	Residential (4)		NonResidential				
	Number of Units	Estimated Values	Number of Units	Estimated Values	Number of Units	(3) Estimated Values		
1994/95	--	--	436	\$ 60,066,040	278	\$ 2,503,685	10,000	\$ 527,544,014
1995/96	--	--	243	45,791,131	182	1,512,511	10,386	595,708,321
1996/97	--	--	248	51,982,901	158	1,471,940	11,407	712,395,697
1997/98	--	--	306	62,759,826	180	1,991,900	12,500	775,202,743
1998/99	3	414,310	455	87,036,170	188	2,180,885	13,600	858,423,154
1999/00	6	10,985,700	376	99,444,670	311	4,263,069	14,650	934,725,397
2000/01	2	2,167,100	568	135,662,996	392	5,403,206	16,500	1,032,035,207
2001/02	1	56,030	659	131,448,696	311	4,222,160	19,400	1,220,869,276
2002/03	8	6,307,015	550	123,621,245	282	3,739,525	19,913	1,486,253,349
2003/04	26	2,207,340	241	94,732,272	226	3,159,040	21,053	1,881,889,077

Notes:

(1) Source: City of Parkland, Building Department

(2) Source: City of Parkland, Planning Department

(3) Source: Broward County, Florida, Property Appraiser's Office
 and Department of Revenue Collection

(4) Source: City of Parkland Building Department includes multi-family residential

CITY OF PARKLAND, FLORIDA
 PRINCIPAL TAXPAYERS
 2003/04 Fiscal Year

TABLE 9

<u>Company Name</u>	<u>Type of Business</u>	<u>Taxable Value</u>	<u>% of Total Taxable Value</u>
WCI Communities	Developer	\$ 78,634,680	4.18
Aston Gardens at Parkland Common, Ltd.	Assisted Living Facility	32,030,736	1.70
Winners Circle Realty Holding Company	Rental Apartments	30,523,720	1.62
Magnolia Star Parkland, LP	Developer	17,349,580	.92
Florida National Properties, Inc.	Developer	9,805,380	.52
Parkland 2000 Developers, L.L.C.	Developer	6,615,640	.35
Lenar Homes	Developer	6,486,870	.34
Florida Power and Light	Utility	6,420,550	.34
Simon & Douglas Developers, L.L.C.	Developer	6,056,770	.32
Southern Bell Telephone Co.	Utility	<u>3,619,706</u>	<u>.19</u>
		<u>\$ 197,543,632</u>	<u>10.48</u>

CITY OF PARKLAND, FLORIDA
INSURANCE IN FORCE
September 30, 2004

TABLE 10

<u>Type of Coverage</u>	<u>Coverage Amount</u>
General Liability	\$ 100,000/Person \$ 200,000/Per Occurrence
Contractual Liability	\$ 100,000/Person \$ 200,000/Per Occurrence
Automobile Liability	\$ 100,000/Person \$ 200,000/Per Occurrence
Public Officials Errors and Omissions	\$ 100,000/Person \$ 200,000/Per Occurrence
Police Professional Liability	\$ 100,000/Person \$ 200,000/Per Occurrence
Fire and Extended Coverage	Per Scheduled Property; \$ 176,150,180 blanket value per occurrence; special/all risk form; special form replacement cost except automobiles at actual cash value; \$ 1,000 deductible
Boiler and Machinery	\$ 200,000
Accidental Death and Dismemberment (Public Safety Officers)	Statutory limits
Accidental Death (Public Safety Officers)	Statutory limits
Public Employees and Officials Bond	\$ 100,000
Automobile Physical Damage	Per Scheduled Property; \$ 176,150,180 blanket special form replacement cost except automobiles at actual cash value, \$ 1,000 deductible
Workers Compensation	Statutory Limits \$ 1,000,000 Each Accident \$ 1,000,000 Disease Policy Limit \$ 1,000,000 Each Employee
Employment Practices Liability	\$ 1,000,000 Per Occurrence

CITY OF PARKLAND, FLORIDA
DEMOGRAPHIC AND MISCELLANEOUS STATISTICS
September 30, 2004

TABLE 11

Form of Government: City Commission/City Manager

The City Commission is composed of a Mayor and four Commissioners.
The Commissioners elect a Vice-Mayor. The term of office is three years.
The City Manager is appointed by the Commission.

Area: The City covers 11.14 square miles. Total Acres: 7,132

Occupied Households - 12,938

Median Age - 35.5

Current Population: 21,053

PARKS AND RECREATION AREAS

John Quigley Park
The Equestrian Center at Temple Park
Terramar Park
Forman Nature Park
Pine Trails Park
Liberty Park
Covered Bridge Park

Composition of recreation acreage: Developed acres - 80
Undeveloped acres - 82 Preserves - 48

Total acres for recreation - 210

Facilities Available: Recreation buildings, softball and baseball fields, basketball and tennis courts,
soccer fields, picnic areas, playgrounds, equestrian center, trails and nature preserves.

EDUCATIONAL FACILITIES

Public Schools located within the City: Elementary Schools - 2
Middle Schools - 1 High Schools - 2

PERSONNEL INFORMATION

City Employees: Full time - 71 Part time - 21 Total - 92

Public Safety - Contractual Police and Fire Services
City Crossing Guards - Part time - 22

APPENDIX L

Financial Information Regarding City of Port Richey

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF PORT RICHEY, FLORIDA
 Combined of Revenues, Expenditures and Changes in Fund Balances (Deficit)
 General Fund
 For the Fiscal Years Ended September 30

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:			
Taxes	\$2,012,243	\$1,862,526	\$1,530,915
Licenses and permits	321,794	256,921	244,055
Intergovernmental	444,210	390,251	398,543
Charges for services	250,935	289,482	280,969
Fines and forfeits	99,828	97,167	68,638
Grant revenues	--	275,979	246,128
Interest	14,088	7,773	25,168
Miscellaneous	67,616	48,693	29,483
Gain on sale of land	--	628,415	--
Impact Fees	<u>219,987</u>	<u>--</u>	<u>--</u>
Total revenues	\$ 3,430,701	\$ 3,857,207	\$ 2,823,899
Expenditures:			
Current:			
General government	702,623	756,383	758,081
Public safety	1,570,482	1,751,726	1,703,263
Physical environment	80,097	81,663	115,938
Transportation	238,661	369,469	593,363
Human services	10,421	10,143	9,779
Parks and recreation	42,248	64,582	--
Debt service			
Principal retirement	92,025	--	--
Interest and fiscal charges	<u>10,137</u>	<u>--</u>	<u>--</u>
Capital outlay	<u>69,837</u>	<u>--</u>	<u>1,215,682</u>
Total expenditures	<u>2,816,531</u>	<u>3,033,966</u>	<u>4,396,106</u>
Excess (deficiency) of revenues over (under) expenditures	<u>614,170</u>	<u>823,241</u>	<u>(1,572,207)</u>
Other financing (uses) sources:			
Proceeds from the sale of capital assets	5,455	--	--
Proceeds from capita leases	40,457	--	--
Operating transfers in	<u>--</u>	<u>--</u>	<u>--</u>
Operating transfers out	<u>(234,144)</u>	<u>(225,930)</u>	<u>(147,747)</u>
Total other financing (uses) sources	<u>(188,232)</u>	<u>(225,930)</u>	<u>(147,747)</u>
Net Change in fund balances	425,938	--	--
Excess (deficiency) of revenues over (under) expenditures and other financing (uses) sources	--	597,311	(1,719,954)
Fund (deficit) balance at beginning of year	<u>(119,882)</u>	<u>(717,193)</u>	<u>1,002,761</u>
Prior period adjustments (Note B)	(80,880)	--	--
Fund Balances - Beginning of Year (Restated)	(200,762)	--	--
Fund (deficit) balance at end of year	<u>\$ 225,176</u>	<u>\$ (119,882)</u>	<u>\$ (717,193)</u>

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

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the City Council,
City of Port Richey, Florida

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the City of Port Richey, Florida (the City) as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the City's 2003 financial statements, which were audited by other auditors whose report dated December 19, 2003, expressed an unqualified opinion on those financial statements.

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

As more fully described in Note A, the City of Port Richey, Florida adopted the provisions of Governmental Accounting Standards Board Statement Number 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", which established new financial reporting requirements for state and local governments.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 to 17 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information, however, we did not audit the information and, accordingly, express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The required supplementary budgetary comparison schedules on pages 49 to 53 are not a required part of the basic



500 94th Avenue North • St. Petersburg, Florida 33702-2406 • Phone: (727) 578-1040 • Fax: (727) 578-1041 • Online: www.whspa.com

Members: American Institute of Certified Public Accountants - Florida Institute of Certified Public Accountants - Public Company Accounting Oversight Board

financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. The other supplementary schedules listed in the table of contents are presented for purposes of additional analysis and are also not a required part of the basic financial statements of the City. Such information, including the required supplementary information, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Port Richey, Florida's basic financial statements. The introductory section, and statistical schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Wells, Hovson & Seligson, P.A.

May 27, 2005

CITY OF PORT RICHEY, FLORIDA

STATEMENT OF NET ASSETS

September 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS			
Cash, pooled cash and cash equivalents	\$ 273,986	\$ 303,710	\$ 577,696
Investments	89,762	154,579	244,341
Restricted assets:			
Cash and cash equivalents	772,049	471,854	1,243,903
Investments		413,911	413,911
Receivables (Net of allowance):			
Taxes	65,637		65,637
Accounts	41,588	237,244	278,832
Internal balances	(680,323)	680,323	-
Prepaid expenses	23,023	18,403	41,426
Other assets	375		375
Total current assets	<u>586,097</u>	<u>2,280,024</u>	<u>2,866,121</u>
NON-CURRENT ASSETS			
Capital assets:			
Land	2,797,198	27,000	2,824,198
Buildings	1,970,809	341,690	2,312,499
Improvements and infrastructure other than buildings	3,094,399	12,556,126	15,650,525
Equipment and vehicles	1,033,489	552,357	1,585,846
Capital projects in process	389,751		389,751
Accumulated depreciation	(2,191,994)	(3,740,455)	(5,932,449)
Unamortized debt costs		28,046	28,046
Total non-current assets	<u>7,093,652</u>	<u>9,764,764</u>	<u>16,858,416</u>
TOTAL ASSETS	<u>\$ 7,679,749</u>	<u>\$ 12,044,788</u>	<u>\$ 19,724,537</u>

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	\$ 93,245	\$ 166,684	\$ 259,929
Accrued liabilities	91,534	16,231	107,765
Customer deposits		191,621	191,621
Other liabilities		547	547
Deferred revenue	58,740		58,740
Due to other governments	1,061		1,061
Payable from restricted assets:			
Accrued interest payable		44,591	44,591
Revenue bonds payable - current portion	60,000	135,000	195,000
Current portion of			
Capital leases payable	86,211	7,744	93,955
Accrued compensated absences	22,405	2,899	25,304
Total current liabilities	<u>413,196</u>	<u>565,317</u>	<u>978,513</u>
NONCURRENT LIABILITIES			
Capital leases payable	64,820	27,076	91,896
Revenue bonds payable	1,415,000	1,538,410	2,953,410
Accrued compensated absences	303,251	39,240	342,491
Total non-current liabilities	<u>1,783,071</u>	<u>1,604,726</u>	<u>3,387,797</u>
TOTAL LIABILITIES	<u>2,196,267</u>	<u>2,170,043</u>	<u>4,366,310</u>
NET ASSETS			
Investment in capital assets, net of related debt	5,467,621	8,028,488	13,496,109
Restricted:			
Debt service	41,462	285,901	327,363
Renewal and replacement		100,000	100,000
Capital projects	655,708	320,272	975,980
Community redevelopment	74,879		74,879
Unrestricted	<u>(756,188)</u>	<u>1,140,084</u>	<u>383,896</u>
TOTAL NET ASSETS	<u>5,483,482</u>	<u>9,874,745</u>	<u>15,358,227</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,679,749</u>	<u>\$ 12,044,788</u>	<u>\$ 19,724,537</u>

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

CITY OF PORT RICHEY, FLORIDA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2004

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES				
General government	\$ 806,700	\$ 250,860	\$ -	\$ -
Police	1,033,392	99,828	22,038	6,395
Fire	367,904			
Protective inspections	175,937	321,794		
Public works	59,161			
Transportation	310,175			
Human services	10,421			
Parks and recreation	83,577	75		270,315
Interest and fiscal charges on long-term debt	95,976			
TOTAL GOVERNMENTAL ACTIVITIES	<u>2,943,243</u>	<u>672,557</u>	<u>22,038</u>	<u>276,710</u>
BUSINESS-TYPE ACTIVITIES				
Water and sewer	2,540,751	2,492,070		
TOTAL BUSINESS-TYPE ACTIVITIES	<u>2,540,751</u>	<u>2,492,070</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 5,483,994</u>	<u>\$ 3,164,627</u>	<u>\$ 22,038</u>	<u>\$ 276,710</u>

General Revenues

Taxes:

Ad valorem

Franchise fees

Utility taxes

Communication services tax

Half-cent sales tax

Local option gas tax

Other taxes

State revenue sharing

Impact fees

Investment income

Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning of year

Prior period adjustments (Note B)

Net assets - beginning of year (restated)

Net assets - end of year

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
\$ (555,840)	\$ -	\$ (555,840)
(905,131)		(905,131)
(367,904)		(367,904)
145,857		145,857
(59,161)		(59,161)
(310,175)		(310,175)
(10,421)		(10,421)
186,813		186,813
(95,976)		(95,976)
<u>(1,971,938)</u>	<u>-</u>	<u>(1,971,938)</u>
	(48,681)	(48,681)
<u>-</u>	<u>(48,681)</u>	<u>(48,681)</u>
<u>(1,971,938)</u>	<u>(48,681)</u>	<u>(2,020,619)</u>

1,359,524		1,359,524
244,399		244,399
300,700		300,700
239,882		239,882
180,071		180,071
132,658		132,658
25,292		25,292
92,756		92,756
219,987	87,879	307,866
14,088	11,920	26,008
58,071	100,000	158,071
<u>2,867,428</u>	<u>199,799</u>	<u>3,067,227</u>
<u>895,490</u>	<u>151,118</u>	<u>1,046,608</u>
<u>4,668,872</u>	<u>10,781,745</u>	<u>15,450,617</u>
<u>(80,880)</u>	<u>(1,058,118)</u>	<u>(1,138,998)</u>
<u>4,587,992</u>	<u>9,723,627</u>	<u>14,311,619</u>
<u>\$ 5,483,482</u>	<u>\$ 9,874,745</u>	<u>\$ 15,358,227</u>

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

CITY OF PORT RICHEY, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2004
With Comparative Amounts for September 30, 2003

	2004			2003	
	General	Special Revenue Community Redevelopment	Debt Service	Total Governmental Funds	Total
ASSETS					
Cash, pooled cash and cash equivalents	\$ 248,875	\$ 25,111	\$ -	\$ 273,986	\$ -
Investments	89,762			89,762	56,507
Restricted assets:					
Cash and cash equivalents	655,708	74,879	41,462	772,049	449,029
Investments				-	42,949
Receivables (Net of allowance):					
Taxes	65,637			65,637	133,376
Accounts	41,588			41,588	-
Due from other funds	646,331			646,331	770,577
Prepaid items	23,023			23,023	-
Other assets	375			375	2,769
TOTAL ASSETS	\$ 1,771,299	\$ 99,990	\$ 41,462	\$ 1,912,751	\$ 1,455,207
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 69,295	\$ 23,950	\$ -	\$ 93,245	\$ 74,680
Accrued liabilities	90,373	1,161		91,534	80,649
Deferred revenue	58,740			58,740	43,356
Due to other funds	1,326,654			1,326,654	1,320,503
Due to other governments	1,061			1,061	-
TOTAL LIABILITIES	1,546,123	25,111	-	1,571,234	1,519,188
FUND BALANCES					
Fund balances					
Reserved for:					
Capital projects- transportation	644,203			644,203	436,077
Capital projects- police and fire	11,505			11,505	-
Debt service			41,462	41,462	42,949
Community redevelopment		74,879		74,879	12,952
Unreserved:					
Undesignated, reported in General fund	(430,532)			(430,532)	(555,959)
TOTAL FUND BALANCES	225,176	74,879	41,462	341,517	(63,981)
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,771,299	\$ 99,990	\$ 41,462	\$ 1,912,751	\$ 1,455,207

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

CITY OF PORT RICHEY, FLORIDA

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

September 30, 2004

Fund Balances - total governmental funds		\$	341,517
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Governmental capital assets	\$	8,895,895	
Less accumulated depreciation		(2,191,994)	
Capital projects in process		<u>389,751</u>	7,093,652
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Capital leases payable		(151,031)	
Revenue bonds payable		(1,475,000)	
Accrued compensated absences		<u>(325,656)</u>	<u>(1,951,687)</u>
Net assets of governmental activities.			<u>\$ 5,483,482</u>

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

CITY OF PORT RICHEY, FLORIDA

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

For the Year Ended September 30, 2004
With Comparative Amounts for the Year Ended September 30, 2003

	2004			2003	
	General	Special Revenue Community Redevelopment	Debt Service	Total Governmental Funds	Total
REVENUES					
Taxes	\$ 2,012,243	\$ 132,262	\$ -	\$ 2,144,505	\$ 1,862,526
Licenses and permits	321,794			321,794	251,900
Intergovernmental revenue	444,210	270,315		714,525	668,804
Impact fees	219,987			219,987	56,899
Charges for services	250,935			250,935	251,389
Fines and forfeitures	99,828			99,828	98,917
Interest	14,088			14,088	7,773
Miscellaneous revenues	67,616			67,616	27,714
TOTAL REVENUES	3,430,701	402,577	-	3,833,278	3,225,922
EXPENDITURES					
Current					
General government	702,623	56,775		759,398	791,673
Public safety	1,570,482			1,570,482	1,631,495
Physical environment	80,097			80,097	80,673
Transportation	238,661			238,661	258,129
Human services	10,421			10,421	10,143
Parks and recreation	42,248			42,248	64,582
Capital outlay	69,837	373,667		443,504	267,622
Debt service					
Principal retirement	92,025		60,000	152,025	55,000
Interest and fiscal charges	10,137		85,839	95,976	88,947
TOTAL EXPENDITURES	2,816,531	430,442	145,839	3,392,812	3,248,264
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	614,170	(27,865)	(145,839)	440,466	(22,342)
OTHER FINANCING SOURCES (USES)					
Proceeds from the sale of capital assets	5,455			5,455	631,285
Proceeds from capital leases	40,457			40,457	-
Transfers in		89,792	144,352	234,144	225,930
Transfers out	(234,144)			(234,144)	(225,930)
TOTAL OTHER FINANCING SOURCES (USES)	(188,232)	89,792	144,352	45,912	631,285
NET CHANGE IN FUND BALANCES	425,938	61,927	(1,487)	486,378	608,943
FUND BALANCES - BEGINNING OF YEAR (DEFICIT)	(119,882)	12,952	42,949	(63,981)	(672,924)
PRIOR PERIOD ADJUSTMENTS (NOTE B)	(80,880)	-	-	(80,880)	-
FUND BALANCES- BEGINNING OF THE YEAR (DEFICIT) (RESTATED)	(200,762)	12,952	42,949	(144,861)	(672,924)
FUND BALANCES - END OF YEAR (DEFICIT)	\$ 225,176	\$ 74,879	\$ 41,462	\$ 341,517	\$ (63,981)

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

CITY OF PORT RICHEY, FLORIDA

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

For the Year Ended September 30, 2004

Net change in fund balances - total governmental funds \$ 486,378

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

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

Expenditures for capital assets	443,504	
Less current year depreciation	<u>(222,275)</u>	221,229

Capital lease proceeds provide current financial resources to governmental funds, but incurring debt increases long-term liabilities in the statement of net assets. (40,457)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Revenue bonds	60,000	
Capital lease payments	<u>92,025</u>	152,025

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.

Change in accrued compensated absences		<u>76,315</u>
--	--	---------------

Change in net assets of governmental activities.		<u>\$ 895,490</u>
--	--	-------------------

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

CITY OF PORT RICHEY, FLORIDA

BALANCE SHEET
 PROPRIETARY FUND

September 30, 2004
 With Comparative Amounts for the Year Ended September 30, 2003

	Business-type Activities	
	Enterprise Fund	
	Water and Sewer	
	2004	2003
ASSETS		
CURRENT ASSETS		
Cash, pooled cash and cash equivalents	\$ 303,710	\$ 232,928
Investments	134,579	182,997
Restricted:		
Cash and cash equivalents	471,854	673,680
Investments	413,911	379,103
Receivables (Net of allowance):		
Accounts	237,244	215,972
Due from other funds	1,326,654	1,320,503
Prepaid items	18,403	
Total current assets	<u>2,926,355</u>	<u>3,005,183</u>
NON-CURRENT ASSETS		
Capital assets:		
Property, plant, equipment, and infrastructure	13,477,173	14,263,518
Less: Accumulated depreciation	(3,740,455)	(3,502,299)
Unamortized debt costs	28,046	30,049
Total non-current assets	<u>9,764,764</u>	<u>10,791,268</u>
TOTAL ASSETS	<u>\$ 12,691,119</u>	<u>\$ 13,796,451</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 166,684	\$ 143,046
Accrued liabilities	16,231	14,121
Customer deposits	191,621	204,776
Due to other funds	646,331	770,577
Other liabilities	547	947
Payable from restricted assets:		
Accrued interest payable	44,591	47,516
Revenue bonds payable - current portion	135,000	130,000
Capital lease obligation- current portion	7,744	
Accrued compensated absences - current portion	2,899	2,671
Total current liabilities	<u>1,211,648</u>	<u>1,313,654</u>
NON-CURRENT LIABILITIES		
Revenue bonds payable	1,538,410	1,664,907
Capital lease obligation	27,076	
Accrued compensated absences	39,240	36,145
Total non-current liabilities	<u>1,604,726</u>	<u>1,701,052</u>
TOTAL LIABILITIES	<u>2,816,374</u>	<u>3,014,706</u>
NET ASSETS		
Invested in capital assets, net of related debt	8,028,488	8,966,312
Restricted:		
Debt service	285,901	282,854
Renewal and replacement	100,000	100,000
Capital projects	320,272	497,084
Unrestricted	1,140,084	935,495
TOTAL NET ASSETS	<u>9,874,745</u>	<u>10,781,745</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,691,119</u>	<u>\$ 13,796,451</u>

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

CITY OF PORT RICHEY, FLORIDA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 PROPRIETARY FUND

For the Year Ended September 30, 2004
 With Comparative Amounts for the Year Ended September 30, 2003

	Business-type Activities	
	Enterprise Fund	
	Water and Sewer	
	2004	2003
OPERATING REVENUE		
Charges for services	\$ 2,492,070	\$ 2,287,063
Total operating revenues	<u>2,492,070</u>	<u>2,287,063</u>
OPERATING EXPENSES		
Personal services	379,736	404,212
Contractual services	640,085	616,414
Materials and supplies	422,846	343,116
Purchased water	411,920	379,686
Utilities	63,156	61,383
Depreciation	271,890	275,389
Administrative charges	250,000	250,000
Total operating expenses	<u>2,439,633</u>	<u>2,330,200</u>
OPERATING INCOME (LOSS)	<u>52,437</u>	<u>(43,137)</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment income	16,593	18,675
Net increase (decrease) in fair value of investments	(4,673)	
Proceeds from settlement	100,000	
Interest and fiscal charges	(90,686)	(100,562)
Amortization	(10,432)	(15,256)
Total nonoperating revenues (expenses)	<u>10,802</u>	<u>(97,143)</u>
INCOME BEFORE CONTRIBUTIONS	63,239	(140,280)
Impact fees	<u>87,879</u>	<u>72,568</u>
CHANGE IN NET ASSETS	<u>151,118</u>	<u>(67,712)</u>
NET ASSETS - BEGINNING OF YEAR	10,781,745	10,849,457
PRIOR PERIOD ADJUSTMENTS (NOTE B)	(1,058,118)	
NET ASSETS - BEGINNING OF YEAR (AS RESTATED)	<u>9,723,627</u>	<u>10,849,457</u>
NET ASSETS - END OF YEAR	<u>\$ 9,874,745</u>	<u>\$ 10,781,745</u>

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

CITY OF PORT RICHEY, FLORIDA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND

For the Year Ended September 30, 2004
 With Comparative Amounts for the Year Ended September 30, 2003

	Business-type Activities Enterprise Fund Water and Sewer	
	2004	2003
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 2,457,243	\$ 2,251,020
Cash paid to suppliers for goods and services	(1,782,698)	(1,790,869)
Cash paid to and for the benefit of employees	(374,303)	(423,846)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>300,242</u>	<u>36,305</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Collection of Impact Fees	87,879	72,568
Proceeds from settlement	100,000	
Advances (to) from other funds	(130,397)	548,463
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	<u>57,482</u>	<u>621,031</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital lease financing	40,457	
Principal paid on revenue bonds	(130,000)	(125,000)
Principal paid on capital lease obligation	(5,637)	
Acquisition and construction of capital assets	(305,507)	(191,259)
Interest and fiscal charges paid on indebtedness	(93,611)	(105,562)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(494,298)</u>	<u>(421,821)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(100,765)	(18,675)
Sale of investments	89,702	106,869
Earnings on investments	16,593	18,484
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>5,530</u>	<u>106,678</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(131,044)	342,193
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>906,608</u>	<u>564,415</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 775,564</u>	<u>\$ 906,608</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO BALANCE SHEET		
Cash and cash equivalents	\$ 303,710	\$ 232,928
Restricted cash and cash equivalents	471,854	673,680
	<u>\$ 775,564</u>	<u>\$ 906,608</u>

	Business-type Activities	
	Enterprise Fund	
	Water and Sewer	
	2004	2003
RECONCILIATION OF OPERATING INCOME (LOSS) TO		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	\$ 52,437	\$ (43,137)
Adjustments to Reconcile Operating Income to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	271,890	275,389
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(21,198)	(41,117)
(Increase) decrease in prepaid expenses	(18,403)	
Increase (decrease) in accounts payable	23,638	(31,098)
Increase (decrease) in accrued liabilities	2,110	(109,670)
Increase (decrease) in other liabilities	(400)	
Increase (decrease) in utility deposits	(13,155)	5,074
Increase (decrease) in compensated absences	3,323	(19,136)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 300,242	\$ 36,305

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Bond issuance costs and discounts related to the Water and Sewer Revenue Bonds, Series 1994 are being amortized over the life of the outstanding debt issues. Amortization expense for the years ended September 30, 2004 and 2003 was \$10,432 and \$15,256, respectively.

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

THIS PAGE INTENTIONALLY LEFT BLANK

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Port Richey ("City") maintains its accounting records in accordance with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below:

1. The Reporting Entity: The City is a political subdivision of the State of Florida, located in Pasco County in the southwest portion of the State. The City was incorporated in 1925 under the provisions of the Laws of Florida, Chapter 110334 and had operated under that charter until April 1994 when a new charter was adopted. The City is approximately four square miles in area. The City is a full service municipality providing its citizens with a full complement of municipal services. In addition, the City owns and operates a utility, which includes both a water production and distribution system and a sewage collection system.

In accordance with Governmental Accounting Standards Board Statement Number 14, the financial reporting entity includes the primary government, organizations for which the primary government is financially accountable and other organizations for which, if excluded, would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority to an organization's board and either displays the ability to impose its will on that organization or the possibility that the organization will impose or provide a financial burden or benefit to the primary government. The City has determined that the Community Redevelopment Agency (CRA) is the only organization that meets these requirements, and therefore, has appropriately blended the component unit in the financial statements as a special revenue fund. Although legally separate, the City Council serves as the CRA Board. Separate financial statements for the CRA are not presently prepared. The CRA was created on January 8, 2002, pursuant to Chapter 163.356, Florida Statutes, City Resolutions 02-01, 02-02, and 02-03.

2. Governmental Accounting Standards Board Statement Number 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments": The City implemented the provisions of Statement Number 34 for the fiscal year ending September 30, 2004, which establishes new financial reporting requirements for state and local governments. The Statement establishes specific standards for the basic financial statements, management's discussion and analysis (MD&A), and certain required supplementary information. As part of this Statement, there is a new reporting requirement regarding infrastructure (roads, etc.) All major general infrastructure assets that were acquired or significantly reconstructed, or that received significant improvements, in fiscal years ending after June 30, 1980 are required to be retroactively reported, and all newly acquired or improved infrastructure assets must be prospectively reported for all phases of government effective as of the date of implementation of this statement. The City has also implemented this requirement for the fiscal year ending September 30, 2004.

The basic financial statements include both government-wide and fund financial statements. The government-wide statements are presented using a full accrual, economic resource basis, which incorporates long-term assets and receivables and long-term liabilities. Governmental activities include the General Fund, Special Revenue Fund-Community Redevelopment, and Debt Service Fund. Business-type activities include the Enterprise Fund - Water and Sewer.

The government-wide Statement of Activities reports the gross and net cost for the various functional categories of the City that are otherwise supported by general government revenues. The expenses for each functional category are reduced by program revenues to ascertain the net costs for that function. Program revenues are defined as charges for services, operating grants, and capital grants that specifically relate to a specific program function. Charges for services include revenues arising from charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. Operating grants and capital grants consist of revenues received from other governments, organizations, or individuals that are specifically attributable to a program and are restricted for either operating expenditures/expenses or capital expenditures/expenses associated with a specific program.

CITY OF PORT RICHEY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for services. Operating expenses for the City's enterprise fund include cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The fund financial statements are very similar to the financial statements presented in the previous model. The emphasis in the new model is on major funds in both the governmental activities and business-type activities, and non-major funds are summarized into a single column. The City has elected to report the Debt Service Fund as a major fund. As a result, all of the City's funds are classified as major funds for financial statement presentation.

3. Measurement Focus: The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund statements are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The measurement focus is the determination of financial position and sources and uses of resources, rather than net income determination.

The proprietary fund statement is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The operating statement of this fund presents increases (e.g., revenues) and decreases (e.g., expenses) in net assets. The measurement focus of the proprietary fund is determination of net income, financial position, and cash flows.

4. Fund Accounting: The City organizes its accounting system on the basis of funds, each of which is considered a separate accounting entity with a self-balancing set of accounts. The various funds are grouped in the financial statements as follows:

Governmental Fund Types:

General: The general fund is used to account for all activities of general government not accounted for in another fund. The general fund is always reported as a major fund in the governmental fund financial statements.

Special Revenue Fund: This fund is used to account for the proceeds of funding and the associated costs and activities of the Community Redevelopment Agency. This fund had been classified as a major fund in the governmental fund financial statements.

Debt Service Fund: The debt service fund accounts for the accumulation of resources for and payment of principal, interest and related costs of the City's general long-term debt. This fund had been classified as a major fund in the governmental fund financial statements.

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

Enterprise Fund: This fund accounts for operations that are financed and operated in a manner similar to the private business sector, where the intent of the governing body is that the costs (including depreciation) to provide certain goods and services to the general public be financed or recovered primarily through user charges or where the governing body has deemed that periodic determination of net income is appropriate for purposes of monitoring capital maintenance, accountability or other purposes. The City accounts for their water and sewer operations as a major enterprise fund.

CITY OF PORT RICHEY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5. Basis of Accounting: Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

All governmental funds in the fund financial statements are presented on a modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available (susceptible to accrual). Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. For this purpose, revenues are considered to be available if they are collected within 60 days of year-end. Revenues that are susceptible to accrual include utility taxes, court fines, and intergovernmental grants. Expenditures are recorded at the time the related fund liabilities are incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

The government-wide financial statements and proprietary fund financial statements are presented on an accrual basis of accounting. Under the accrual basis, revenues are recognized in the period when earned and expenses are recognized in the period when incurred.

6. Budget and Budgetary Accounting: Annual appropriated budgets are legally adopted on a basis consistent with GAAP for the governmental funds. The enterprise fund budget is adopted on a basis consistent with GAAP, except that no provision is made for depreciation and amortization and debt principal payments are budgeted. These funds are controlled on a fund and departmental level. The department heads are authorized to transfer budget amounts within departments; however, any revision that alters the total expenditures of any department must be approved by the City Manager. Unencumbered appropriations expire at year-end. Budget amendments that affect revenue or increase the total amount of individual fund expenditures must be approved by the City Council.

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

- a) By approximately July 1, the City Finance Director submits to the City Council a proposed budget for the ensuing fiscal year. It contains proposed expenditures and the means to finance them, including a proposed property tax millage rate.
- b) Public hearings are conducted in August and September to obtain taxpayer comments on the proposed budget and property tax millage rate.
- c) The budget and property tax millage rate is approved by the City Council in September and adopted as a budget resolution. This budget resolution is adopted at the departmental line item level.
- d) The budget is reviewed on an ongoing basis and any unusual and unforeseen changes are incorporated into the budget on a fund level by a modifying resolution.
- e) Annual budgets were adopted for the following funds: General, Community Redevelopment, and Water and Sewer Funds. The budget serves as legal authorization for all expenditures. Budgeted expenditures may not legally exceed appropriations on an individual fund basis for the General, Community Redevelopment, and Water and Sewer Funds. Budget appropriations were amended as a result of approved budget revisions by the following amounts: General Fund- \$16,525 increase and Water and Sewer Fund- \$3,268. The Water and Sewer Fund incurred a charge to approved appropriations in excess of the amount budgeted of \$26,440. This excess resulted primarily from the need to purchase more water than anticipated to provide for the demand on the water distribution system.

CITY OF PORT RICHEY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- f) All appropriations lapse at the end of the fiscal year. Encumbrances outstanding at year-end are re-appropriated and charged against the ensuing year's budget and thus are not reflected in budget to actual presentations.

7. Property Taxes: Under Florida law, the assessment of all properties and the collection of all City property taxes are consolidated in the offices of the Pasco County Property Appraiser and Pasco County Tax Collector. The laws of the State regulating tax assessments are also designed to assure a consistent property valuation method statewide. Florida Statutes permit cities to levy property taxes at a rate of up to 10 mills. The millage rate in effect for fiscal year ending September 30, 2004 was 5.82.

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

All property is reassessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statutes.

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Pasco County Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount. Delinquent taxes on real property bear interest at 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. After sale, tax certificates bear interest at 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by Pasco County.

Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

8. Assets, Liabilities, and Fund Equity

Cash, pooled cash, and cash equivalents: The City uses a consolidated cash pool to account for the operating cash account. The consolidated cash pool concept allows each participating fund to benefit from the economies of scale and improved yield that are inherent to a larger investment pool. Formal accounting records detail the individual equities of the participating funds. Other money market accounts, savings accounts and investments are segregated by individual fund.

The City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Investments: Investments are reported at fair value. Amounts on deposit with the Florida State Board of Administration-Local Governments Surplus Funds Trust Fund are classified as investments and are not considered to be cash equivalents for cash flow reporting purposes.

The Local Government Surplus Funds Trust Fund is treated as a "2a-7 like pool in accordance with SAS Statement No. 31 and is valued using the pooled share price, which approximates fair value.

Investments in United States Treasury Notes are reported at fair value based on an average of bid and ask prices.

CITY OF PORT RICHEY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets: The City has two categories of restricted assets: cash and cash equivalents and investments.

Cash and cash equivalents have been restricted in the Governmental Activities and Governmental Fund for unexpended Transportation, Fire and Police Impact Fees; debt service requirements for the revenue bonds payable; and for unexpended Community Redevelopment funds.

Cash and cash equivalents and investments have been restricted in the Business-type activities and Water and Sewer Fund for debt service requirements for the Water and Sewer Revenue Bonds payable pursuant to the bond covenants; unexpended Water and Sewer Impact Fees; and unexpended sewer constructions funds received as a result of litigation over the quality of the City's sewer line construction.

Capital Assets: Capital assets, which include land, buildings, improvements, equipment, vehicles and infrastructure assets, are reported in the applicable government or business-type activity in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of \$2,500 or more and an estimated useful life in excess of one year. These assets are capitalized at historical cost, or estimated historical cost if actual cost information is not available. Donated fixed assets are capitalized at their fair market value on the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of the asset are also capitalized.

Depreciation, which is computed on a straight-line basis, is provided for in amounts sufficient to charge the cost of depreciable assets to operations over their estimated useful lives. Depreciation is not provided for capital projects in process. Interest cost incurred on construction in progress is capitalized as part of the cost of assets acquired in an enterprise fund. The estimated useful lives of the assets are as follows:

Category	Useful Life
Buildings and improvements	10 - 50 years
Infrastructure -- road ways	20 years
Equipment and vehicles	3 - 20 years
Water and Sewer system	15 - 60 years

Accrued Compensated Absences: Regular, full-time, permanent employees earn vacation and sick leave starting thirty days after their date of employment.

Vacation leave is earned based on years of continuous and creditable service as follows:

Years of Service	Total Days Per Year
1 to 5	10
6	11
7	12
8	13
9	14
10 or more	15

The maximum amount of vacation leave that an employee may accrue is equal to one and a half times the employee's rate of annual accrual. An employee who has served one year or more and who terminates employment with the City is paid for any unused vacation leave accumulated to the time of termination.

CITY OF PORT RICHEY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as a component of long-term liabilities. No expenditure is reported for these amounts in the governmental funds. Vested or accumulated vacation and sick leave of the proprietary fund is recorded as an expense and liability of that fund as the benefits accrue to employees.

Sick leave is earned based on years of continuous and creditable service as follows:

Years of Service	Maximum Days Credited
0 to 5	30
6 to 10	60
11 or more	90

Employees may accrue sick leave benefits to a maximum amount of ninety days. Employees terminating employment by resignation, in good stead and with two weeks notice, shall be paid for accrued sick leave at the rate of 50% times the number of hours accrued not to exceed the maximum days. Employees retiring from the City shall be paid for 100% of accrued sick leave not to exceed the maximum accrual limit plus 33% of any time in excess of the limit.

Post Retirement Health and Life Insurance Benefits: The City provides post retirement health insurance benefits to employees upon completion of twenty-five years of continuous service or twenty years of continuous service upon reaching age sixty. These benefits are discontinued upon the employee reaching age sixty-five. The City does not provide any post retirement life insurance benefits.

Net Assets: The government-wide and business-type fund financial statements utilize a net asset presentation. Net assets are presented in three components - invested in capital assets (net of related debt), restricted, and unrestricted.

- a) Invested in Capital Assets (net of related debt) – This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings attributable to the acquisition, construction, or improvement of those assets. This component does not include the portion of debt attributable to the unspent proceeds.
- b) Restricted – This component consists of net assets that have constraints placed on them either externally by third-parties (creditors, grantors, and contributors) or by law through constitutional provisions of enabling legislation. The City would typically use restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use of these funds.
- c) Unrestricted – This component consists of net assets that do not meet the definition of “invested in capital assets, net of related debt” and “restricted”.

Fund Balance Reserves: Governmental Fund reserves are used to indicate that a portion of the fund balance is legally segregated for a specific future use.

Specific Restrictions and Reserves:

Governmental Activities / Governmental Funds:

- a) Restricted / Reserve for Capital Projects - Transportation: Indicates a portion of the fund balance that has been legally segregated for future funding of transportation related capital improvements.

CITY OF PORT RICHEY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- b) Restricted / Reserve for Capital Projects – Police and Fire: Indicates a portion of the fund balance that has been legally segregated for future funding of police and fire capital improvement facilities.
- c) Restricted / Reserve for Debt Service: Funds held by the revenue bonds paying agent restricted for payment of bond principal and interest.
- d) Restricted / Reserve for Community Redevelopment: Indicates the unexpended portion of funds restricted for use by the Community Redevelopment Agency.

Business-type Activities / Proprietary Fund:

- a) Restricted for Debt Service: Amount legally segregated to satisfy Water and Sewer Revenue Bond covenant requirements.
- b) Restricted for Renewal and Replacement: Amount set aside in conjunction with the issuance of the Water and Sewer Revenue Bonds and restricted for the future funding of water and sewer system improvements, replacement or emergency repairs.
- c) Restricted for Capital Projects: Represents funds collected from water and sewer impact fees that are legally restricted for the future funding of water and sewer system capital improvements.

9. Bond Discounts/Issuance Costs: In the governmental funds, bond discounts and issuance costs are recognized in the current period. In the proprietary funds, bond discounts and issuance costs are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

10. Interfund Transactions: Interfund transactions are reflected as either loans, services provided, reimbursements, or transfers. Loans are reported as receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided are deemed to be at market or near market rates and are treated as revenues and expenditures/expenses and are not eliminated in the consolidation of the government-wide financial statements. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide presentation.

11. Comparative data/reclassifications: The financial statements include summarized prior year comparative information that does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended September 30, 2003, which were audited by other auditors whose report dated December 19, 2003, expressed an unqualified opinion on those financial statements. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

(This space left blank intentionally)

CITY OF PORT RICHEY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE B- PRIOR PERIOD ADJUSTMENT

Beginning net assets for the General Fund and Governmental Activities have been restated to reflect a prior period adjustment regarding account receivable balances, prepaid expense balances and the recognition of income received in prior years. The components of the adjustment are as follows:

Correct beginning account receivable balance	\$ (86,452)
Correct beginning prepaid expense balance	(1,940)
Recognize income received in prior years	7,512
Total	<u>\$ (80,880)</u>

Beginning net assets for the Water and Sewer Enterprise Fund and Business-type Activities have been restated to reflect a prior period adjustment. Certain prior year additions to capital assets, Improvements and Infrastructure other than Buildings, were not being depreciated nor were the additions identified as to type of capital asset. These assets, having a recorded value of \$1,058,118, were considered to be fully depreciated and were deleted for the capital asset register.

NOTE C - CASH, POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City maintains a cash pool that is available for all funds. Amounts reported as cash equivalents are funds deposited in bank money market accounts. These cash funds may be withdrawn by the City upon demand.

Florida Statutes require that all depositories holding public funds maintain specific collateral levels with the State Treasurer. Required collateral is based upon the amount of public funds held by the depository. The Treasurer may assess other qualified public depositories for a pro rata share of any loss suffered by a public depositor in excess of its depository's collateral. Since the City uses only authorized public depositories, all funds, including money market accounts, deposited with financial institutions are covered in full.

Florida statutes authorize the City to invest in the State Board of Administration's investment pool, obligations of the U.S. Treasury and U.S. agencies, and interest-bearing time deposits and savings accounts in banks and savings and loans provided such deposits are collateralized as described above.

The State Board of Administration (SBA) is a three member board made up of the State elected officials of Governor, Treasurer and Comptroller. They are empowered by Florida law to invest funds at the request of local governments. The SBA is a "2a - 7like" pool and as such is permitted to report its investments at amortized cost. Therefore, the amounts reported in these financial statements as being invested with the SBA are stated at amortized cost. The amortized cost amount approximates fair value; the fair value of the City's investment in the SBA pool is the same as the fair value of the SBA pool shares. A 2a - 7 like pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a- 7 of the Investment Company Act of 1940.

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

The City's cash, pooled cash and cash equivalents and investments are categorized by type to give an indication of the level of credit risk assumed by the City at year end:

Pooled Cash and Cash Equivalents:

Category 1 represents the balance in deposits at authorized public depositories that are insured or collateralized with securities held by the City or by its agent in the City's name.

Category 2 represents the balance in deposits at authorized public depositories that are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

CITY OF PORT RICHEY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE C - CASH, POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Category 3 represents uninsured and uncollateralized deposits held at depositories, including balances that are collateralized with securities held by the pledging institution or by its trust department or agent but not in the City's name.

Investments:

Category A includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.

Category B includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department (if a bank) or agent in the City's name.

Category C includes uninsured and unregistered investments for which the securities are held by the counter-party, the counter-party's trust department (if a bank) or agent, but not in the City's name.

At September 30, 2004, the amortized cost, fair value and category of credit risk to the City's cash and investments are as follows:

Cash, Pooled Cash and Cash Equivalents and Investments: The carrying amount is separately displayed on the Statement of Net Assets as cash, pooled cash and cash equivalents and investments (including restricted assets).

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fair Value</u>	<u>Category</u>
<u>Cash</u>				
Demand deposit - pooled cash				
checking account	\$ 31,864	\$ 212,087	\$ N/A	1
Demand Deposit - Water and Sewer				
Fund bank account	21,009	21,009	N/A	1
Money market account - General Fund	833,648	833,568	N/A	1
Demand deposit - General Fund	73,785	73,785	N/A	1
Money market account - Water and Sewer Fund	638,985	638,985	N/A	1
Cash held with fiscal agents				
2000 Revenue Bonds	41,462	41,462	N/A	1
1994 Water & Sewer Revenue Bonds	179,591	179,591	N/A	1
Petty Cash	1,255	N/A		
Total	<u>\$1,821,599</u>	<u>\$2,000,487</u>		
Unrestricted	\$ 577,696			
Restricted - Current	<u>1,243,903</u>			
Total	<u>\$1,821,599</u>			
<u>Investments</u>				
State Board of Administration	\$ 272,812	N/A	\$ 272,812	N/A
U. S. Treasury Note 2%, matur. 8-31-05	374,430	N/A	374,430	A
Money market account	11,010	\$ 11,010	N/A	1
Total	<u>\$ 658,252</u>	<u>\$ 11,010</u>	<u>\$ 647,242</u>	
Unrestricted	\$ 244,341			
Restricted - Current	<u>413,911</u>			
Total	<u>\$ 658,252</u>			

CITY OF PORT RICHEY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE D- RECEIVABLES

The receivables and related allowances for uncollectibles at September 30, 2004 were as follows:

	Receivables Taxes	Receivables - Accounts		
		Amount	Allowance for Uncollectibles	Total
General Fund	\$ 65,637	\$ 41,588	\$ -	\$ 41,588
Enterprise Fund	-	265,485	28,241	237,244
Total	\$ 65,637	\$ 307,073	\$ 28,241	\$ 278,832

NOTE E- RESTRICTED ASSETS

The purpose of the restricted assets and the institution in which the assets are on deposit is as follows:

	Amount
Restricted cash:	
On deposit at Mercantile Bank -- Transportation, Police, Fire and Water and Sewer Impact Fees	\$ 947,971
On deposit at Mercantile Bank -- Community Redevelopment	74,879
Wachovia Bank -- bond paying agent -- Water and Sewer Revenue Bonds	179,591
Wachovia Bank -- bond paying agent -- Revenue Bonds Series 2000	41,462
Total restricted cash	\$ 1,243,903
Restricted investments:	
At RBC Dain Rauscher, Investment Firm:	
U.S. Treasury note -- Water and Sewer Revenue Bonds sinking Fund - pursuant to bond covenant	\$ 374,430
Money market account -- Water and Sewer Revenue Bonds Sinking fund -- pursuant to bond covenant	11,010
Invested in the Florida State Board of Administration:	
Local Government Surplus Funds Trust Fund Investment Pool - Sewer constructions funds (litigation settlement)	28,471
Total restricted investments	\$ 413,911

(This space left blank intentionally)

CITY OF PORT RICHEY, FLORIDA
 NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE F - CAPITAL ASSETS

Capital asset activity for the fiscal year ending September 30, 2004 was as follows:

	Beginning Balance 10/1/03	Additions/ Transfers in	Deletions/ Transfers out	Ending Balance 9/30/04
Governmental Activities:				
Non-Depreciable assets :				
Land and improvements	\$ 2,797,198	\$ -	\$ -	\$ 2,797,198
Capital projects in process	291,286	98,465	-	389,751
Depreciable assets:				
Buildings and improvements	1,970,809	-	-	1,970,809
Improvements and Infrastructure other than buildings	2,819,197	275,202	-	3,094,399
Equipment and vehicles	963,652	69,837	-	1,033,489
Total at historical cost	<u>8,842,142</u>	<u>443,504</u>	<u>-</u>	<u>9,285,646</u>
Less accumulated depreciation for:				
Buildings and improvements	81,803	49,824	-	131,627
Improvements and Infrastructure other than buildings	1,490,128	86,527	-	1,576,655
Equipment and vehicles	397,788	85,924	-	483,712
Total accumulated depreciation	<u>1,969,719</u>	<u>222,275</u>	<u>-</u>	<u>2,191,994</u>
Capital assets, net	<u>\$ 6,872,423</u>	<u>\$ 221,229</u>	<u>\$ -</u>	<u>\$ 7,093,652</u>

Depreciation was charged to the governmental activities as follows:

General government	\$ 53,808
Police	35,436
Fire	25,806
Protective inspections	5,330
Public works	4,911
Transportation	54,876
Parks and recreation	42,108
	<u>\$ 222,275</u>

(This space intentionally left blank)

CITY OF PORT RICHEY, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2004
NOTE F - CAPITAL ASSETS (continued)

	Beginning Balance 10/1/03	Additions/ Transters in	Deletions/ Transfers out/ Prior period adj.	Ending Balance 9/30/04
Business-type Activities:				
Non-Depreciable assets :				
Land and improvements	\$ 27,000	\$ -	\$ -	\$ 27,000
Depreciable assets:				
Buildings and improvements	341,690			341,690
Improvements and Infrastructure other than buildings	13,367,994	265,050	(1,076,918)	12,556,126
Equipment and vehicles	526,834	40,457	(14,934)	552,357
Total at historical cost	14,263,518	305,507	(1,091,852)	13,477,173
Less accumulated depreciation for:				
Buildings and improvements	100,693	9,878		110,571
Improvements and Infrastructure other than buildings	2,965,124	233,245	(1,854)	3,196,515
Equipment and vehicles	436,483	28,766	(31,880)	433,369
Total accumulated depreciation	3,502,300	271,889	(33,734)	3,740,455
Capital assets, net	\$ 10,761,218	\$ 33,618	\$ (1,058,118)	\$ 9,736,718

NOTE G-RISK MANAGEMENT

The City is subject to losses in the normal course of operations resulting from general liability; property and casualty; workers' compensation; employee health and accident; environmental, and antitrust matters. The City has purchased commercial insurance to protect against employee health losses. The City participates in Public Risk Management of Florida for purposes of protecting against workers' compensation losses; real and personal property losses; automobile damage; and general liability, including malpractice and errors and omissions.

The City does not self-insure against any risks. To the extent that the City has purchased commercial insurance, all risk of loss has been transferred to the insurance underwriter.

(This space intentionally left blank)

CITY OF PORT RICHEY, FLORIDA
 NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE H- LONG-TERM DEBT

Long-term debt activity for the fiscal year ending September 30, 2004 was as follows:

	Beginning Balance 10/1/03		Increases	Reclas- sified	Decreases	Ending Balance 9/30/04	Amounts Due Within One Year
Governmental Activities:							
Bonds and leases payable :							
Revenue Bonds, Series 2000	\$ 1,535,000	\$ -	\$ -	\$ -	\$ (60,000)	\$ 1,475,000	\$ 60,000
Capital leases payable	210,527	40,457	(7,928)	(92,025)	151,031	86,211	
Total notes and lease payable:	1,745,527	40,457	(7,928)	(152,025)	1,626,031	146,211	
Other liabilities:							
Compensated absences	401,971	-	-	(76,315)	325,656	22,405	
Total long-term liabilities - Governmental Activities	\$ 2,147,498	\$ 40,457	\$ (7,928)	\$ (228,340)	\$ 1,951,687	\$ 168,616	
Business-type activities:							
Bonds and leases payable :							
Revenue Bonds, Series 1994	\$ 1,840,000	\$ -	\$ -	\$ (130,000)	\$ 1,710,000	\$ 135,000	
Unamortized bond discount	(45,093)	-	75	8,428	(36,590)		
Net bonds payable	1,794,907	-	75	(121,572)	1,673,410	135,000	
Capital leases payable	-	40,457	-	(5,637)	34,820	7,744	
Total notes and lease payable:	1,794,907	40,457	75	(127,209)	1,708,230	142,744	
Other liabilities:							
Compensated absences	38,816	3,323	-	-	42,139	2,899	
Total long-term liabilities - Business-type Activities	\$ 1,833,723	\$ 43,780	\$ 75	\$ (127,209)	\$ 1,750,369	\$ 145,643	

Long-term debt for the governmental activities is comprised of the following at September 30, 2004:

Revenue Bonds, Series 2000, Revenue bonds in the amount of \$1,690,000 were issued for the construction of a new city hall. The bonds outstanding mature, or have required annual redemptions, in various amounts annually, ranging from \$60,000 to \$135,000 through October 1, 2020. Interest accrues on the outstanding bonds at rates ranging from 4.7% to 6% and is payable semi-annually on April 1 and October 1. The City has covenanted to appropriate in its annual budget from non - ad valorem revenues, amounts sufficient to pay annual principal and interest installments on the bonds. There are no premium payments due on the annual required redemptions.

\$1,475,000

CITY OF PORT RICHEY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE H- LONG-TERM DEBT (continued)

Capital leases: The City currently leases 12 vehicles, 1 fire pumper truck and 2 office copiers under capital lease – purchase agreements within the governmental activities. The leases mature at various dates through December 2008. The leases generally provide that the City pay the taxes, insurance and maintenance expenses related to the leased assets. The present value of future minimum lease payments is: 151,031

Accrued compensated absences, consisting of the vested portion of accumulated vacation and sick pay benefits due employees. 325,656

Total long-term debt – governmental activities \$1,951,687

Long-term debt for the business-type activities is comprised of the following at September 30, 2004:

Water and Sewer Revenue Bonds, Series 1994: The City issued \$2,775,000 of Water and Sewer Revenue Bonds, Series 1994 to refund the Water and Sewer Revenue Bonds, Series 1987-A and Series 1987-B and to pay certain costs and expenses relating to the issuance of the 1994 bonds. The outstanding bonds mature, or have required annual redemptions, in various amounts annually ranging from \$140,000 to \$215,000 through October 1, 2013. Interest accrues on the outstanding bonds at rates ranging from 4.625% to 5.5% and is payable semi-annually on April 1 and October 1. The payment of the principal and interest on the Series 1994 Bonds is secured by a pledge of the revenues of the water and sewer system and the public service taxes levied on electricity and bottled gas. The total amount of the bonds outstanding as of September 30, 2004 is \$1,710,000 less unamortized bond discount of \$36,590: \$1,673,410

Capital leases: The City currently leases 3 vehicles under a capital lease – purchase agreement within the business-type activities. The lease matures in December 2008. The lease generally provides that the City pay the taxes, insurance and maintenance expenses related to the leased assets. The present value of future minimum lease payments is: 34,820

Accrued compensated absences, consisting of the vested portion of accumulated vacation and sick pay benefits due employees. 42,139

Total long-term debt – business-type activities \$1,750,369

The annual requirements to amortize the long-term debt for governmental activities as of September 30, 2004 is as follows:

Revenue Bonds, Series 2000 Year ending September 30,	Principal	Interest	Total
2005	\$ 60,000	\$ 80,113	\$ 140,113
2006	65,000	77,233	142,233
2007	70,000	74,080	144,080
2008	70,000	70,667	140,667
2009	75,000	67,237	142,237
2010-2014	430,000	275,325	705,325
2015-2019	570,000	137,906	707,906
2020	135,000	7,594	142,594
	<u>\$ 1,475,000</u>	<u>\$ 790,155</u>	<u>\$ 2,265,155</u>

CITY OF PORT RICHEY, FLORIDA
 NOTES TO FINANCIAL STATEMENTS
 September 30, 2004

NOTE H- LONG-TERM DEBT (continued)

<u>Capital leases</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30,			
2005	\$ 86,211	\$ 5,565	\$ 91,776
2006	45,757	2,129	47,886
2007	8,292	523	8,815
2008	8,580	235	8,815
2009	2,191	13	2,204
	<u>\$ 151,031</u>	<u>\$ 8,465</u>	<u>\$ 159,496</u>

The annual requirements to amortize the long-term debt for business-type activities as of September 30, 2004 is as follows:

<u>Water and Sewer Revenue Bonds, Series 1994</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30,			
2005	\$ 135,000	\$ 89,181	\$ 224,181
2006	140,000	82,938	222,938
2007	150,000	76,287	226,287
2008	155,000	68,975	223,975
2009	165,000	60,838	225,838
2010-2013	965,000	163,087	1,128,087
	<u>\$ 1,710,000</u>	<u>\$ 541,036</u>	<u>\$ 2,251,306</u>

<u>Capital Lease</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30,			
2005	\$ 7,744	\$ 1,070	\$ 8,814
2006	8,013	801	8,814
2007	8,292	523	8,815
2008	8,580	235	8,815
2009	2,191	13	2,204
	<u>\$ 34,820</u>	<u>\$ 2,642</u>	<u>\$ 37,462</u>

The following is an analysis of the property under capital lease:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Governmental Activities			
Vehicles	\$ 270,358	\$ 34,274	\$ 236,084
Fire Pumper	184,791	49,286	135,505
Copiers	26,557	14,859	11,698
	<u>\$ 481,706</u>	<u>\$ 98,419</u>	<u>\$ 383,287</u>
Business-type Activities			
Vehicles	\$ 40,457	\$ 4,720	\$ 35,737

CITY OF PORT RICHEY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE H- LONG-TERM DEBT (continued)

The issuance costs of the Series 1994 bonds are being amortized using the bonds outstanding method, which approximates the effective interest method, over the remaining life of the bonds outstanding. The remaining balance is \$28,046. The same method is used to amortize the bond discount. The remaining balance at September 30, 2004 is \$36,590.

NOTE I- INTRA-GOVERNMENTAL CHARGES:

The costs of certain general and administrative functions of the City are recorded and controlled in the General Fund. These administrative costs have been allocated to the City's Enterprise Fund for the year ended September 30, 2004, as shown in the following table:

<u>Fund</u>	<u>Amount</u>
Water and sewer	<u>\$ 250,000</u>

NOTE J -- OPERATING LEASE OBLIGATIONS

The City has entered into an operating lease agreement for a backhoe tractor and is obligated to make two remaining annual lease payments of \$8,012 each due in August 2005 and 2006. The City has also entered into an operating lease agreement for a back-up diesel generator for City Hall. Monthly payments of \$5,479 are due through September 2012 resulting in an annual cost of \$65,750. The monthly payments include all maintenance, fuel and other operational costs.

NOTE K- EMPLOYEE RETIREMENT SYSTEMS

All City employees participate in the Florida Retirement System (System), a cost-sharing, multiple-employer public employee defined benefit plan established under Florida Statutes, Chapter 121, which may be amended by the Florida Legislature. The Florida Retirement System Annual Report is a document printed for members of the Legislature and the public reflecting the financial operation and condition of the state-administered retirement systems. The publication includes financial statements, actuarial comments, investment information, and statistical data of the system. A copy can be obtained by writing to the Division of Retirement, Research, Education & Policy Section; 2639-C North Monroe Street; Tallahassee, Florida 32399-1560 or by calling (850) 488-5706. The payroll for employees covered by the System for the year ended September 30, 2004, was \$1,764,990; the City's total payroll was \$1,801,606.

All full-time and permanent part-time City employees are eligible to participate in the System. Benefits are determined by category and length of service as follows:

Membership Category	Retirement Benefit	Vesting	Employer Contribution Rate	Employer Contribution Rate
			10/1/03 - 6/30/04	7/1/04 - 9/30/04
Regular	1.6% times years of service times average compensation (5 highest years) if age 62 or 30 years of service at any age.	After 6 years of creditable service.	7.39%	7.39%
Special risk (fire and police)	2.0% times years of service times average compensation (5 highest years) if age 55 or 25 years of special risk service.	After 6 years of special risk service.	18.35%	18.53%

CITY OF PORT RICHEY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

NOTE K- EMPLOYEE RETIREMENT SYSTEMS (continued)

Presently, the System does not require contributions from covered members. The City is required to contribute an actuarially determined rate. Any change to the contribution rate or benefits must be enacted by the Florida Legislature. A rate change was enacted as of July 1, 2004.

The contribution requirements for the fiscal years ending September 30, 2004, 2003, and 2002 were \$196,645, \$195,965, and \$207,150, respectively, equal to the required contributions for each year. These contributions represented 11.1% of covered payroll in 2004, 10.2% of covered payroll in 2003, and 11.1% of covered payroll in 2002.

NOTE L- DEFERRED COMPENSATION PLAN

The City offers an optional deferred compensation plan, created in accordance with Internal Revenue Code Section 457 to all employees in addition to pension plans. Under the provisions of Internal Revenue Code Section *Deferred Compensation Plans* and GASB Statement No. 32, *Accounting and Financial Reporting for IRS Code Section 457 Deferred Compensation Plans*, the assets and liabilities of the plan are not to be reported within the city's financial statements as of September 30, 2004.

NOTE M- OTHER EMPLOYEE BENEFITS

The City has a "Cafeteria" plan created in accordance with Internal Revenue Code Section 125. The plan provides employees with an opportunity to select several benefits alternatives, many of which are offered on a pre-tax basis.

NOTE N – INTERFUND TRANSACTIONS

Interfund receivables and payables consist of the following as of September 30, 2004. These amounts have been eliminated in the government-wide financial statements. These transactions were for the purpose of funding operations.

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 646,331	\$ 1,326,654
Water and Sewer Fund	1,326,654	646,331
	<u>\$ 1,972,985</u>	<u>\$ 1,972,985</u>

Interfund transfers consist of the following for the year ended September 30, 2004. The General Fund transfers out were for the following purposes: Community Redevelopment Fund -- capital outlay and Debt Service Fund – debt payments

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 234,144
Community Redevelopment Fund	89,792	
Debt Service Fund	144,352	
	<u>\$ 234,144</u>	<u>\$ 234,144</u>

NOTE O- CONTINGENT LIABILITIES

The City is involved in legal matters as of September 30, 2004 that are incidental to its routine operations. It is the opinion of management, based upon the advice of legal council, that the likely outcome of these matters will not be material in nature to the overall operating results of the City.

GENERAL GOVERNMENT EXPENDITURES BY FUNCTION

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Physical Environment</u>	<u>Transportation</u>	<u>Human Services</u>	<u>Parks and Recreation</u>	<u>Total</u>
1995	\$ 381,278	\$ 796,849	\$ 106,579	\$ 123,354	\$ 3,190	\$ - ⁽¹⁾	\$ 1,411,250
1996	422,677	1,055,542	112,219	163,227	4,000	- ⁽¹⁾	1,757,665
1997	565,102	1,096,133	100,543	235,676	6,757	1,627,059 ⁽¹⁾⁽²⁾	3,631,270
1998	560,190	1,297,796	110,567	296,415	6,778	534 ⁽¹⁾	2,272,280
1999	565,133	1,573,780 ⁽³⁾	115,119	519,894	10,991	- ⁽¹⁾	2,784,917
2000	628,069	1,367,592	132,854	604,075	10,054	41 ⁽¹⁾	2,742,685
2001	1,176,495 ⁽⁴⁾	1,557,008	115,849	672,248	10,363	255 ⁽¹⁾	3,532,218
2002	1,973,763 ⁽⁴⁾	1,703,263	115,938	593,363	9,779	- ⁽¹⁾	4,396,106
2003	756,383	1,751,726	81,663	369,469	10,143	64,582	3,033,966
2004	712,254	1,653,619	80,097	299,227	10,421	60,913	2,816,531

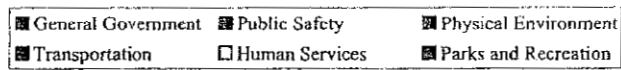
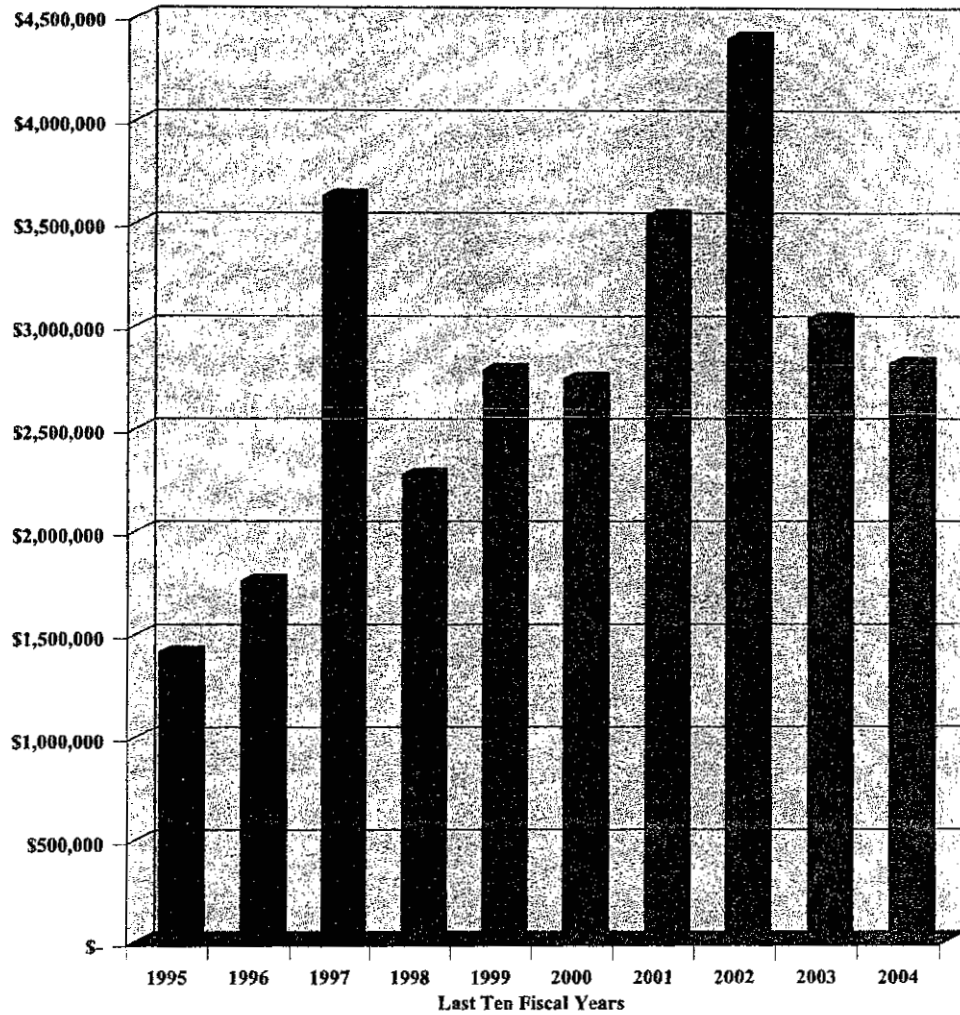
⁽¹⁾ Due to budgetary restructuring, this activity has been reclassified to physical environment.

⁽²⁾ The City acquired approximately 8 acres of waterfront parkland with funding provided by a State grant.

⁽³⁾ The City acquired capital assets under a capital lease in the amount of \$202,926.

⁽⁴⁾ The City constructed a new City Hall.

General Government Expenditures by Function



GENERAL GOVERNMENTAL REVENUES BY SOURCE

LAST TEN FISCAL YEARS

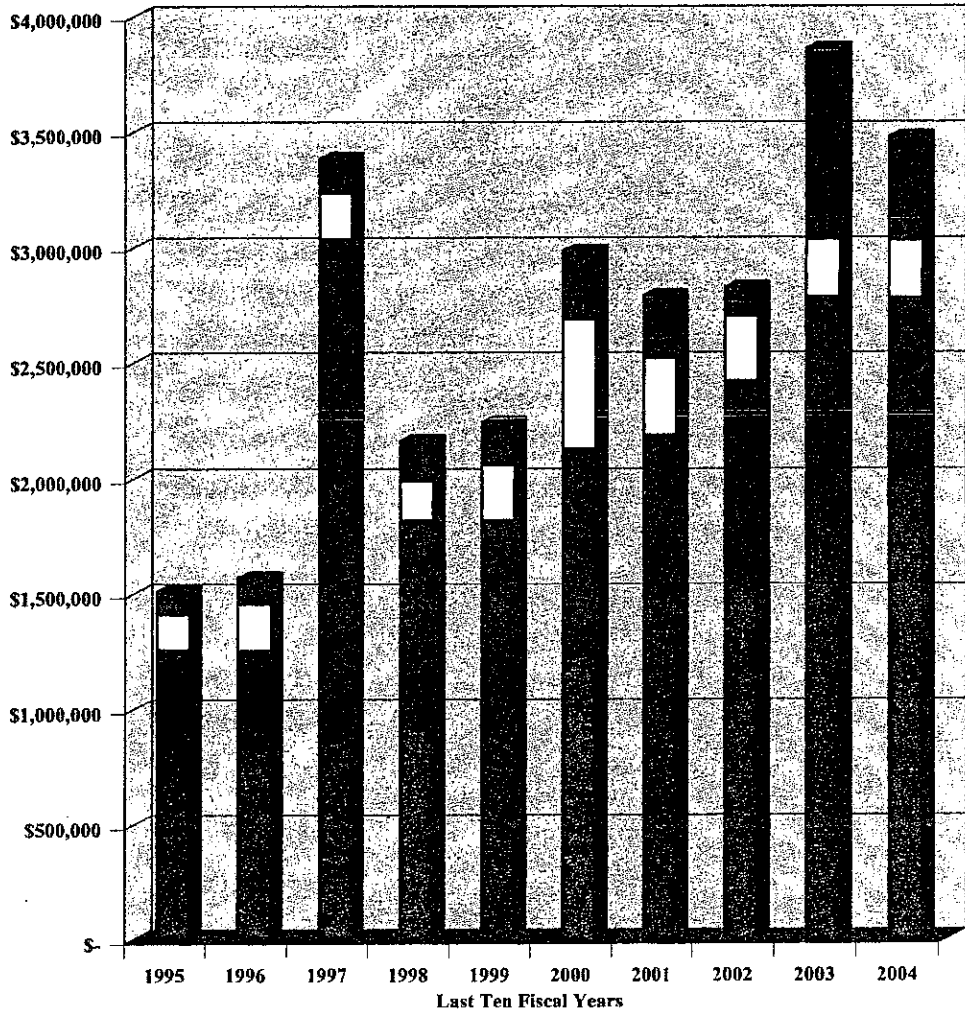
Fiscal Year	Taxes	Licenses and Permits	Inter-governmental	Grant Revenues	Charges for Services	Fines and Forfeitures	Miscellaneous	Total
1995	\$ 850,191	\$ 57,365	\$ 351,011	\$ -	\$ 152,157	\$ 57,976	\$ 41,360	\$ 1,510,060
1996	834,123	108,999	311,490	-	200,699	56,950	57,569	1,569,830
1997	884,985	128,968	395,031	1,627,059 ⁽¹⁾	196,939	101,310	48,370	3,382,662
1998	928,417	126,887	407,299	352,986 ⁽¹⁾	173,822	115,885	54,469	2,159,765
1999	959,074	122,516	391,463	343,710 ⁽¹⁾	242,832	93,718	84,791	2,238,104
2000	1,229,511	227,179	366,822	303,325 ⁽¹⁾	560,060	82,336	214,061	2,983,294
2001	1,365,711	171,123	396,317	251,125 ⁽¹⁾	333,644	64,702	206,175	2,788,797
2002	1,530,915	244,055	398,543	246,128 ⁽¹⁾	280,969	68,638	54,651	2,823,899
2003	1,862,526	251,900	392,825	275,979 ⁽¹⁾	251,389	98,917	723,671 ⁽²⁾	3,857,207
2004	2,012,243	321,794	444,210	-	250,935	99,828	347,603 ⁽³⁾	3,476,613

⁽¹⁾ Grant revenues have been separately classified from intergovernmental revenues, due to the increase in amounts received.

⁽²⁾ The City received \$628,415 in proceeds from the sale of land.

⁽³⁾ Impact fees are included in the amount of \$219,987.

General Government Revenues by Source



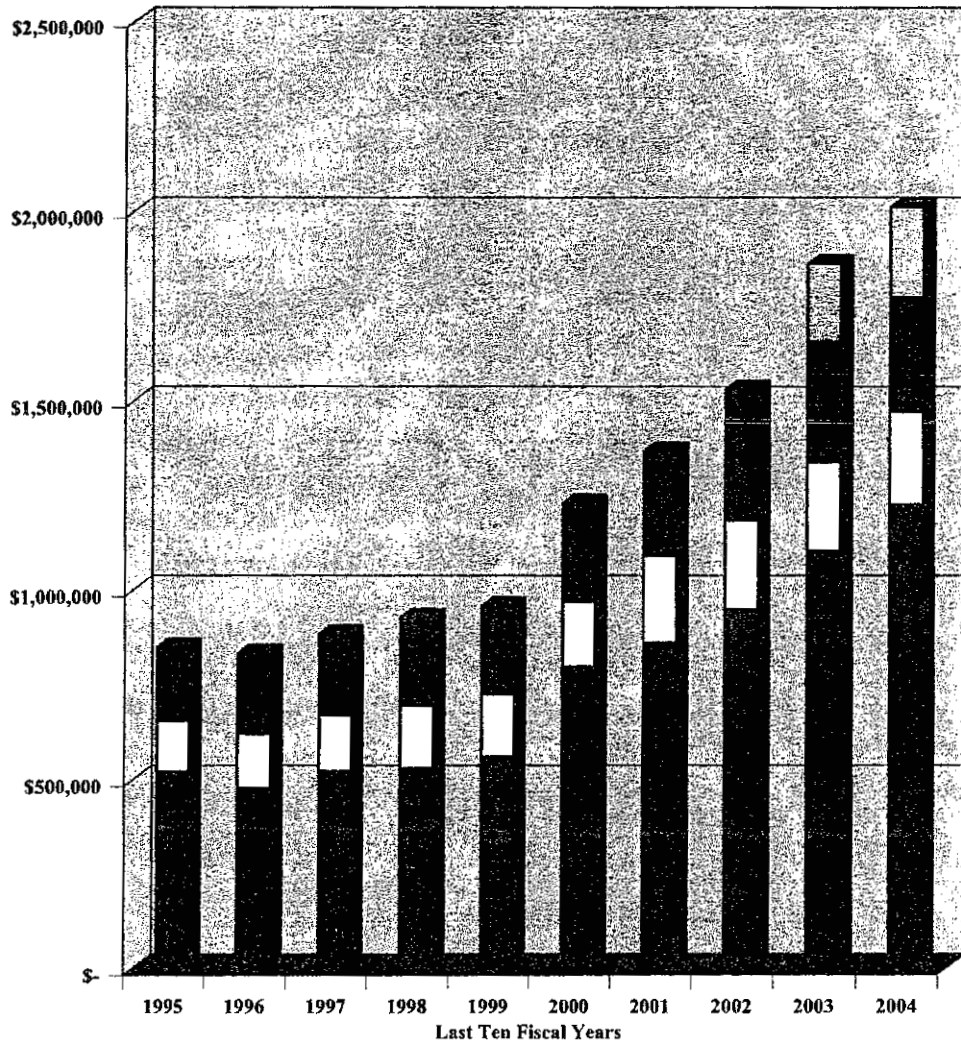
Taxes
 Licenses and Permits
 Intergovernmental
 Grants
 Charges for Services
 Fines and Forfeitures
 Miscellaneous

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Franchise Fees</u>	<u>Utility Taxes</u>	<u>Communication Service Tax</u>	<u>Total</u>
1995	\$ 523,370	\$ 133,433	\$ 193,388	\$ -	\$ 850,191
1996	479,180	142,778	212,165	-	834,123
1997	523,990	148,179	212,816	-	884,985
1998	531,123	164,712	232,582	-	928,417
1999	561,133	165,601	232,340	-	959,074
2000	799,816	169,960	259,735	-	1,229,511
2001	861,779	229,805	274,127	-	1,365,711
2002	950,545	233,816	346,554	-	1,530,915
2003	1,104,124	234,813	315,423	208,166	1,862,526
2004	1,227,262	244,399	300,700	239,882	2,012,243

General Governmental Tax Revenues by Source



Property Taxes
 Franchise Fees
 Utility Taxes
 Communication Services Tax

PROPERTY TAX LEVIES, TAX COLLECTIONS, AND ASSESSED VALUATIONS

LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total Assessed Valuation</u>	<u>Taxable Assessed Valuation</u>	<u>Total Tax Levy</u>	<u>Collections</u>	<u>Percent of Levy Collected</u>
1995	\$ 136,682,304	\$114,545,001	\$ 494,834	\$ 485,268	98%
1996	145,991,349	119,531,895	516,378	479,180	93%
1997	154,073,283	126,245,343	545,380	505,521	93%
1998	160,571,653	133,066,425	574,847	530,263	92%
1999	167,956,595	141,985,854	613,379	560,792	91%
2000	184,538,702	153,376,837	892,653	799,816	90%
2001	199,761,618	167,492,317	974,805	859,969	88%
2002	227,660,962	194,718,030	1,133,259	940,858	83%
2003	249,274,341	215,442,705	1,253,877	1,104,124	88%
2004	324,505,130	255,689,592	1,488,113	1,227,262	82%

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Assessed Valuations				Total All	Percentages		
	Real Property	Personal Property	Total Taxable	Total Exempt		Assessed Values to Estimated Market	Yearly Changes	
						Taxable	Total	
1995	\$ 102,160,836	\$ 12,384,165	\$ 114,545,001	\$ 22,137,303	\$ 136,682,304	100.00%	-3.1% ⁽¹⁾	-2.8% ⁽¹⁾
1996	106,270,784	13,261,111	119,531,895	26,459,454	145,991,349	100.00%	4.4%	6.8%
1997	112,262,330	14,083,013	126,345,343	27,827,940	154,173,283	100.00%	5.7%	5.6%
1998	117,540,650	15,525,775	133,066,425	27,505,228	160,571,653	100.00%	5.3%	4.2%
1999	125,465,228	16,520,626	141,985,854	25,970,741	167,956,595	100.00%	6.7%	4.6%
2000	135,495,176	17,881,661	153,376,837	31,161,865	184,538,702	100.00%	8.0%	9.9%
2001	148,886,599	18,605,718	167,492,317	32,269,301	199,761,618	100.00%	9.2%	8.2%
2002	172,208,210	22,509,820	194,718,030	32,942,932	227,660,962	100.00%	16.3%	14.0%
2003	188,869,113	26,573,592	215,442,705	33,831,636	249,274,341	100.00%	10.6%	9.5%
2004	224,560,807	31,128,785	255,689,592	34,073,136	289,762,728	100.00%	18.7%	16.2%

Source: Pasco County Property Appraiser

(1) Assessed valuation reduction resulted in part from the "No Name Storm" of March 1993 and overall decreases in commercial property values.

CITY OF PORT RICHEY, FLORIDA

ASSESSED VALUATIONS, MILLAGES, AND TAXES LEVIED AND COLLECTED

LAST TEN FISCAL YEARS

	1995	1996	1997	1998
Total valuations	\$ 136,682,304	\$ 145,991,349	\$ 154,073,283	\$160,571,653
Real estate exemptions:				
Governmental exemption	4,139,818	7,374,115	9,193,611	7,727,664
Institutional exemption	2,221,883	2,898,791	2,170,146	3,413,708
Homestead exemption ⁽¹⁾	15,775,602	16,186,548	16,464,183	16,363,856
Disability exemption ⁽¹⁾	-	-	-	-
Total exemptions	<u>22,137,303</u>	<u>26,459,454</u>	<u>27,827,940</u>	<u>27,505,228</u>
Taxable valuation	<u>\$ 114,545,001</u>	<u>\$ 119,531,895</u>	<u>\$ 126,245,343</u>	<u>\$133,066,425</u>
Millage levied	4.3200	4.3200	4.3200	4.3200
Total taxes levied	\$ 494,834	\$ 516,378	\$ 545,380	\$ 574,847
Less: Adjustments and discounts	<u>9,566</u>	<u>37,198</u>	<u>39,859</u>	<u>44,584</u>
Net taxes levied	<u>\$ 485,268</u>	<u>\$ 479,180</u>	<u>\$ 505,521</u>	<u>\$ 530,263</u>
Net collected ⁽²⁾	<u>\$ 485,268</u>	<u>\$ 479,180</u>	<u>\$ 505,521</u>	<u>\$ 530,263</u>

Notes:

Source: Pasco County Property Appraiser

(1) Disability exemptions were combined with homestead exemptions prior to fiscal year 2000.

(2) Net collected includes penalties and late payments.

Table 6

1999	2000	2001	2002	2003	2004
<u>\$ 167,956,595</u>	<u>\$ 184,538,702</u>	<u>\$ 199,761,618</u>	<u>\$ 227,660,962</u>	<u>\$ 249,274,341</u>	<u>\$ 289,762,728</u>
5,787,791	8,807,774	8,978,824	9,110,334	10,107,727	10,368,220
3,429,430	4,494,710	4,700,865	4,653,467	4,502,837	4,436,906
16,753,520	17,495,550	18,302,598	18,805,877	18,672,750	18,612,999
-	363,831	287,014	373,254	548,322	655,011
<u>25,970,741</u>	<u>31,161,865</u>	<u>32,269,301</u>	<u>32,942,932</u>	<u>33,831,636</u>	<u>34,073,136</u>
<u>\$ 141,985,854</u>	<u>\$ 153,376,837</u>	<u>\$ 167,492,317</u>	<u>\$ 194,718,030</u>	<u>\$ 215,442,705</u>	<u>\$ 255,689,592</u>
4.3200	5.8200	5.8200	5.8200	5.8200	5.8200
\$ 613,379	\$ 892,653	\$ 974,805	\$ 1,133,259	\$ 1,253,877	\$ 1,488,113
<u>52,587</u>	<u>84,289</u>	<u>29,674</u>	<u>29,590</u>	<u>3,012</u>	<u>46,232</u>
<u>\$ 560,792</u>	<u>\$ 808,364</u>	<u>\$ 945,131</u>	<u>\$ 1,103,669</u>	<u>\$ 1,250,865</u>	<u>\$ 1,441,881</u>
<u>\$ 560,792</u>	<u>\$ 799,816</u>	<u>\$ 859,969</u>	<u>\$ 940,858</u>	<u>\$ 1,104,124</u>	<u>\$ 1,227,262</u>

CITY OF PORT RICHEY, FLORIDA

PROPERTY TAX RATES - DIRECT AND ALL OVERLAPPING GOVERNMENTS (PER \$1,000)

LAST TEN FISCAL YEARS

	1995	1996	1997	1998
City of Port Richey				
Operating	4.3200	4.3200	4.3200	4.3200
Pasco County School Board				
Operating	7.4180	7.2280	7.1050	7.2180
Capital outlay	2.0000	2.0000	2.0000	2.0000
School bond	0.1210	0.1210	0.1210	0.1210
West Pasco bond	0.8410	0.8080	0.7950	0.7530
Total County School Board Millage	10.3800	10.1570	10.0210	10.0920
Pasco County:				
Operating	9.2340	8.9530	9.1000	8.1960
Library bond	0.1880	0.1740	-	-
Parks bond	0.2430	0.2310	-	-
Municipal service fire district	-	-	-	-
Total County Millage	9.6650	9.3580	9.1000	8.1960
County-wide millage set by other taxing authorities:				
Southwest Florida Water Management District	0.4220	0.4220	0.4220	0.4220
Florida Coastal River Basin	0.2350	0.2350	0.2350	0.2350
Mosquito Control	0.2450	0.2430	0.2380	0.3180
Total Countywide Millage	0.9020	0.9000	0.8950	0.9750
TOTAL	25.2670	24.7350	24.3360	23.5830

Source: Pinellas County, Florida Tax Collector

Table 7

<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<u>4.3200</u>	<u>5.8200</u>	<u>5.8200</u>	<u>5.8200</u>	<u>5.8200</u>	<u>5.8200</u>
6.8940	6.6440	6.3820	6.3650	6.3820	6.0800
2.0000	2.0000	2.0000	2.0000	2.0000	1.5000
0.1210	0.1210	0.1060	0.0940	-	-
<u>0.6940</u>	<u>0.5760</u>	<u>0.5370</u>	<u>0.4800</u>	<u>0.4250</u>	<u>0.3640</u>
<u>9.7090</u>	<u>9.3410</u>	<u>9.0250</u>	<u>8.9390</u>	<u>8.8070</u>	<u>7.9440</u>
8.6700	9.1320	9.1140	8.6480	8.2820	7.4230
-	-	-	-	-	-
-	1.3910	-	-	-	-
<u>8.6700</u>	<u>10.5230</u>	<u>9.1140</u>	<u>8.6480</u>	<u>8.2820</u>	<u>7.4230</u>
0.4220	0.4220	0.4220	0.4220	0.4220	0.4220
0.2980	0.2350	0.2350	0.2350	0.2350	0.2350
<u>0.3030</u>	<u>0.2910</u>	<u>0.2720</u>	<u>0.2540</u>	<u>0.2410</u>	<u>0.2213</u>
<u>1.0230</u>	<u>0.9480</u>	<u>0.9290</u>	<u>0.9110</u>	<u>0.8980</u>	<u>0.8783</u>
<u>23.7220</u>	<u>26.6320</u>	<u>24.8880</u>	<u>24.3180</u>	<u>23.8070</u>	<u>22.0653</u>

COMPUTATION OF DIRECT AND OVERLAPPING DEBT - GENERAL OBLIGATION BONDS

SEPTEMBER 30, 2004

	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Net General Nonself- supporting Revenue Debt</u>	<u>Total</u>	<u>Percentage Applicable to City of Port Richey</u>	<u>Amount Applicable to City of Port Richey</u>
Direct debt					
City of Port Richey	\$ -	\$ -	\$ -	100.00%	\$ -
Overlapping debt: ⁽¹⁾					
Pasco County School Board	202,694,184	-	202,694,184	2.00%	<u>4,043,749</u>
Total direct and overlapping debt					<u>\$ 4,043,749</u>
Ratio:					
Overall debt to 2004 taxable value					1.582%
Overall debt per capita					\$ 1,276.84

⁽¹⁾ The City's share is calculated based on the ratio of the City's Taxable Value of property to the County's Taxable Value of property.

CITY OF PORT RICHEY, FLORIDA
 SCHEDULE OF WATER AND SEWER REVENUE BOND COVERAGE
 LAST TEN FISCAL YEARS

Table 9

Fiscal Year	Gross Revenues	Operating Expenses	Renewal and Replacement Fund Requirement	Net Revenue Available for Debt Service	Sinking Fund Reserve	Debt Service Reserve	Debt Service Requirements			Coverage
							Principal	Interest	Total	
1995	\$1,905,256	\$1,405,454	\$ -	\$499,802	\$24,270	\$258,289	\$95,000	\$128,730	\$223,730	1.26
1996	1,890,999	1,599,259	-	291,740	21,742	281,092	100,000	126,070	226,070	1.34
1997	1,880,738	1,558,011	-	322,727	32,429	304,570	105,000	122,770	227,770	1.48
1998	1,907,658	1,751,791	-	155,867	59,273	338,213	105,000	118,990	223,990	1.77
1999	2,068,319	1,905,864	-	162,455	57,461	343,883	110,000	114,921	224,921	1.78
2000	2,049,311	2,016,583	-	32,728	55,261	368,432	115,000	110,521	225,521	1.88
2001	2,002,844	1,996,379	-	6,465	52,845	359,117	120,000	105,531	225,531	1.83
2002	2,098,444	2,259,364	-	(160,920)	50,265	275,296	125,000	100,031	225,031	1.45
2003	2,287,063	2,330,200	-	(43,137)	42,845	279,103	130,000	94,081	224,081	1.44
2004	2,492,070	2,439,633	-	52,437	44,591	285,901	135,000	89,181	224,181	1.71

DEMOGRAPHIC STATISTICS

LAST TEN FISCAL YEARS

Fiscal Year	Population ⁽¹⁾	Per Capita Income	Education Level in Years of Formal Schooling	School Enrollment ⁽²⁾	Unemployment Rate ⁽³⁾
1995	2,658	N/A	N/A	41,381	5.60%
1996	2,629	N/A	N/A	43,392	4.50%
1997	2,670	N/A	N/A	44,438	4.20%
1998	2,667	N/A	N/A	46,030	4.30%
1999	2,710	N/A	N/A	47,310	3.80%
2000	2,710	N/A	N/A	47,599	2.70%
2001	3,037	N/A	N/A	47,526	3.80%
2002	3,077	N/A	N/A	51,674	4.90%
2003	3,139	N/A	N/A	54,595	5.00%
2004	3,167	N/A	N/A	56,822	4.80%

Notes:

N/A - Not Available

⁽¹⁾ Per data from the U.S. Bureau of Census estimate and the University of Florida.

⁽²⁾ Pasco County School Board, county level data for public schools.

⁽³⁾ Published by the Department of Labor and Employment Security, Pasco County.

PROPERTY VALUES AND CONSTRUCTION

LAST TEN FISCAL YEARS

Fiscal Year	Commercial Construction		Residential Construction		Miscellaneous Construction	
	Number of Permits	Value	Number of Permits	Value	Number of Permits	Value
1995	25	\$ 491,683	34	\$ 668,135	225	\$ 333,031
1996	68	2,710,235 ⁽¹⁾	101	1,748,159	112	283,414
1997	113	2,067,226	196	2,043,118	91	296,159
1998	32	1,024,550	84	1,883,929	225	315,561
1999	43	740,927	115	2,172,869	102	343,199
2000	35	7,378,652 ⁽²⁾	92	4,043,808	95	292,081
2001	19	954,976	16	5,638,007	486	2,619,577
2002	8	273,500	15	4,878,007	489	2,747,613
2003	2	239,900	15	2,268,498	575	2,960,068
2004	15	2,954,273	11	2,635,141	369	2,819,174

Notes:

⁽¹⁾ Significant increase due to construction of a large restaurant and redevelopment of a shopping center.

⁽²⁾ Significant increase due to the construction of a major retail store.

PRINCIPAL TAXPAYERS

SEPTEMBER 30, 2004

	Assessed Valuation			Percentage of Total Taxable Assessed Valuation
	Real Property	Tangible Personal Property	Total	
Wal-Mart Management Corporation	\$ 14,253,069	\$ 2,643,144	\$ 16,896,213	6.61%
Florida Power Corp.	166,887	4,728,807	4,895,694	1.91%
Wood Motors South, Inc.	4,622,220		4,622,220	1.81%
Port Richey 1031, LLC	4,203,024	36,009	4,239,033	1.66%
Suncoast Gateway Mobile Village, Inc.	3,844,223		3,844,223	1.50%
Ridge Road Center, Inc.	3,480,100	14,400	3,494,500	1.37%
Haverty's Inc.	3,165,230		3,165,230	1.24%
Wal Den Greene Developers, Inc.		2,806,724	2,806,724	1.10%
Verizon Communications		2,465,903	2,465,903	0.96%
Healthcare Property Investors, Inc.	2,438,605		2,438,605	0.95%
Sub-total	36,173,358	12,694,987	48,868,345	19.11%
Other taxpayers	188,387,449	18,433,798	206,821,247	80.89%
Total	\$ 224,560,807	\$ 31,128,785	\$ 255,689,592	100.00%

Notes:

Source: Pasco County Property Appraiser

MISCELLANEOUS STATISTICAL DATA

SEPTEMBER 30, 2004

Date of Incorporation - 1925
 Date First Charter Adopted - 1925
 Date Present Charter Adopted -1994

Form of Government: Council-Manager
 Manager: Appointed by City Council
 Council Composed of Mayor and Four Councilors
 Terms of Office: Mayor - 2 years, Councilors - 2 years

Area Square Miles: 4 sq. miles
 Average Annual Rainfall: 52.24 inches
 Average Annual Temperature: 71.40 degrees

POLICE PROTECTION

Number of employees	21
Number of vehicular patrol units	9
Number of law violations:	
Physical arrests	511
Traffic violations	1,913
Ordinance and parking violations	56

PARKS AND RECREATION

Parkland acreage	18.78 acres
------------------	-------------

TRANSPORTATION

Paved streets	19.01 miles
---------------	-------------

WATER SYSTEM

Miles of Water Mains	46.0
Daily average consumption (MGD)	0.815
Plant capacity (MGD)	0.9
Plant interconnection (MGD)	1.44
Number of residential units	4,846
Number of commercial units	410
Deep wells	3
Number of fire hydrants	160

SEWER SYSTEM

Miles of sanitary sewers	30.0
Number of lift stations	50
Number of residential units	3,117
Number of commercial units	266

MAJOR ANNUAL COMMUNITY EVENTS:

October Fest

**CULTURAL FACILITIES AVAILABLE IN PORT RICHEY
and the TAMPA BAY AREA:**

Richey Theater, New Port Richey, Florida
 Performing Arts Center and Theater - Clearwater, Florida
 Bayfront Center Mahaffey Theater - St. Petersburg, Florida
 Tampa Bay Performing Arts Center - Tampa, Florida
 Ruth Eckerd Hall - Clearwater, Florida
 Marine Science Center

SCHEDULE OF INSURANCE IN FORCE

SEPTEMBER 30, 2004

Policy Number	Type of Coverage	Effective Date	Expiration Date	Company	Coverage Amount
PRM03-007	General/Auto Liability	10/1/03	10/1/04	Public Risk Management	\$ 2,000,000
PRM03-007	Public Official E & O	10/1/03	10/1/04	American Re-Insurance	2,000,000
PRM03-007	Employee Benefits	10/1/03	10/1/04	American Re-Insurance	2,000,000
PRM03-007	Property	10/1/03	10/1/04	American Re-Insurance	7,949,604
PRM03-007	Worker's Compensation and Employer's Liability	10/1/03	10/1/04	American Re-Insurance	500,000
PRM03-007	Crime, Money, and Securities	10/1/03	10/1/04	American Re-Insurance	100,000
PRM03-007	Forgery or Alteration	10/1/03	10/1/04	American Re-Insurance	100,000
PRM03-007	Employee Dishonesty	10/1/03	10/1/04	American Re-Insurance	100,000
Various	Excess Property	10/1/03	10/1/04	Fm Global	1,185,838,086
SP-6160-FL	Excess Worker's Compensation and Employer's Liability	10/1/03	10/1/04	Safety National Casualty Corp.	2,000,000
M5J-BMG-993 K3968TIL-02	Boiler and Machinery	10/1/03	10/1/04	Travelers Property Casualty	50,000,000
3009726740	Flood	6/30/04	6/30/05	National Flood Insurance Program	374,400

The City's insurance is purchased through the intergovernmental pool known as Public Risk Management of Florida.

APPENDIX M

Financial Information Regarding City of West Melbourne

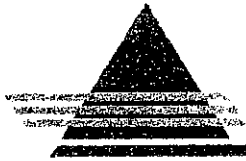
THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF WEST MELBOURNE, FLORIDA
Statement of Revenues, Expenditures and Changes In Fund Balances
Governmental Funds
Years Ended September 30

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:			
Taxes	\$2,718,629	\$2,505,826	\$2,339,372
Licenses and permits	2,122,109	2,028,307	1,466,459
Intergovernmental revenues	1,195,932	1,112,636	789,982
Charges for services	166,946	195,344	186,561
Fines and forfeitures	172,824	150,254	131,203
Interest	107,670	75,587	79,233
Miscellaneous revenues	<u>33,223</u>	<u>20,260</u>	<u>13,472</u>
Total revenues	\$6,517,333	\$6,088,214	\$5,006,282
Expenditures:			
Current (including departmental capital outlay):			
General government	\$1,334,387	\$1,051,630	\$ 787,419
Public safety	2,969,698	2,722,657	2,569,011
Public works	814,000	741,888	601,681
Recreation	229,716	216,967	210,249
Community development	86,715	73,345	70,152
Nondepartmental	--	--	316,459
Capital outlay	494,276	--	--
Debt service:			
Principal retired	29,760	28,515	--
Interest	<u>4,491</u>	<u>--</u>	<u>--</u>
Total expenditures	\$5,963,043	\$4,835,002	\$4,554,971
Excess (deficiency) of revenues over expenditures	<u>\$ 554,290</u>	<u>\$ 1,253,212</u>	<u>\$ 451,311</u>
Other financing sources (uses):			
Proceeds from capital lease	--	--	153,923
Operating transfers in	--	--	--
Operating transfers out	(37,500)	(8,449)	(266,606)
Proceeds from sale of capital assets	3,943	94,669	--
Total other financing sources (uses)	<u>(33,557)</u>	<u>86,220</u>	<u>(72,683)</u>
Net change in fund balances	520,733	1,339,432	--
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>--</u>	<u>--</u>	<u>378,628</u>
Fund balances, beginning of year	<u>5,852,730</u>	<u>4,513,298</u>	<u>3,488,529</u>
Fund balances, end of year	<u>\$ 6,373,463</u>	<u>\$ 5,852,730</u>	<u>\$ 3,867,157</u>

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

THIS PAGE INTENTIONALLY LEFT BLANK



HOYMAN, DOBSON & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

215 Baytree Drive, Melbourne, Florida 32940, 321-255-0088, Fax 321-259-8648, www.hoyman.com

Charles W. Hoyman, Jr.
Barbara J. Oswalt
Thomas L. Kirk
Karen E. Kirkland
Deborah A. Bradley
DIRECTOR EMERITUS
Roger W. Dobson
Eugene K. Bjerning

Independent Auditor's Report

The Honorable Mayor and City Council
of the City of West Melbourne, 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 West Melbourne, Florida, as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of West Melbourne, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with Government Auditing Standards, we have also issued our report dated February 7, 2005, on our consideration of the City of West Melbourne, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 11 through 19, historical pension information on page 53 and budgetary comparison information on pages 54 through 56 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The Honorable Mayor and City Council
of the City of West Melbourne, Florida
Page Two

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

Hoyman, Dobson & Company, P.A.
Hoyman, Dobson & Company, P.A.
February 7, 2005

CITY OF WEST MELBOURNE, FLORIDA

Statement of Net Assets

September 30, 2004

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,330,237	\$ 3,652,883	\$ 11,983,120
Investments	-	47,428	47,428
Receivables, net	380,073	628,150	1,008,223
Due from other governments	189,097	-	189,097
Internal balances	(4,939)	4,939	-
Inventory	-	17,102	17,102
Prepays	68,334	6,347	74,681
Restricted assets:			
Cash and cash equivalents	-	5,042,373	5,042,373
Investments	-	263,288	263,288
Overfunded pension cost	53,662	-	53,662
Unamortized bond issuance costs	-	346,686	346,686
Capital assets (net of accumulated depreciation):			
Land	829,787	124,481	954,268
Buildings	1,926,226	107,520	2,033,746
Improvements other than buildings	210,850	20,146,994	20,357,844
Machinery and equipment	1,013,296	413,480	1,426,776
Infrastructure	2,535,408	-	2,535,408
Construction in progress	614,853	449,692	1,064,545
Total assets	<u>16,146,884</u>	<u>31,251,363</u>	<u>47,398,247</u>
LIABILITIES			
Accounts and contracts payable	185,699	150,504	336,203
Accrued liabilities	186,996	46,817	233,813
Accrued interest payable	-	16,867	16,867
Due to other governments	15,784	-	15,784
Payable from restricted assets:			
Customer and developer escrow deposits	-	759,406	759,406
Escrow deposits	176,688	-	176,688
Unearned revenue	131,476	-	131,476
Noncurrent liabilities:			
Due within one year	229,257	90,000	319,257
Due in more than one year	126,093	7,292,370	7,418,463
Total liabilities	<u>1,051,993</u>	<u>8,355,964</u>	<u>9,407,957</u>
NET ASSETS			
Invested in capital assets, net of related debt	7,044,052	14,411,915	21,455,967
Restricted for:			
Renewal and replacement	-	2,014,353	2,014,353
Construction	-	1,523,562	1,523,562
Recreation	526,000	-	526,000
Stormwater	954,316	-	954,316
Building code enforcement	3,078,038	-	3,078,038
Other	1,436,951	-	1,436,951
Unrestricted	2,055,534	4,945,569	7,001,103
Total net assets	<u>\$ 15,094,891</u>	<u>\$ 22,895,399</u>	<u>\$ 37,990,290</u>

CITY OF WEST MELBOURNE, FLORIDA

Statement of Activities

Year Ended September 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,385,642	\$ 2,152,930	\$ 101,502	\$ 1,159,383	\$ 2,028,173	\$ -	\$ 2,028,173
Public safety	3,062,951	140,383	-	-	(2,922,568)	-	(2,922,568)
Public works	994,510	-	270,846	-	(723,664)	-	(723,664)
Recreation	262,387	237,371	-	31,124	6,108	-	6,108
Community development	86,715	138,129	-	-	51,414	-	51,414
Interest on long term debt	4,491	-	-	-	(4,491)	-	(4,491)
Total governmental activities	5,796,696	2,668,813	372,348	1,190,507	(1,565,028)	-	(1,565,028)
Business-type activities:							
Water and sewer	5,139,265	5,394,823	-	3,506,553	-	3,762,111	3,762,111
Total business-type activities	5,139,265	5,394,823	-	3,506,553	-	3,762,111	3,762,111
Total government	\$ 10,935,961	\$ 8,063,636	\$ 372,348	\$ 4,697,060	(1,565,028)	3,762,111	2,197,083
General revenues:							
Public utility taxes					980,494	-	980,494
Franchise taxes					1,738,135	-	1,738,135
Shared revenues not restricted to specific programs					910,669	-	910,669
Unrestricted investment earnings					122,372	103,251	225,623
Miscellaneous					15,987	4,543	20,530
Gain on sale of capital assets					3,522	-	3,522
Total general revenues					3,771,179	107,794	3,878,973
Change in net assets					2,206,151	3,869,905	6,076,056
Net assets, beginning					12,888,740	19,025,494	31,914,234
Net assets, ending					\$ 15,094,891	\$ 22,895,399	\$ 37,990,290

CITY OF WEST MELBOURNE, FLORIDA

Balance Sheet - Governmental Funds

September 30, 2004

	General	Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash	\$ 6,570,810	\$ 1,759,427	\$ 8,330,237
Receivables, net	380,073	-	380,073
Due from other governments	189,097	-	189,097
Prepaid items	68,334	-	68,334
Total assets	<u>\$ 7,208,314</u>	<u>\$ 1,759,427</u>	<u>\$ 8,967,741</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 34,510	\$ 20,252	\$ 54,762
Accrued liabilities	516,127	-	516,127
Unearned revenue	192,688	-	192,688
Developer escrow deposits	86,587	90,104	176,691
Due to other funds	4,939	-	4,939
Due to other governments	-	15,784	15,784
Total liabilities	<u>834,851</u>	<u>126,140</u>	<u>960,991</u>
Fund balances:			
Reserved for:			
Encumbrances	49,426	12,234	61,660
Prepaid items	68,334	-	68,334
Police education	29,465	-	29,465
Confiscated funds	6,439	-	6,439
Transportation	1,161,023	-	1,161,023
Emergency communications	122,264	-	122,264
Building code enforcement	3,078,038	-	3,078,038
Unreserved, reported in:			
General fund	1,858,474	-	1,858,474
Special revenue funds	-	1,480,316	1,480,316
Capital projects funds	-	140,737	140,737
Total fund balances	<u>6,373,463</u>	<u>1,633,287</u>	<u>8,006,750</u>
Total liabilities and fund balances	<u>\$ 7,208,314</u>	<u>\$ 1,759,427</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.	7,130,420
Deferred revenue recorded in the funds has been reversed and recorded as revenue in governmental activities.	61,212
Negative pension obligation resulting from overfunding of the City's defined benefit pension plan.	53,662
Long-term liabilities (including capital lease obligations and the noncurrent portion of accrued compensated absences) are not due and payable in the current period and therefore are not reported in the funds.	(157,153)
Net assets of governmental activities	<u>\$ 15,094,891</u>

CITY OF WEST MELBOURNE, FLORIDA

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

Year Ended September 30, 2004

	General	Nonmajor Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 2,718,629	\$ 284,396	\$ 3,003,025
Licenses and permits	2,122,109	-	2,122,109
Intergovernmental	1,195,932	31,124	1,227,056
Charges for services	166,946	234,847	401,793
Fines and forfeitures	172,824	-	172,824
Interest and other	107,670	14,702	122,372
Miscellaneous	33,223	-	33,223
Total revenues	<u>6,517,333</u>	<u>565,069</u>	<u>7,082,402</u>
EXPENDITURES			
Current:			
General government	1,334,387	-	1,334,387
Public safety	2,969,698	-	2,969,698
Public works	814,000	63,767	877,767
Recreation	229,716	-	229,716
Community development	86,715	-	86,715
Capital outlay	494,276	198,095	692,371
Debt service:			
Principal retired	29,760	-	29,760
Interest	4,491	-	4,491
Total expenditures	<u>5,963,043</u>	<u>261,862</u>	<u>6,224,905</u>
Excess of revenues over expenditures	<u>554,290</u>	<u>303,207</u>	<u>857,497</u>
OTHER FINANCNG SOURCES (USES)			
Transfers in	-	37,500	37,500
Transfers out	(37,500)	-	(37,500)
Proceeds from sale of capital assets	3,943	-	3,943
Net other financing sources (uses)	<u>(33,557)</u>	<u>37,500</u>	<u>3,943</u>
Net change in fund balances	520,733	340,707	861,440
Fund balances, beginning of year	5,852,730	1,292,580	7,145,310
Fund balances, end of year	<u>\$ 6,373,463</u>	<u>\$ 1,633,287</u>	<u>\$ 8,006,750</u>

CITY OF WEST MELBOURNE, FLORIDA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended September 30, 2004

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

Net change in fund balances - total governmental funds \$ 861,440

Governmental funds report capital outlays as expenditures. However in
the statement of activities, the cost of those assets is allocated over
their estimated useful lives as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current
period. 237,882

In the statement of activities, only the gain (loss) on the sale of capital
assets is reported, whereas in the governmental funds, the proceeds
from the sale increase financial resources. Thus, the change in net
assets differs from the change in fund balance by the cost of
the capital assets sold. (536)

Overfunded pension contributions are reported as expenditures in the
fund financial statements and recorded as a net pension asset on the
statement of net assets. 53,662

Repayment of long-term debt principal is an expenditure in the
governmental funds, but the repayment reduces long-term liabilities
in the statement of net assets. This is the amount of repayments. 29,760

Some revenues, the reimbursement from the State for hurricane costs, are
recorded in the statement of activities, but since they do not provide current
financial resources and are not reported as revenues in the funds. 61,212

Donations of capital assets increase net assets in the statement of
activities, but do not appear in the governmental funds because they
are not financial resources. 855,826

Compensated absences are reported in the statement of activities when earned,
as they do not require the use of current financial resources. They are not
reported as expenditures in governmental funds until they have matured.
This is the amount of compensated absences reported in the statement of
activities in the prior year, and have matured in the current year. 106,905

Change in net assets of governmental activities \$ 2,206,151

CITY OF WEST MELBOURNE, FLORIDA

Statement of Net Assets

Proprietary Fund

September 30, 2004

	Business-type Activities Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,652,883
Investments	47,428
Accounts receivable, net	100,180
Accrued unbilled revenues	527,970
Inventory	17,102
Prepaid expense	6,347
Due from other funds	4,939
Total current assets	<u>4,356,849</u>
Noncurrent assets:	
Restricted cash, cash equivalents:	
Renewal and replacement account	2,118,602
Capital fees trust account	1,523,562
Wastewater reuse trust account	366,806
Capital improvement trust account	273,997
Customer and developer deposit accounts	713,643
Other	45,763
Restricted investments:	
Bond debt service account	263,288
Total restricted assets	<u>5,305,661</u>
Capital Assets:	
Land	124,481
Buildings	2,057,155
Improvements other than buildings	27,773,487
Machinery and equipment	2,038,160
Construction in progress	449,692
Less accumulated depreciation	<u>(11,200,808)</u>
Total capital assets, net of accumulated depreciation	<u>21,242,167</u>
Unamortized bond issue costs	346,686
Total noncurrent assets	<u>26,894,514</u>
Total assets	<u>31,251,363</u>

CITY OF WEST MELBOURNE, FLORIDA

Statement of Net Assets, continued

Proprietary Fund

September 30, 2004

	Business-type Activities Enterprise Fund
LIABILITIES	
Current liabilities (payable from current assets):	
Accounts and contracts payable	150,504
Accrued liabilities	46,817
Accrued interest	16,867
Current portion of note payable	90,000
Current liabilities payable from restricted assets:	
Customer and developer deposits	759,406
Total current liabilities	<u>1,063,594</u>
Noncurrent liabilities:	
Note payable, net of current portion	660,000
Revenue bonds payable, net of current portion, unamortized bond discount, and deferred amount on refunding	<u>6,632,370</u>
Total noncurrent liabilities	<u>7,292,370</u>
Total liabilities	<u>8,355,964</u>
NET ASSETS	
Invested in capital assets, net of related debt	14,411,915
Restricted for:	
Renewal and replacement	2,014,353
Construction	1,523,562
Unrestricted	<u>4,945,569</u>
Total net assets	<u>\$ 22,895,399</u>

CITY OF WEST MELBOURNE, FLORIDA

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Fund

Year Ended September 30, 2004

	Business-type Activities Enterprise Fund
Operating revenues:	
Charges for services	\$ 4,931,368
Other charges and fees	463,455
Total operating revenues	<u>5,394,823</u>
Operating expenses:	
Personal services	680,867
Contractual services	1,314,021
Supplies and other expenses	1,485,929
Depreciation	1,159,279
Total operating expenses	<u>4,640,096</u>
Operating income	<u>754,727</u>
Nonoperating revenues (expenses):	
Interest income	61,301
Other income	46,493
Interest expense	(484,227)
Amortization of bond issue costs	(14,942)
Total nonoperating expenses	<u>(391,375)</u>
Income before contributions	363,352
Capital contributions	<u>3,506,553</u>
Change in net assets	3,869,905
Net assets, beginning of year	<u>19,025,494</u>
Net assets, end of year	<u><u>\$ 22,895,399</u></u>

CITY OF WEST MELBOURNE, FLORIDA

Statement of Cash Flows

Proprietary Fund

Years Ended September 30, 2004

	Business-type Activities Enterprise Fund
Cash flows from operating activities:	
Cash received from customers and users	\$ 5,312,605
Cash paid to suppliers for goods and services	(2,725,742)
Cash payments to employees for services	(664,383)
Net cash provided by operating activities	<u>1,922,480</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(480,083)
Principal paid on revenue bonds	(30,000)
Principal payments on refunding	(4,465,000)
Revenue bond proceeds, net of related costs	4,226,943
Principal paid on notes payable	(90,000)
Interest paid	(459,981)
Reimbursed interest expense on note payable	46,554
Capital contributed by developers and customers	1,601,857
Net cash provided by capital and related financing activities	<u>350,290</u>
Cash flows from investing activities:	
Interest received on investments	61,301
Investments sold	1,517,213
Investments purchased	(1,054,928)
Net cash provided by investing activities	<u>523,586</u>
Net increase in cash and cash equivalents	2,796,356
Cash and cash equivalents, beginning of year	<u>5,898,900</u>
Cash and cash equivalents, end of year	<u>\$ 8,695,256</u>

CITY OF WEST MELBOURNE, FLORIDA

Statement of Cash Flows (continued)

Proprietary Fund

Years Ended September 30, 2004

	Business-type Activities Enterprise Fund
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 754,727</u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,159,279
Change in assets and liabilities:	
Decrease in accounts receivable	222,918
Increase in accrued unbilled revenues	(316,464)
Decrease in inventory	15,697
Decrease in prepaids	12,443
Increase in due from other funds	(4,939)
Increase in accounts and contracts payable	60,103
Increase in accrued expenses	16,484
Decrease in due to other funds	(14,035)
Increase in customer and developer deposits	16,267
Total adjustments	<u>1,167,753</u>
Net cash provided by operating activities	<u>\$ 1,922,480</u>
Noncash capital and related financing activities:	
Contributed property from developers	<u>\$ 1,904,696</u>
Amortization of bond issue costs	<u>\$ 14,942</u>
Amortization of bond discount and deferred loss on refunding	<u>\$ 26,270</u>
Write-off of deferred charges related to series 1994 revenue bond	<u>\$ 264,784</u>

CITY OF WEST MELBOURNE, FLORIDA

Statement of Fiduciary Net Assets - Pension Trust Funds

September 30, 2004

	General Employees Pension Trust Fund	Police Employees Pension Trust Fund	Total Pension Trust Funds
ASSETS			
Investments: mutual funds	\$ 1,337,373	\$ 2,471,082	\$ 3,808,455
Receivables	8,038	-	8,038
Total assets	<u>1,345,411</u>	<u>2,471,082</u>	<u>3,816,493</u>
LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS			
Held in trust for pension benefits	<u>\$ 1,345,411</u>	<u>\$ 2,471,082</u>	<u>\$ 3,816,493</u>

CITY OF WEST MELBOURNE, FLORIDA

Statement of Changes in Fiduciary Net Assets - Pension Trust Funds

Year Ended September 30, 2004

	General Employees Pension Trust Fund	Police Employees Pension Trust Fund	Total Pension Trust Funds
ADDITIONS			
Contributions:			
Plan members	\$ 32,517	\$ 74,153	\$ 106,670
Employer:			
General fund (including \$52,221 contributed by the State of Florida)	111,413	202,116	313,529
Water and sewer fund	18,559	-	18,559
Total contributions	<u>162,489</u>	<u>276,269</u>	<u>438,758</u>
Investment income earnings:			
Net appreciation in fair value of investments	88,701	200,587	289,288
Interest	-	373	373
Total investment earnings	<u>88,701</u>	<u>200,960</u>	<u>289,661</u>
Total additions	<u>251,190</u>	<u>477,229</u>	<u>728,419</u>
DEDUCTIONS			
Benefit payments	36,860	27,672	64,532
Administrative expenses	-	16,769	16,769
Total deductions	<u>36,860</u>	<u>44,441</u>	<u>81,301</u>
Change in net assets	214,330	432,788	647,118
Net assets, beginning of year	1,131,081	2,038,294	3,169,375
Net assets, end of year	<u>\$ 1,345,411</u>	<u>\$ 2,471,082</u>	<u>\$ 3,816,493</u>

CITY OF WEST MELBOURNE, FLORIDA

Notes to Financial Statements

September 30, 2004

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of West Melbourne, Florida (the City) was originally chartered as a Town on September 11, 1959. On July 2, 1970, the City was incorporated as a political subdivision of the State of Florida with a six member Council, including a Mayor and Vice-Mayor. November, 1989 a seventh Council member was added and the Mayor became a voting member. The Mayor and Council are elected by the registered voters of the City of West Melbourne, with the entire Council selecting the Vice-Mayor. The Council appoints the City Manager, who in turn functions as the administrator of the everyday operations of the City. The City provides a full range of municipal services as directed by the City Charter including general government, public safety, public improvements, planning and zoning, water and sewer service, refuse collection, a recycling program, and related general and administrative services to its residents.

In evaluating the City as a reporting, management has reported all component units in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "Defining the Financial Reporting Entity". No potential component units were found that required consideration in defining the government's reporting entity.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally 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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

CITY OF WEST MELBOURNE, FLORIDA

Notes to Financial Statements

September 30, 2004

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected 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 government.

The City reports the following major governmental fund:

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 City reports the following major proprietary fund:

The *water and sewer fund* accounts for water and sewer operations that are financed and operated in a manner similar to private business enterprise. The fund is intended to be predominantly self supported from user charges.

Additionally, the City reports the following fund type:

The *pension trust fund* accounts for the activities of the City's pension and retirement system, which accumulates resources for pension benefit payments to qualified general and police employees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in 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 the same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

CITY OF WEST MELBOURNE, FLORIDA

Notes to Financial Statements

September 30, 2004

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

D. Assets, liabilities, and net assets or equity

1. Cash and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents for the purpose of the Proprietary fund statement of cash flows include cash and investments in the Local Government Surplus Funds Trust Fund administered by the State Board of Administration.

Investments are stated at fair value. The Local Government Surplus Funds Trust Fund operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

2. Receivables and payables

Outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade receivables are shown net of allowance for uncollectibles.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. The Governmental Funds had no inventories on hand at year end.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF WEST MELBOURNE, FLORIDA

Notes to Financial Statements

September 30, 2004

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Restricted assets

Certain assets of the City's proprietary funds are classified as restricted assets on the statement of net assets and balance sheet because their use is limited for specified purposes other than normal operations. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets, as follows:

- Bond Debt Service Account – Includes proceeds from issuance of revenue bonds to be used to pay future debt service costs.
- Renewal and Replacement Account – Includes water and sewer connection fees to be used for improvements to and rehabilitation of the utility system.
- Capital Fees Trust Account – Includes water and sewer connection fees to be used to make future bond principal payments.
- Wastewater Reuse Trust Account – Includes reuse fees to be used for improvements to the reuse system.
- Capital Improvement Trust Account – Includes capital grant proceeds and a portion of operating revenues to fund capital improvements to the sewer system.
- Customer and Developer Deposit Accounts – Deposited in non-interest bearing accounts and refunded upon termination of service with the City and satisfaction of all obligations due.

5. Capital assets

Capital assets, which include property, 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. Effective October 1, 2003, capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Prior to October 1, 2003, the capitalization threshold was \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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 capital outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Buildings	10 to 50 years
Improvements other than buildings	2 to 50 years
Machinery and equipment	5 to 10 years
Infrastructure	10 to 40 years

CITY OF WEST MELBOURNE, FLORIDA

Notes to Financial Statements

September 30, 2004

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund type financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements or if they will be liquidated with expendable, available financial resources.

7. Unearned revenues

Unearned revenues include amounts collected before the revenue recognition criteria are met under both the modified and full basis of accounting. The unearned items consist primarily of license and permit revenues collected in advance.

8. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium and discount. Bond issuance costs are amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Fund equity

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

CITY OF WEST MELBOURNE, FLORIDA

Notes to Financial Statements

September 30, 2004

NOTE II – 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 are not due and payable in the current period and therefore are not reported in the funds". The details of this \$157,153 difference are as follows:

Capital leases payable	\$ 86,378
Compensated absences	<u>70,775</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets-governmental activities</i>	<u>\$ 157,153</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "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". The details of this \$237,882 difference are as follows:

Capital outlay	\$ 692,371
Depreciation expense	<u>(454,489)</u>
Net adjustment to increase <i>net changes in fund balances</i> - <i>total governmental funds</i> to arrive at changes in <i>net assets of</i> <i>governmental activities</i>	<u>\$ 237,882</u>

NOTE III – DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

The investment of public funds is authorized by Florida Statutes which allows the City to invest in the Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, SEC registered money market funds with the highest credit quality rating, interest-bearing time deposits or savings accounts in qualified public depositories, and direct obligations of the U.S. Treasury.

At September 30, 2004, the carrying amount of cash deposits was \$604,819 and the bank balance was \$732,058. All deposits with financial institutions were 100% insured by Federal depository insurance or by collateral pursuant to the Public Depository Security Act of the State of Florida.

CITY OF WEST MELBOURNE, FLORIDA

Notes to Financial Statements

September 30, 2004

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and investments (continued)

The Local Government Surplus Funds Trust Fund is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. The 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 State Board of Administration funds are fully secured by government securities, as required by Florida Statutes Chapter 215.41.

Investments are categorized into the following three categories of credit risk:

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

At year end, the City's investment balances were as follows:

	Category			Reported Amount/ Fair Value
	1	2	3	
Repurchase agreement	\$ 2,720,000	\$ -	\$ -	\$ 2,720,000
U.S. Government securities	310,716	-	-	310,716
Total	\$ 3,030,716	\$ -	\$ -	3,030,716
Investments not subject to categorization:				
State Board of Administration				13,700,674
Mutual funds				3,808,455
Total investments				\$ 20,539,845

B. Receivables

Receivables as of year end for the government's individual major funds and fiduciary funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General	Water and Sewer	General Employee's Pension Trust	Total
Receivables:				
Accounts	\$ -	\$ 1,704	\$ -	\$ 1,704
Taxes	296,559	-	-	296,559
Utilities	-	687,978	-	687,978
Insurance recoveries	57,412	-	-	57,412
Other	26,102	311	8,038	34,451
Gross receivables	380,073	689,993	8,038	1,078,104
Less: allowance for uncollectibles	-	(61,843)	-	(61,843)
Net total receivables	\$ 380,073	\$ 628,150	\$ 8,038	\$ 1,016,261

CITY OF WEST MELBOURNE, FLORIDA

Notes to Financial Statements

September 30, 2004

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables (continued)

The City's water and sewer utility conducts all of its business activity in Brevard County, Florida. Customers routinely receive services in advance during the ordinary course of business, however customers' deposits are available to be applied against amounts owed.

C. Restricted assets

The balances of the restricted asset accounts in the governmental and business-type activities are as follows:

	Bond Ordinances	Utility Ordinances and Grants	Deposit Escrow And Other	Total
Cash and cash equivalents:				
Renewal and replacement	\$ 100,000	\$ 2,018,602	\$ -	\$ 2,118,602
Capital fees trust	1,523,562	-	-	1,523,562
Wastewater reuse trust	-	366,806	-	366,806
Capital improvement	-	273,997	-	273,997
Customers and developer deposits	-	-	713,643	713,643
Other deposits	-	-	45,763	45,763
	<u>1,623,562</u>	<u>2,659,405</u>	<u>759,406</u>	<u>5,042,373</u>
Investments:				
Bond debt service	263,288	-	-	263,288
Other assets:				
Overfunded pension cost	-	-	53,662	53,662
Totals	<u>\$ 1,886,850</u>	<u>\$ 2,659,405</u>	<u>\$ 813,068</u>	<u>\$ 5,359,323</u>

CITY OF WEST MELBOURNE, FLORIDA

Notes to Financial Statements

September 30, 2004

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets

Capital asset activity for the year ended September 30, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 829,787	\$ -	\$ -	\$ 829,787
Construction in progress	425,916	323,491	(134,554)	614,853
Total capital assets, not being depreciated	<u>1,255,703</u>	<u>323,491</u>	<u>(134,554)</u>	<u>1,444,640</u>
Capital assets, being depreciated:				
Buildings	2,503,825	-	-	2,503,825
Improvements other than buildings	321,883	114,554	-	436,437
Equipment	2,657,854	390,880	(118,600)	2,930,134
Infrastructure	1,817,237	853,826	-	2,671,063
Total capital assets being depreciated	<u>7,300,799</u>	<u>1,359,260</u>	<u>(118,600)</u>	<u>8,541,459</u>
Less accumulated depreciation for:				
Buildings	(522,086)	(55,513)	-	(577,599)
Improvements other than buildings	(202,840)	(22,747)	-	(225,587)
Equipment	(1,761,446)	(273,456)	118,064	(1,916,838)
Infrastructure	(32,882)	(102,773)	-	(135,655)
Total accumulated depreciation	<u>(2,519,254)</u>	<u>(454,489)</u>	<u>118,064</u>	<u>(2,855,679)</u>
Total capital assets being depreciated, net	<u>4,781,545</u>	<u>904,771</u>	<u>(536)</u>	<u>5,685,780</u>
Governmental activities capital assets, net	<u>\$ 6,037,248</u>	<u>\$ 1,228,262</u>	<u>\$ (135,090)</u>	<u>\$ 7,130,420</u>

CITY OF WEST MELBOURNE, FLORIDA

Notes to Financial Statements

September 30, 2004

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 124,481	\$ -	\$ -	\$ 124,481
Construction in progress	179,310	270,382	-	449,692
Total capital assets, not being depreciated	<u>303,791</u>	<u>270,382</u>	<u>-</u>	<u>574,173</u>
Capital assets, being depreciated:				
Buildings	2,038,933	18,222	-	2,057,155
Improvements other than buildings	25,754,203	2,022,779	(3,495)	27,773,487
Equipment	1,979,322	73,396	(14,558)	2,038,160
Total capital assets being depreciated	<u>29,772,458</u>	<u>2,114,397</u>	<u>(18,053)</u>	<u>31,868,802</u>
Less accumulated depreciation for:				
Buildings	(1,812,124)	(137,511)	-	(1,949,635)
Improvements other than buildings	(6,754,988)	(875,000)	3,495	(7,626,493)
Equipment	(1,492,409)	(146,768)	14,497	(1,624,680)
Total accumulated depreciation	<u>(10,059,521)</u>	<u>(1,159,279)</u>	<u>17,992</u>	<u>(11,200,808)</u>
Total capital assets, being depreciated, net	<u>19,712,937</u>	<u>955,118</u>	<u>(61)</u>	<u>20,667,994</u>
Business-like activities capital assets, net	<u>\$ 20,016,728</u>	<u>\$ 1,225,500</u>	<u>\$ (61)</u>	<u>\$ 21,242,167</u>

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

Governmental activities:	
General government	\$ 86,534
Public safety	187,538
Public works	145,058
Recreation	35,359
Total depreciation expense – governmental activities	<u>\$ 454,489</u>
Business-type activities:	
Water and Sewer	\$ 1,159,279
Total depreciation expense – business-type activities	<u>\$ 1,159,279</u>

CITY OF WEST MELBOURNE, FLORIDA

Notes to Financial Statements

September 30, 2004

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Interfund receivables, payable and transfers

Interfund receivables and payables consist of \$4,939 due to the Water and Sewer Enterprise Fund from the General Fund. During the year, \$37,500 was transferred from the General Fund to the Capital Projects Fund to cover the costs of various capital projects.

F. Capital leases

The City has entered into a lease agreement as lessee for financing the acquisition of computer equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

The asset acquired through the capital lease is as follows:

Asset:	
Machinery and equipment	\$ 153,923
Less: Accumulated depreciation	(56,438)
Total	<u>\$ 97,485</u>

The future minimum lease obligations and the net present value of these minimum future lease payments as of September 30, 2004, were as follows:

<u>Year ending September 30,</u>	
2005	\$ 34,251
2006	34,251
2007	<u>25,687</u>
Total minimum lease payments	94,189
Less: amount representing interest	<u>(7,811)</u>
Present value of minimum lease payments	<u>\$ 86,378</u>

G. Long-term debt

Revenue Bonds

The revenue bonds are secured by and payable from the gross revenues of the City's water and sewer system. The bond resolutions provide that revenues in excess of debt service requirements may be used for general operating purposes.

During 2004, the City issued \$4,545,000 of Water and Sewer Revenue Refunding and Improvement Bonds, Series 2004, in order to 1) defease all of the City's outstanding Water and Sewer Revenue Refunding and Improvement Bonds, Series 1994, 2) to pay the cost of constructing certain capital improvements, and 3) to finance the costs of issuance of the Series 2004 bonds.

CITY OF WEST MELBOURNE, FLORIDA

Notes to Financial Statements

September 30, 2004

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-term debt (continued)

The bonds were issued to provide gross debt service savings. The difference in cash flows required to service the old debt and required to service the new debt is \$567,214. The economic loss resulting from the advance refunding is \$314,861. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 23, "Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities", the deferred amount on refunding is the difference between the reacquisition price and the net carrying amount of the old debt.

Debt service sinking fund requirements, where applicable, on outstanding bonds have been met or exceeded, in accordance with the bond resolutions.

Revenue bonds outstanding at yearend are as follows:

Business-type activities:

Water and Sewer Revenue Refunding Bonds, Series 2004, original issuance amount of \$4,545,000, due \$325,000 to \$445,000 annually to 2017; interest at 2.50% to 3.80% (less deferred amount on refunding of \$314,861, plus bond premium of \$5,683)	\$ 4,235,822
Water and Sewer Revenue Refunding Bonds, Series 1999, original issuance amount of \$2730,000, due \$25,000 to \$255,000 annually to 2017; interest at 3.30% to 4.60% (less deferred amount on refunding of \$176,314 and bond discount of \$12,138)	2,396,548
Total	<u>\$ 6,632,370</u>

Annual debt service requirements to maturity for revenue bonds outstanding are as follows:

Year ending September 30,	Business-type Activities	
	Principal	Interest
2005	\$ -	\$ 127,109
2006	480,000	247,133
2007	490,000	232,723
2008	505,000	217,765
2009	520,000	201,835
2010-2014	2,875,000	727,464
2015-2018	2,260,000	164,133
Totals	<u>\$ 7,130,000</u>	<u>\$ 1,918,162</u>

Notes Payable

In October 2000, the City issued a note payable in the principal amount of \$1,000,000 in connection with capital improvements for the City's sewer system. The balance outstanding at year end was as follows:

Non-Ad Valorem Revenue Note, Series 2000, due \$75,000 to \$125,000 annually to 2010; interest at 5.28%	<u>\$ 750,000</u>
--	-------------------

CITY OF WEST MELBOURNE, FLORIDA

Notes to Financial Statements

September 30, 2004

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-term debt (continued)

Annual debt service requirements to maturity for the note are as follows:

Year ending September 30,	Business-type Activities	
	Principal	Interest
2005	\$ 90,000	\$ 37,761
2006	95,000	32,810
2007	100,000	27,582
2008	105,000	22,158
2009	115,000	16,219
2010-2011	245,000	13,303
Totals	\$ 750,000	\$ 149,833

Summary of Defeased Debt Outstanding

The following outstanding revenue bonds are legally defeased. Since governmental obligations are held in escrow for the payment of principal and interest, the bonds are not liabilities of the City.

	Outstanding at year end
Water and Sewer Revenue Bonds:	
Series 1968	\$ 290,000
Series 1978	\$ 844,000
Series 1994	\$ 6,821,000

Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Capital leases	\$ 116,138	\$ -	\$ (29,760)	\$ 86,378	\$ 31,060
Compensated absences	296,120	280,710	(232,877)	268,972	198,197
Governmental activity					
Long-term liabilities	\$ 412,258	\$ 280,710	\$ (262,637)	\$ 355,350	\$ 229,257
Business-type activities:					
Bonds payable:					
Revenue bonds payable	\$ 7,080,000	\$ 4,545,000	\$ (4,495,000)	\$ 7,130,000	\$ -
Less deferred amounts:					
For issuance discount	(99,830)	-	87,692	(12,138)	-
For issuance premium	-	5,683	-	5,683	-
On refunding	(261,245)	(314,861)	84,931	(491,175)	-
Total bonds payable:	6,718,925	4,235,822	(4,322,377)	6,632,370	-
Note payable	840,000	-	(90,000)	750,000	90,000
Business-type activity long-term liabilities	\$ 7,558,925	\$ 4,235,822	\$ (4,412,377)	\$ 7,382,370	\$ 90,000

CITY OF WEST MELBOURNE, FLORIDA

Notes to Financial Statements

September 30, 2004

NOTE III – DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-term debt (continued)

For the governmental activities, capital leases and compensated absences are generally liquidated by the General Fund.

NOTE IV – OTHER INFORMATION

A. 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. In order to limit its exposure to these risks, the City is a participant in the Florida League of Cities (a not-for-profit corporation) self insurance program for workers compensation, general and auto liability, and property insurance. The self-insurance program purchases excess and specific coverages from third party insurance carriers. Participants in the program are billed annually for their portion of the cost of the program adjusted for actual experience during the period of coverage. Participants are not assessed for unanticipated losses incurred by the program. Premiums paid by the City during the year totaled \$233,851. There have been no significant reductions in insurance coverages during fiscal year 2004. Settled claims have not exceeded commercial excess coverages in any of the past three years.

B. Commitments and contingencies

In September 2000 the City entered into a contract for the management, operation and maintenance of the wastewater treatment, collection and disposal facility. The agreement is for a period of ten years, with the annual fee being \$1,254,573 for the year ended September 30, 2004. The City and the contractor shall negotiate an annual increase to the annual fee each year for the entire ten year initial term of this agreement.

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

Commitments for the modification and improvement of City-owned property at September 30, 2004 totaled approximately \$750,000.

C. Employee retirement plans

General Employees' Retirement Plan

The City of West Melbourne General Employees' Retirement Plan is a defined contribution plan administered by ICMA Retirement Corporation. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All full time general employees are eligible to participate after six months of service. Employer contributions are vested according to the following schedule: 50% after three years of service; 75% after four years; 100% after five years. Contributions under the plan were established by the Plan & Trust adoption agreement with ICMA Retirement Corporation and may be amended at the City's discretion. Required contributions are 2% and 8% of eligible earnings for employees and employer, respectively. Administrative costs are financed through investment earnings. Required and actual contributions for the year ended September 30, 2004 were \$32,517 from employees and \$129,972 from the employer.

CITY OF WEST MELBOURNE, FLORIDA

Notes to Financial Statements

September 30, 2004

NOTE IV – OTHER INFORMATION (CONTINUED)

C. Employee retirement plans (continued)

Police Employees' Pension Plan

The City of West Melbourne Police Retirement Plan ("Police Employees' Plan") is a single-employer defined benefit pension plan. The Plan is administered by a five-member Board of Trustees (the Mayor, City Manager, Police Commander, and two police officers appointed by the City Manager). The plan does not issue a stand-alone financial report.

Basis of Accounting. The Plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Description of Benefits

Benefits under the plan are established in accordance with requirements of City Ordinance and Florida Statutes Chapter 185. Benefit provisions may be amended by the City Council but may not be reduced below the minimum specified by statute.

The plan provides retirement, death and disability benefits to plan members and beneficiaries. Retirement benefits vest with the participants based on years of credited service at 20% per year after six years with full vesting provided after ten years. Employees qualifying for normal retirement are entitled to a monthly annuity based on 3% of average final compensation times credited service. Generally, normal retirement occurs at attained age 55. Early retirement benefits are available at attained age 50 and 10 years of service using reduced benefit formulas.

Service incurred disability benefits are available to employees with no vesting period and provide monthly income (as defined by the plan payable until death or recovery. Non-service incurred disability benefits (available to employees with ten years of plan participation) provide monthly income (as defined by the plan) payable until death or recovery. In the event of death, the plan provides for a 10 year certain and life annuity benefit equal to the participant's contribution account on the date of death.

Optional forms of benefits are available and may be elected by the employee as provided in the plan.

Employee Coverage

Membership in the Police Employees' Plan is comprised of the following as of September 30, 2004:

<u>Group</u>	<u>Police Employees</u>
Retirees and beneficiaries currently receiving benefits	-
Terminated employees entitled to benefits but not yet receiving them	2
Actively employed participants	27
Totals	<u>29</u>

CITY OF WEST MELBOURNE, FLORIDA

Notes to Financial Statements

September 30, 2004

NOTE IV – OTHER INFORMATION (CONTINUED)

C. Employee retirement plans (continued)

Contributions

The contribution requirements of plan members and the City are established and may be amended by the City Council. Plan members are required to contribute 7% of gross pay. The City is required to contribute an actuarially determined amount which was \$178,558 which includes Chapter 185 revenue for the year ended September 30, 2004. The City actually contributed \$202,116, which includes \$52,221 contributed by the State of Florida and represents state shared revenue that is levied on property and casualty insurance premiums and collected by the State. The State contribution was recognized and recorded in the general fund and the corresponding expenditure was recorded as public safety expenditure. Administrative costs are financed through investment earnings.

Investments that Represent Five Percent or more of Net Assets Available for Benefits

At September 30, 2004, the following are investments (other than U.S. Government and U.S. Government guaranteed obligations) in any one organization that represent five percent or more of net assets available for benefits ($\$2,471,082 \times .05 = \$123,554$):

SunTrust High Grade Equity Fund	\$ 700,060
SunTrust High Grade Bond Fund	885,197
SunTrust High Grade Relative Value Fund	518,919
SunTrust U.S. Limited Equity Fund	221,292
SunTrust International Equity Index Fund	125,448

Annual Pension Cost and Net Pension Obligation

The annual required contribution for the current year was determined as part of the October 1, 2003 actuarial valuation using the frozen entry age cost method. The actuarial assumptions included (a) 8.25% investment rate of return net of administrative costs and (b) projected salary increase of 6.0% per year (including inflation at 4%). The actuarial value of assets was determined on a market value basis. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at October 1, 2003, was twenty-seven years. The annual pension cost for the year ended September 30, 2004 was \$181,955, which is calculated as the annual required contribution of \$178,558, less interest on the net pension obligation of \$4,707, plus an adjustment to the annual required contribution of \$8,104.

Three Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percent of APC Contributed	Net Pension Obligation
2004	\$ 181,955	111.1%	\$ (53,662)
2003	189,326	109.2%	(57,059)
2002	147,969	127.8%	(60,330)

CITY OF WEST MELBOURNE, FLORIDA

Notes to Financial Statements

September 30, 2004

NOTE IV – OTHER INFORMATION (CONTINUED)

D. Concentration – water supply

The City purchases substantially all of its residents' water needs from the City of Melbourne, Florida under an agreement dated July 11, 1978 and amended February 4, 1997. Management believes it will be able to continue purchasing water from the City of Melbourne, Florida, sufficient to meet all of its residents' water needs, for the foreseeable future.

E. Hurricanes

During August and September 2004, the City was affected by two hurricanes. The estimated total costs of clean up, overtime, repairs, and other costs associated with hurricanes, excluding cost to be reimbursed by insurance proceeds, are \$283,587, and are recorded as a general government expenditure in the statement of revenues, expenditures, and changes in fund balances – governmental funds. A corresponding liability of \$165,474 is recorded as of September 30, 2004 in accounts payable and accrued expenses in the balance sheet – governmental funds.

The City has been approved by FEMA to receive grant funds to reimburse the City for a portion of these costs. A receivable of \$61,212 is recorded as of September 30, 2004 in due from other governments in the funds statements. The related revenue has been deferred in the fund statements, as it is not collectible soon enough to pay liabilities of the current period. The City believes it may be able to collect additional reimbursements from FEMA. However, this amount cannot be estimated at this time, and no potential additional receivables have been recorded.

In addition to the above losses, the City anticipates insurance recoveries of \$57,412, a receivable for which has been recorded and offset by the City's liability to repair the related damages. The City believes it may be eligible for additional insurance recoveries. However, this amount cannot be estimated at this time, and no potential additional receivables have been recorded.

NOTE V – SUBSEQUENT EVENTS

On October 1, 2004, \$6,821,000 of defeased revenue bonds, Series 1994, were called.

THIS PAGE INTENTIONALLY LEFT BLANK

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

CITY OF WEST MELBOURNE, FLORIDA

Pension Trust Funds

Required Pension Supplementary Information

Year Ended September 30, 2004

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
October 1:						
2003	\$ 2,017,544	\$ 2,892,758	\$ 875,214	69.7%	\$ 1,055,233	82.9%
2002	\$ 1,583,159	\$ 2,607,274	\$ 1,024,115	60.7%	\$ 1,001,895	102.2%
2001	1,425,377	2,197,325	771,948	64.9%	957,071	80.7%
2000 **	1,302,147	1,860,699	558,552	70.0%	911,965	61.2%
1999	1,035,944	1,613,701	577,757	64.2%	864,525	66.8%
1998	797,701	1,349,031	551,330	59.1%	756,036	72.9%
1997 *	561,939	1,053,621	491,682	53.3%	705,201	69.7%
1996	463,019	570,505	107,486	81.2%	574,781	18.7%
1995	387,579	500,258	112,679	77.5%	522,010	21.6%
1994	316,175	356,589	40,414	88.7%	449,649	9.0%

Schedule of Contributions from Employer and the State of Florida

Year Ended September 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
2004	178,558	202,116	113.2%
2003	186,005	203,108	109.2%
2002	146,980	237,432	161.5%
2001	115,779	114,836	99.2%
2000	115,620	115,620	100.0%
1999	106,255	106,255	100.0%
1998	93,492	87,954	94.1%
1997	65,256	65,256	100.0%
1996	56,788	56,788	100.0%
1995	31,815	34,270	107.7%

Notes to Schedule

Additional information as of the latest actuarial valuation follows:

Valuation date: October 1, 2003

Actuarial cost method: Frozen Entry Age

Amortization method: Level percent of payroll on a closed basis

Remaining amortization period: 27 years

Asset valuation method: Market value

Actuarial assumption:

Investment rate of return: 8.25%

Projected salary increases: 6.00%, including inflation at 4.00%

Cost-of-living adjustments: None

* Revised economic and non-economic assumptions due to experience review. Changes in benefits as follows: (1) normal retirement date was reduced from age 60 to the earlier of age 55 with 10 years of service, or 25 years of service regardless of age (2) the multiplier was raised from 2% to 3%, and raised from 1 % to 7% of pay.

** Changes in benefits as follows: The normal form of benefit was changed to a ten year certain and life annuity from a single life annuity.

CITY OF WEST MELBOURNE, FLORIDA

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

General Fund

Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
Revenues				
Taxes	\$ 2,466,975	\$ 2,694,115	\$ 2,718,629	\$ 24,514
Licenses and permits	1,250,280	1,394,700	2,122,109	727,409
Intergovernmental	1,135,995	1,153,520	1,195,932	42,412
Charges for services	91,750	109,710	166,946	57,236
Fines and forfeitures	119,255	182,555	172,824	(9,731)
Interest and other	65,260	80,190	107,670	27,480
Miscellaneous	15,605	15,605	33,223	17,618
Total revenues	<u>5,145,120</u>	<u>5,630,395</u>	<u>6,517,333</u>	<u>886,938</u>
Expenditures				
Current:				
General government:				
City Council and City Clerk	185,845	229,155	217,235	11,920
City administration	163,560	173,660	167,671	5,989
Finance	203,150	223,580	231,192	(7,612)
Information systems	129,580	134,295	125,855	8,440
Nondepartmental	419,110	564,730	702,307	(137,577)
Total general government	<u>1,101,245</u>	<u>1,325,420</u>	<u>1,444,260</u>	<u>(118,840)</u>
Public safety:				
Law enforcement	2,796,590	3,042,685	2,820,670	222,015
Code administration	557,030	588,795	534,480	54,315
Total public safety	<u>3,353,620</u>	<u>3,631,480</u>	<u>3,355,150</u>	<u>276,330</u>
Public works:				
Maintenance and support	779,025	828,375	802,894	25,481
Engineering	47,515	63,765	50,080	13,685
Total public works	<u>826,540</u>	<u>892,140</u>	<u>852,974</u>	<u>39,166</u>
Recreation	235,425	254,035	239,119	14,916
Community development	84,765	97,705	86,715	10,990
Debt service	-	-	34,251	(34,251)
Total expenditures	<u>5,601,595</u>	<u>6,200,780</u>	<u>6,012,469</u>	<u>188,311</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(456,475)</u>	<u>(570,385)</u>	<u>504,864</u>	<u>1,075,249</u>
Other financing sources (uses)				
Transfers out	(163,655)	(67,500)	(37,500)	30,000
Proceeds from sale of capital assets	-	-	3,943	3,943
Net other financing sources (uses)	<u>(163,655)</u>	<u>(67,500)</u>	<u>(33,557)</u>	<u>33,943</u>
Net change in fund balances	<u>(620,130)</u>	<u>(637,885)</u>	<u>471,307</u>	<u>1,109,192</u>
Fund balances, beginning of year	5,852,730	5,852,730	5,852,730	-
Fund balances, end of year	<u>\$ 5,232,600</u>	<u>\$ 5,214,845</u>	<u>\$ 6,324,037</u>	<u>\$ 1,109,192</u>

CITY OF WEST MELBOURNE, FLORIDA

Notes to Required Supplementary Information

September 30, 2004

A. Budgetary information

An annual budget is prepared for all Funds of the City except for the Pension Trust Funds which are effectively controlled through governing agreements and related City ordinances. The annual operating budgets are prepared on a basis consistent with generally accepted accounting principles except for the Enterprise fund, which uses a modified basis which includes debt proceeds, capital contributions, capital outlay, and debt service principal. Budgets are adopted by the City Council pursuant to City Charter using the following procedures:

- Budget preparation begins with the formulation of a budget calendar by the City Manager, which is distributed generally during May of each year.
- Each department of the City submits an initial expenditure budget proposal to the Finance Director during June of each year. The Finance Director prepares a proposed budget showing each fund, organization unit (department), program activity, purpose or object of expenditure for the past three years, the current years actual to date and budget, and the next year's proposed budget.
- The City Manager and Finance Director prepare their final revenue estimates, which contain comparative and estimated data for each fund and revenue source, during July.
- The City Manager reviews the departmental requests, conducts workshop sessions and presents the proposed budget to the City Council during August of each year. At this time, the City Clerk advertises the public hearing for budget ordinance.
- The City Council holds a series of budget workshops and public hearings on the proposed budget, and adopts the official annual budget of the City by ordinance during September of each year.

Budgetary integration is established in the accounting records for management control purposes at the object of expenditure level; however, the City Charter establishes the level at which expenditures may not legally exceed the total City-wide appropriations. Therefore, the City Manager may, at any time, transfer appropriation amounts between line items, expenditure classifications, departments, and funds without formal approval by City Council. However, any revisions that increase the total appropriations of the City must be approved through amendment by the City Council. The Council made several supplemental budgetary appropriations throughout the year, including a \$503,030 increase to the general fund, a \$414,020 increase in the stormwater utility fund, and a \$354,770 increase to the proprietary fund.

B. Encumbrances

Open purchase orders and other commitments are recognized as expenditures in the period in which the actual goods or services are received and a liability is incurred. Normally, encumbrances (e.g., purchase order, contract outstanding at year end for unfulfilled obligations are cancelled and reappropriated in the succeeding year's budget. However, due to the effect of two hurricanes during September 2004, the Council approved to employ encumbrance accounting in the current year in governmental funds. Encumbrances) outstanding at September 30, 2004 are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

CITY OF WEST MELBOURNE, FLORIDA

Notes to Required Supplementary Information

September 30, 2004

C. Reconciliation of Budgetary Basis and GAAP

The accompanying schedule of revenues, expenditures, and changes in fund balances – budget and actual – general fund, presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, timing, perspective, and entry differences in the net change in fund balance for the year ended September 30, 2004, is presented below:

Net change in fund balance – budgetary basis	\$ 471,307
Differences – budget to GAAP:	
To adjust for encumbrances	<u>49,426</u>
Net change in fund balance – GAAP basis	<u>\$ 520,733</u>

CITY OF WEST MELBOURNE, FLORIDA

Preface to Statistical Tables

The City of West Melbourne, Florida has not levied taxes on any real personal property tables nor has the City issued any General Bonded Debt for the last ten fiscal years. Therefore, the following statistical tables which are normally included in a government's comprehensive annual financial report are not applicable and, accordingly, have not been included in this report:

- Property Tax Levies and Collections
- Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita
- Computation of Legal Debt Margin
- Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures
- Principal Taxpayers

Note: The Charter of the City of West Melbourne requires a referendum vote by the citizenry to levy property taxes.

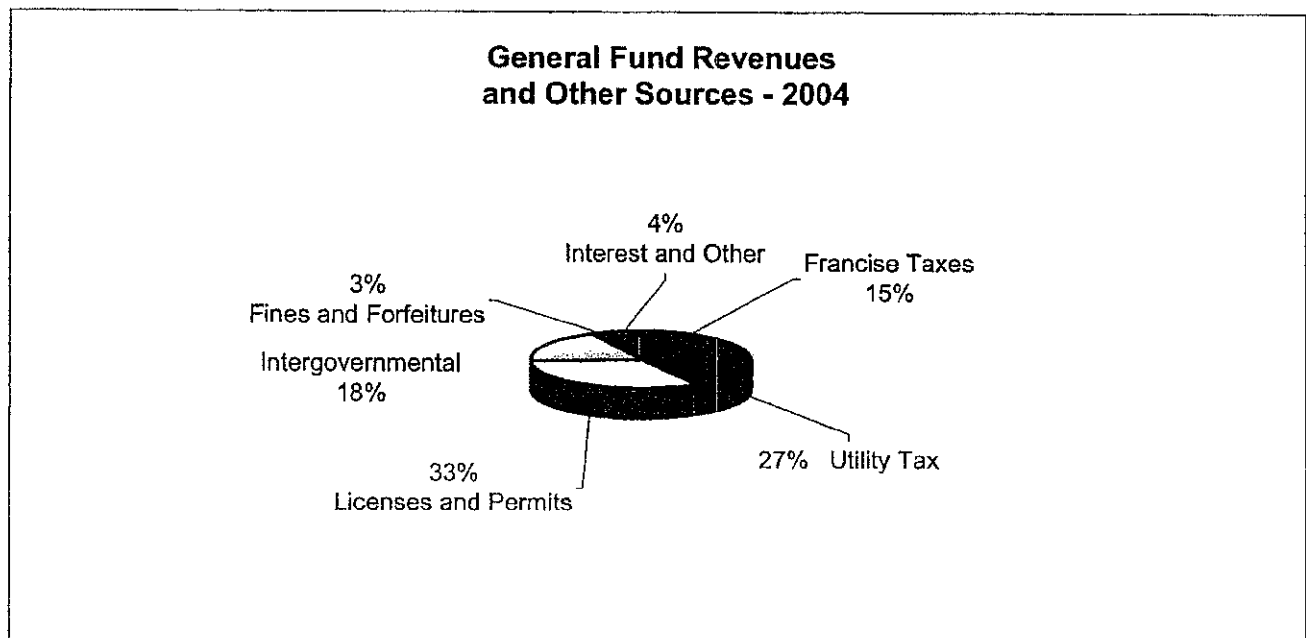
CITY OF WEST MELBOURNE, FLORIDA

Table 1

General Fund Revenues and Other Sources - Unaudited

Last Ten Fiscal Years

Fiscal Year	Franchise Taxes	Utility Taxes	Licenses and Permits	Intergovernmental	Charges for Services	Fines and Forfeitures	Interest	Miscellaneous	Total
2004	\$ 980,494	\$ 1,738,135	\$ 2,122,109	\$ 1,195,932	\$ 166,946	\$ 172,824	\$ 107,670	\$ 33,223	\$ 6,517,333
2003	855,226	1,650,600	2,028,307	1,112,636	195,344	150,254	75,587	20,260	6,088,214
2002	800,745	1,538,627	1,466,459	789,982	186,561	131,203	79,233	13,472	5,006,282
2001	842,696	1,242,202	1,007,542	810,774	122,336	277,451	234,490	19,491	4,556,982
2000	722,910	1,180,465	773,590	896,237	119,626	186,161	241,941	5,152	4,126,082
1999	694,219	1,138,280	666,042	660,061	124,155	244,059	197,140	18,969	3,742,925
1998	675,532	1,072,994	599,163	655,927	80,240	190,271	223,041	579	3,497,747
1997	649,359	987,885	570,780	665,692	67,712	172,778	193,281	71,213	3,378,700
1996	622,401	973,748	574,848	645,702	105,388	182,332	204,284	9,197	3,317,900
1995	584,225	929,835	383,675	576,140	63,189	266,185	168,601	190,748	3,162,598



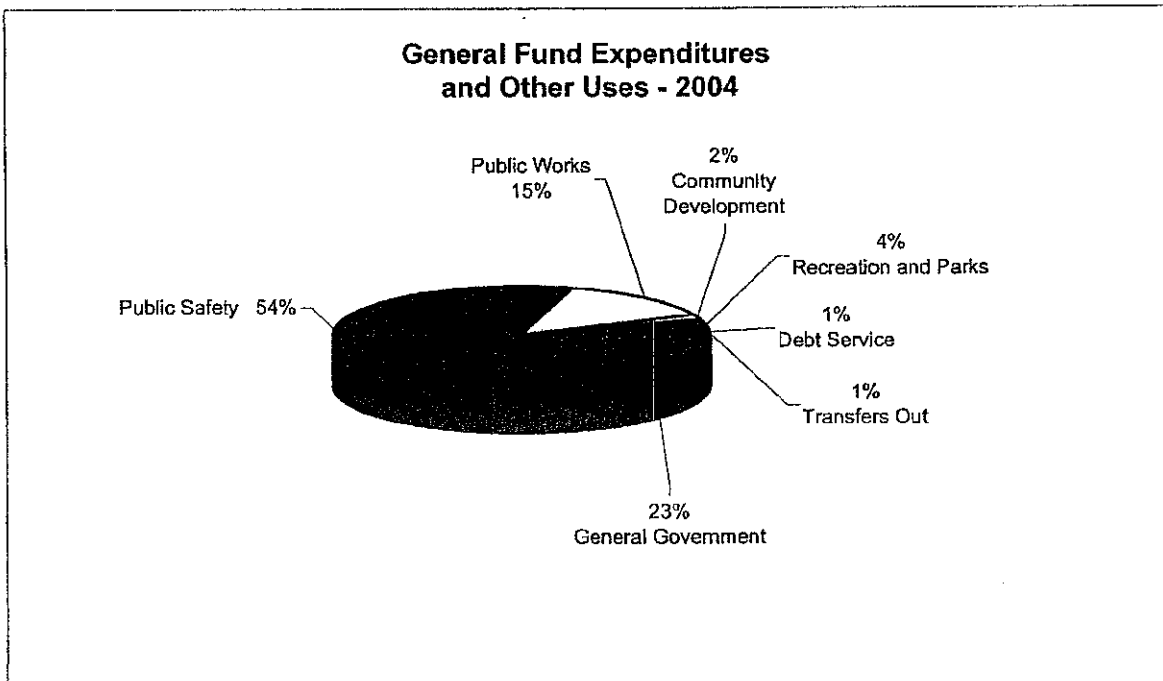
CITY OF WEST MELBOURNE, FLORIDA

Table 2

General Fund Expenditures and Other Uses - Unaudited

Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works	Community Development	Recreation and Parks	Debt Service	Transfers Out	Total
2004	\$ 1,444,260	\$ 3,355,150	\$ 852,974	\$ 86,715	\$ 239,119	\$ 34,251	\$ 37,500	\$ 6,049,969
2003	1,051,630	2,722,657	741,888	73,345	216,967	28,515	8,449	4,843,451
2002	1,092,461	2,569,011	601,681	70,152	210,249	11,417	226,606	4,781,577
2001	946,540	2,263,636	563,482	64,856	201,443	-	348,650	4,388,607
2000	1,006,222	2,041,910	508,490	61,593	184,535	233,446	102,587	4,138,783
1999	864,648	1,999,713	488,676	59,067	158,555	231,820	289,208	4,091,687
1998	787,102	1,799,367	493,990	57,654	149,731	226,006	-	3,513,850
1997	766,663	1,579,168	560,576	52,925	140,608	-	59,450	3,159,390
1996	698,691	1,645,479	482,490	56,997	141,632	-	117,568	3,142,857
1995	816,203	1,229,093	424,696	48,974	137,076	-	310,000	2,966,042



Note: (a) Expenditures and other sources are on the budgetary basis of accounting, and include outstanding encumbrances at year end.

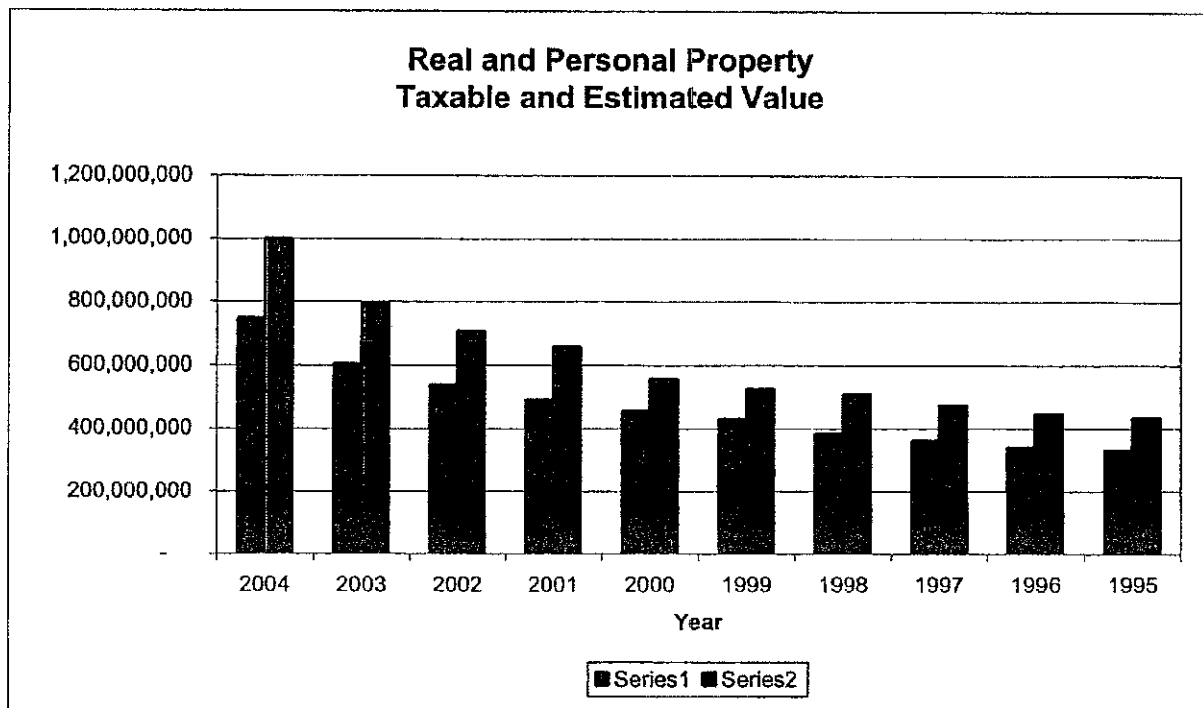
CITY OF WEST MELBOURNE, FLORIDA

Table 3

Taxable and Estimated Actual Value of Real and Personal Property - Unaudited

Last Ten Fiscal Years

Fiscal Year	Real and Personal Property	
	Taxable Value	Estimated Actual Value
2004	746,517,099	999,596,919
2003	604,480,210	793,887,880
2002	536,857,560	706,148,580
2001	490,961,006	659,585,506
2000	455,628,856	556,318,896
1999	430,927,172	526,649,492
1998	384,559,553	509,762,283
1997	362,512,288	472,898,338
1996	340,866,444	447,811,234
1995	331,106,310	435,341,450



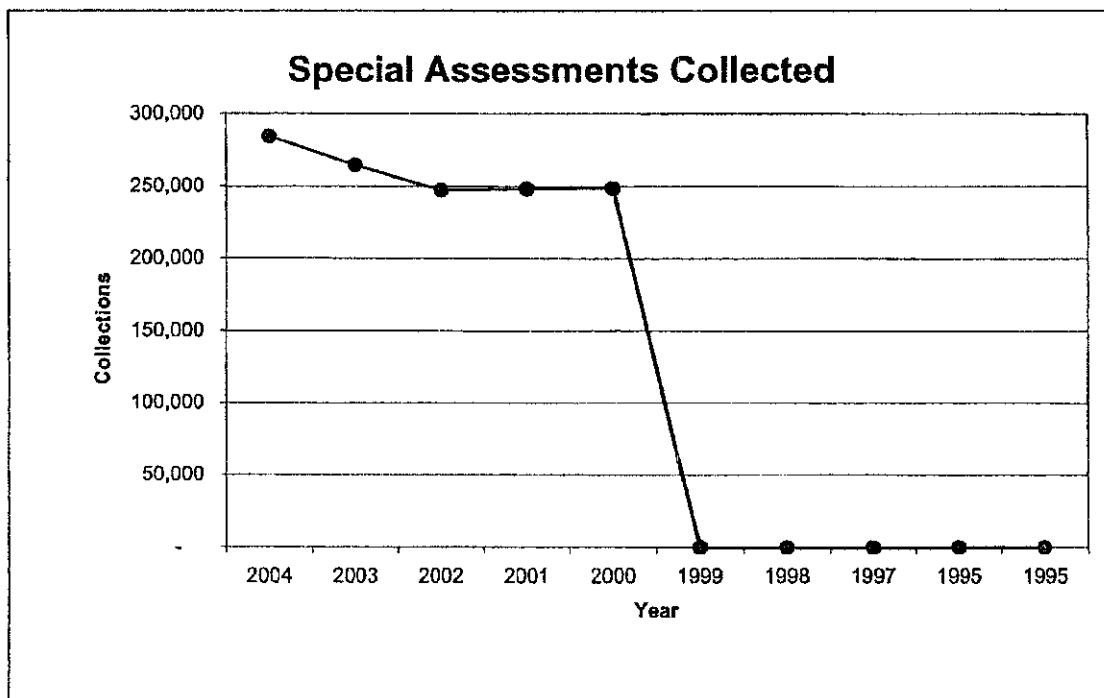
Notes: (a) The City of West Melbourne, Florida does not impose any real or personal property tax levies.
 (b) The difference between taxable and estimated actual value includes various exemptions (homestead, governmental, disability, institutional, etc.) that would normally apply if taxes were levied.

Source: Brevard County Property Appraiser.

Special Assessment Collections - Unaudited

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Special Assessments Levied</u>	<u>Special Assessments Collected</u>	<u>Total Outstanding Assessments</u>
2004	294,039	284,396	131
2003	273,424	264,463	304
2002	257,422	247,144	327
2001	249,876	248,075	1,801
2000	248,427	248,408	19
1999	-	-	-
1998	-	-	-
1997	-	-	-
1995	-	-	-
1995	-	-	-



Note: Current year values were not available by the time the CAFR was completed.

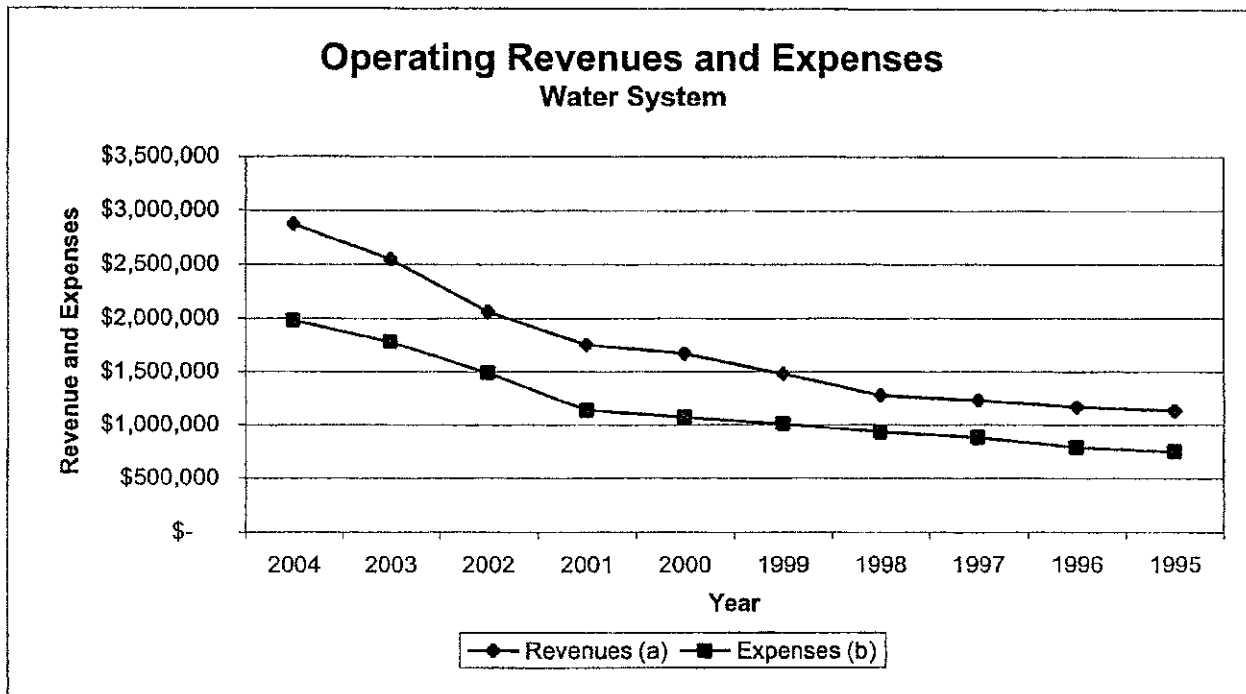
CITY OF WEST MELBOURNE, FLORIDA

Table 5

Water System Operating Revenues, Operating Expenses and Active Accounts - Unaudited

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Operating Revenues (a)</u>	<u>Operating Expenses (b)</u>	<u>Operating Income</u>	<u>Year End Accounts</u>
2004	\$ 2,875,120	\$ 1,983,021	\$ 892,099	6,940
2003	2,549,984	1,779,295	770,689	6,101
2002	2,064,213	1,487,038	577,175	5,560
2001	1,751,432	1,135,175	616,257	5,309
2000	1,669,520	1,071,209	598,311	5,278
1999	1,477,825	1,011,889	465,936	5,298
1998	1,278,518	933,526	344,992	5,041
1997	1,228,180	881,598	346,582	4,686
1996	1,163,552	790,369	373,183	4,686
1995	1,128,811	747,539	381,272	4,686



Notes: (a) Operating revenues do not include connection fees.

(b) Operating expenses do not include depreciation.

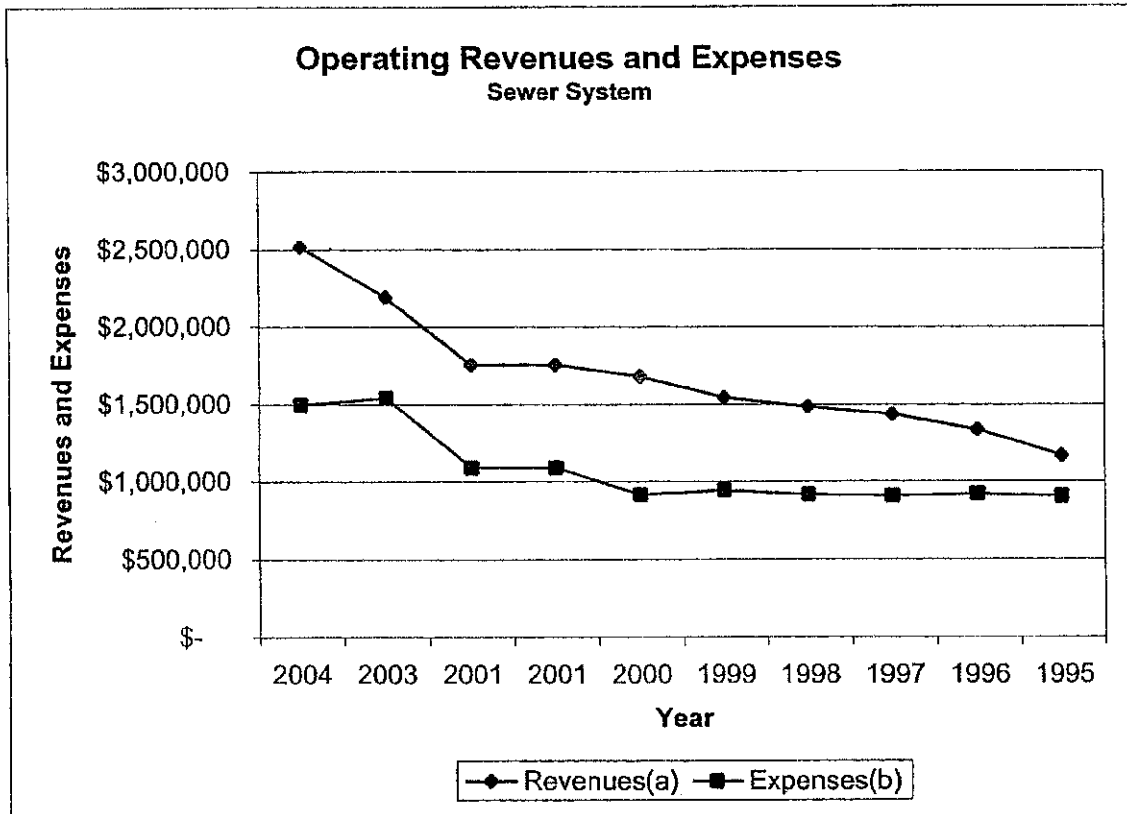
CITY OF WEST MELBOURNE, FLORIDA

Table 6

Sewer System Operating Revenues, Operating Expenses and Active Accounts - Unaudited

Last Ten Fiscal Years

Fiscal Year	Operating Revenues(a)	Operating Expenses(b)	Operating Income (Loss)	Year End Accounts
2004	\$ 2,519,703	\$ 1,497,796	\$ 1,021,907	6,549
2003	2,193,341	1,541,978	651,363	5,769
2001	1,757,497	1,089,561	667,936	4,989
2001	1,757,497	1,089,561	667,936	4,989
2000	1,683,511	916,109	767,402	4,504
1999	1,545,240	946,599	598,641	4,205
1998	1,486,309	918,167	568,142	4,205
1997	1,435,472	908,616	526,856	4,205
1996	1,334,845	919,878	414,967	4,205
1995	1,168,749	905,792	262,957	4,195



Notes: (a) Operating revenues do not include connection fees.
 (b) Operating expenses do not include depreciation.

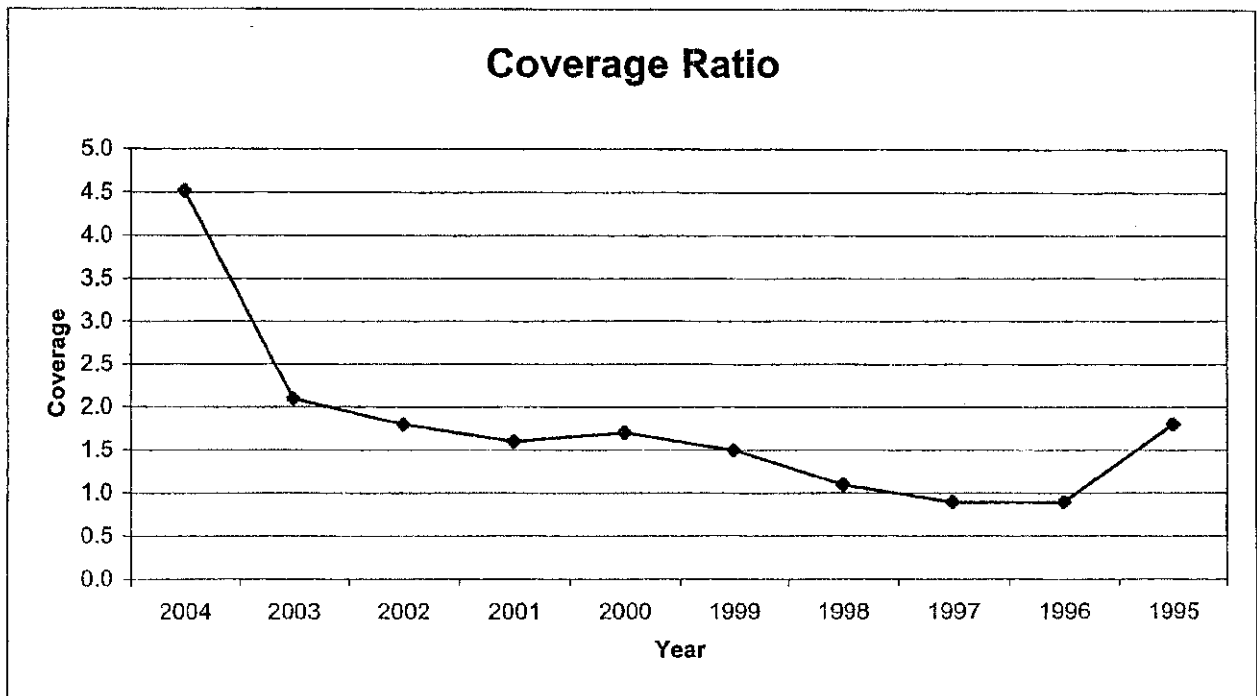
CITY OF WEST MELBOURNE, FLORIDA

Table 7

Revenue Bond Coverage - Unaudited

Last Ten Fiscal Years

Fiscal Year	Gross Revenues (a)	Direct Operating Expense (b)	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage (d)
				Principal	Interest	Total	
2004	\$ 5,502,617	\$ 3,480,817	\$ 2,021,800	\$ 30,000 (c)	\$ 417,294	\$ 447,294	4.5
2003	4,884,036	3,321,273	1,562,763	325,000	435,633	760,633	2.1
2002	4,139,734	2,804,172	1,335,562	295,000	451,838	746,838	1.8
2001	3,766,298	2,540,197	1,226,101	295,000	452,873	747,873	1.6
2000	3,526,555	2,267,051	1,259,504	275,000	468,125	743,125	1.7
1999	3,156,541	2,153,010	1,003,531	240,000	422,943	662,943	1.5
1998	2,895,872	2,091,766	804,106	225,000	539,745	764,745	1.1
1997	2,846,462	2,035,173	811,289	215,000	550,495	765,495	0.9
1996	2,714,724	1,920,494	794,230	205,000	560,028	765,028	0.9
1995	2,544,676	1,723,097	821,579	150,000	519,271	669,271	1.8



- Notes:
- (a) Includes operating and non-operating revenues.
 - (b) Excludes depreciation expense.
 - (c) Includes only payments on the series 1999 revenue bond. The series 1994 revenue bond was refunded in the current year.
 - (d) Coverage ratio required by most recent bond document is 1.1, or the City has the option to include water and sewer connection fees and increase the ratio to 1.25.

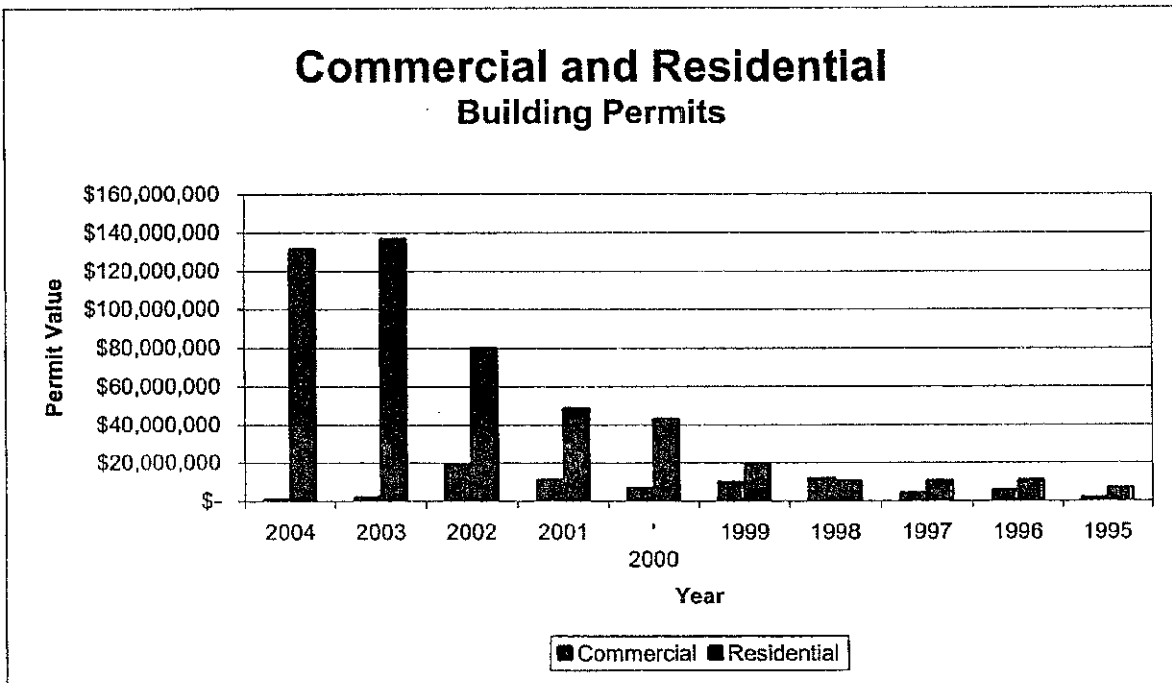
CITY OF WEST MELBOURNE, FLORIDA

Table 8

Property Value, Construction, and Bank Deposits - Unaudited

Last Ten Fiscal Years

Fiscal Year	Property Value (a)		Commercial Construction (b)		Residential Construction (b)		Bank Deposits (c) (In Millions)
	Appraised Value	Non Taxable	Number of units	Value	Number of Units	Value	
2004	\$ 999,596,919	\$ 157,252,450	3	\$ 1,100,000	597	\$ 131,500,000	\$ 5,656
2003	739,539,930	135,057,720	20	2,123,175	715	136,888,675	5,270
2002	706,148,580	125,691,920	25	19,277,088	431	80,132,397	4,805
2001	659,585,506	169,124,500	30	11,502,000	333	48,500,000	4,805
2000	556,318,896	158,332,480	74	7,066,750	166	43,171,968	4,234
1999	526,649,942	95,722,320	55	10,090,537	110	19,790,927	3,578
1998	509,762,283	125,202,730	118	12,295,344	138	10,997,265	4,020
1997	472,898,338	110,386,050	16	4,488,649	121	10,905,790	3,392
1996	447,811,234	106,944,790	60	5,741,125	133	11,143,089	3,139
1995	435,341,450	104,235,140	7	1,932,334	84	7,267,386	3,120



- Notes:
- (a) Source - Brevard County Property Appraiser, values available in total only as the City does not levy ad valorem taxes. Current year values were not available by the time the CAFR was completed.
 - (b) Source - City of West Melbourne Department of Code Administration - Building Permits
 - (c) Source - Florida Bankers Association - data available for County only.

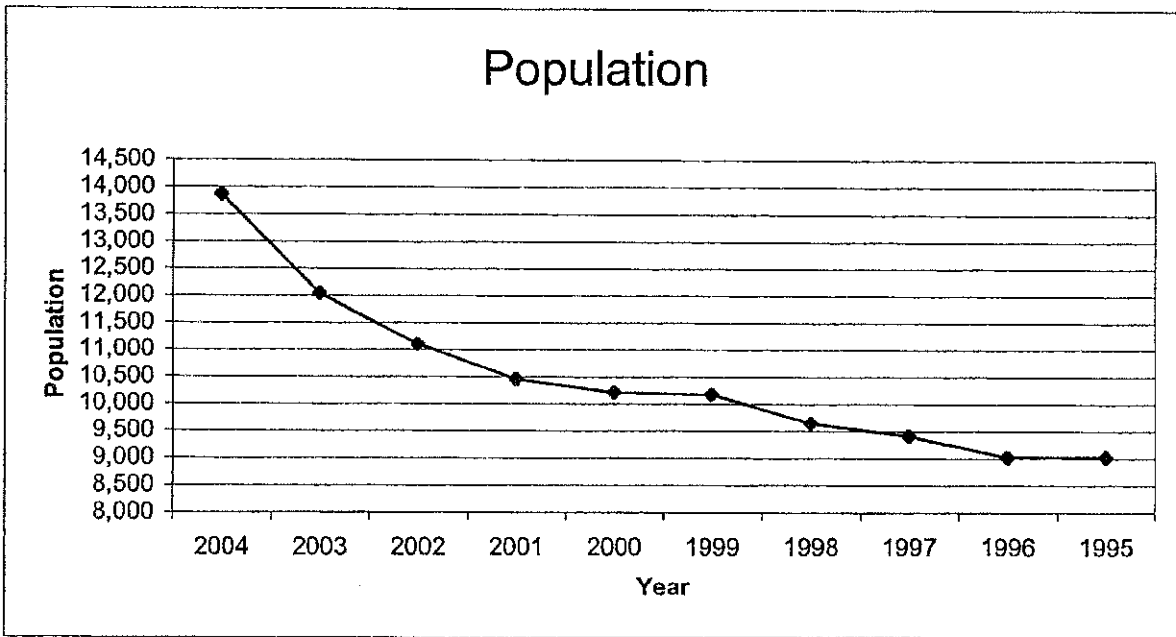
CITY OF WEST MELBOURNE, FLORIDA

Table 9

Demographic Statistics (Population) - Unaudited

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>
2004	13,869
2003	12,049
2002	11,108
2001	10,461
2000	10,215
1999	10,179
1998	9,647
1997	9,418
1996	9,023
1995	9,023



Notes: (a) Source - University of Florida Bureau of Economic and Business Research or Economic Development Commission of East Central Florida Geographic and Research Division.

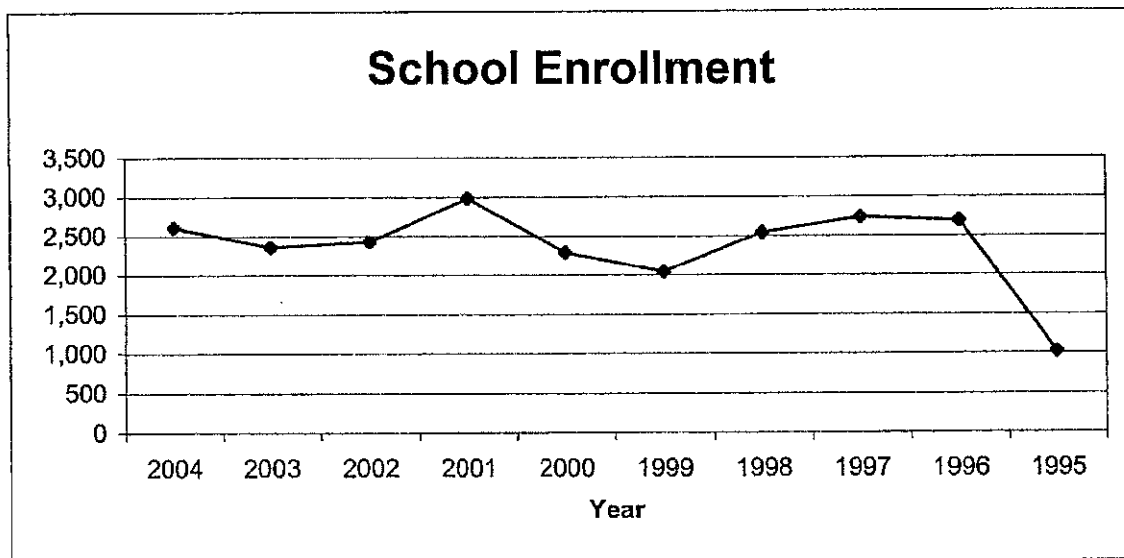
CITY OF WEST MELBOURNE, FLORIDA

Table 10

Demographic Statistics (School Enrollment) - Unaudited

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>School Enrollment</u>
2004	2,614
2003	2,363
2002	2,430
2001	2,986
2000	2,290
1999	2,045
1998	2,544
1997	2,741
1996	2,694
1995	1,024



Notes: (a) Source - Meadowlane Elementary School
 Central Junior High School
 West Melbourne Elementary School

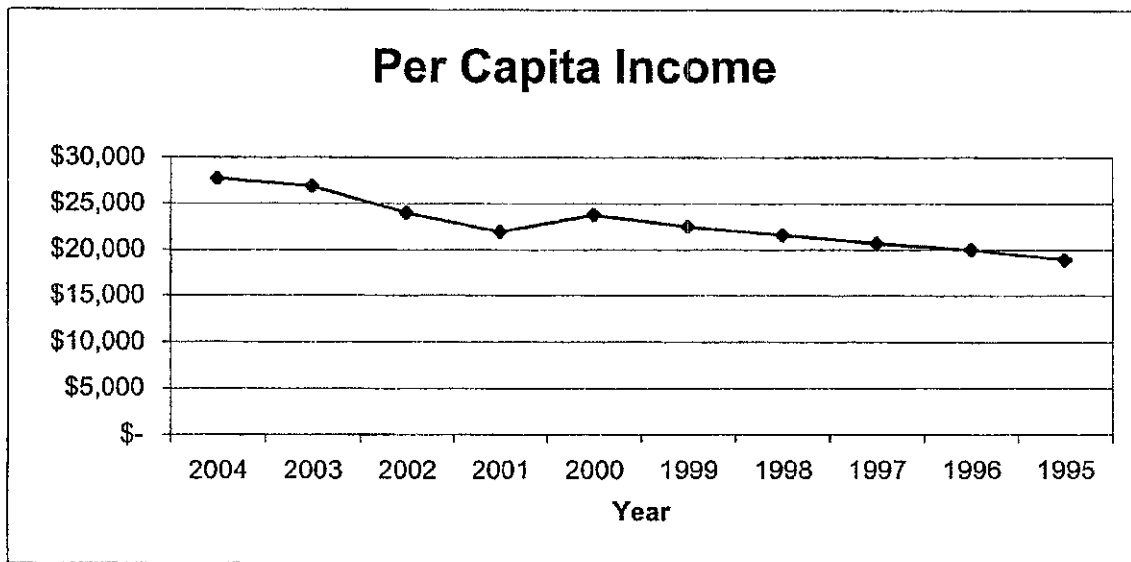
CITY OF WEST MELBOURNE, FLORIDA

Table 11

Demographic Statistics (Per Capita Income) - Unaudited

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Per Capita Income</u>
2004	\$ 27,762
2003	26,888
2002	24,006
2001	21,959
2000	23,758
1999	22,505
1998	21,640
1997	20,747
1996	20,042
1995	18,915



Notes: (a) Source - Florida State Employment Service and Economic Development Commission of East Central Florida

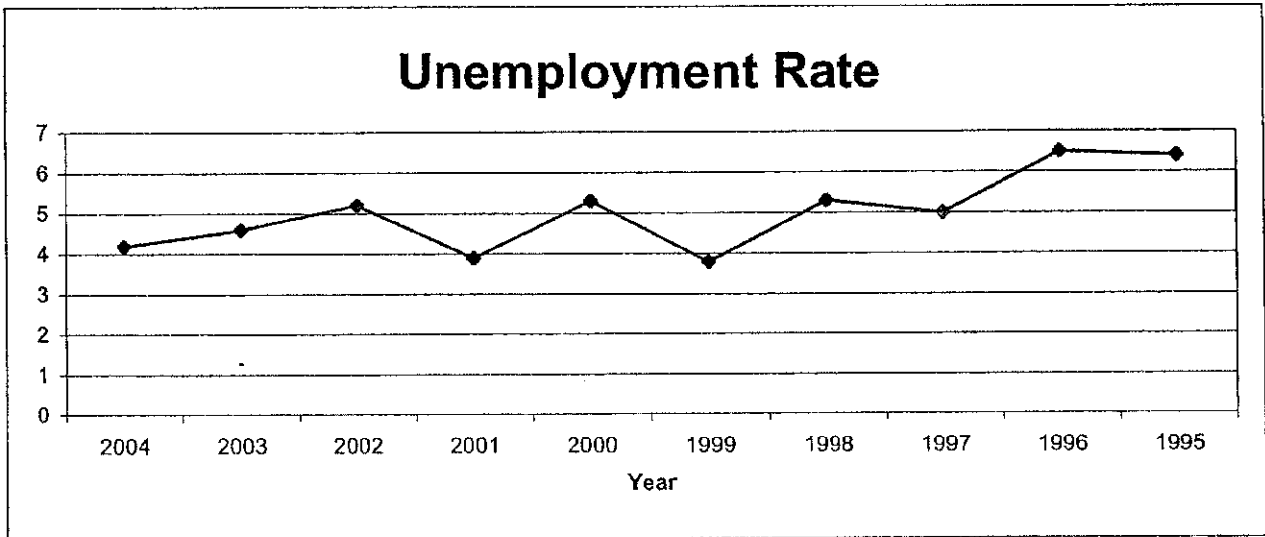
CITY OF WEST MELBOURNE, FLORIDA

Table 12

Demographic Statistics (Unemployment Rate) - Unaudited

Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Unemployment Rate (a)</u>
2004	4.2
2003	4.6
2002	5.2
2001	3.9
2000	5.3
1999	3.8
1998	5.3
1997	5.0
1996	6.5
1995	6.4



Notes: (a) Source - Florida State Employment Service

CITY OF WEST MELBOURNE, FLORIDA**Table 13**

Computation of Direct and Overlapping Bonded Debt - General Obligation Bonds - Unaudited

September 30, 2004

	<u>Net Debt Outstanding</u>	<u>Percentage of Debt Applicable to the City</u>	<u>City's Share of Debt</u>
Direct:	\$ -	-	\$ -
Overlapping	<u>75,512,038</u>	<u>2.95%</u>	<u>2,227,605</u>
Total direct and overlapping debt	<u><u>\$ 75,512,038</u></u>	<u><u>2.95%</u></u>	<u><u>\$ 2,227,605</u></u>

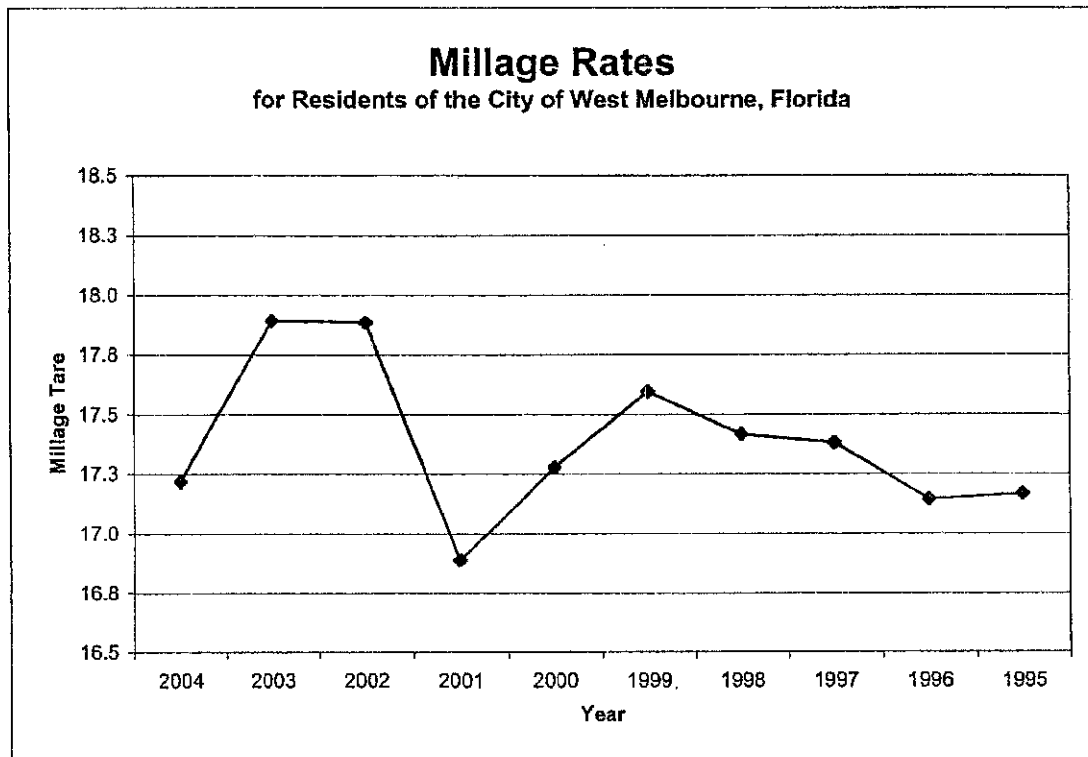
CITY OF WEST MELBOURNE, FLORIDA

Table 14

Schedule of Property Tax Rates - Direct and Overlapping Governments - Unaudited

Last Ten Fiscal Years

Fiscal Year	Millage Rate (per \$1,000 valuation)				Total Millage
	City	County	Schools	Special Districts	
2004	-	7.7907	8.1940	1.2341	17.2188
2003	-	8.1379	8.4050	1.3503	17.8932
2002	-	8.1432	8.6050	1.1373	17.8855
2001	-	8.2170	7.9620	0.7120	16.8910
2000	-	7.7067	8.9080	0.6630	17.2777
1999	-	7.8026	9.1710	0.6227	17.5963
1998	-	7.2081	9.5780	0.6298	17.4159
1997	-	7.2895	9.4590	0.6334	17.3819
1996	-	6.8630	9.6620	0.6224	17.1474
1995	-	7.3498	9.1950	0.6244	17.1682



Notes: Source - Brevard County Property Appraiser

CITY OF WEST MELBOURNE, FLORIDA

Table 15

Miscellaneous Statistical Data

Organization:	
Date of incorporation	July 2, 1970
Form of government	Council - Manager
Area	8.5 sq. miles
Miles of streets:	
Paved	89 linear miles
Unpaved	2 linear miles
Street lights	140
Fire protection:	
Number of stations (1 within City limits)	1
Number of firemen (exclusive of volunteer firemen)	15
Police protection:	
Number of stations	1
Number of police officers (exclusive of reserves)	33
Municipal water department:	
Number of consumers	6,940
Average daily consumption	1,020,090
Miles of water mains	76
Sewers:	
Miles of sanitary sewers	90 miles
Number of consumers	6,549
Elementary Schools:	
Number of schools	3
Number of students	2,614
Number of teachers	184
New construction:	
Permits issued	600
Valuation	\$132,600,000
Number of City employees	102
Recreational parks:	
Bryant Adams (tennis and racquetball)	4.5 acres
Tallwood (exercise trail)	4.4 acres
Clements (sports field)	5.4 acres
Westbrooke Community Park	4.6 acres
Crossroads Park	2.3 acres

CITY OF WEST MELBOURNE, FLORIDA

Table 16

Schedule of Insurance in Force - Unaudited
September 30, 2004

Comprehensive and automobile liability:	
General liability including a) Bodily injury b) Property damage c) Personal injury	\$1,000,000 *
Excessive liability	\$1,000,000 *
Automobile liability	\$500,000 *
Automobile physical damage - comprehensive and collision deductible	\$100/\$250
Completed operations and products hazard	\$1,000,000 *
Contractual liability	\$1,000,000 *
Extra contractual, per occurrence	\$25,000 *
Extra contractual, per year	\$10,000 *
Owners and contractors protective	\$1,000,000 *
Watercraft liability	\$1,000,000 *
Host liquor law liability	\$1,000,000 *
Incidental medical liability	\$1,000,000 *
Fire legal liability	\$250,000 *
Other personal injury protection	\$10,000 *
Uninsured motorist	\$20,000 *
Public officials errors and omissions	\$1,000,000 *
Law enforcement liability	\$1,000,000 *
Excess brings auto liability to \$500,000 and general liability to \$1,000,000	
Worker's compensation:	
All employees	Statutory benefits
Fire, extended coverage, vandalism and theft:	
City Hall a) Building b) Contents	\$1,181,964/\$311,864
Conference Room	\$7,830/\$1,920
Public Works Building	\$111,696/\$92,489
Sewage Plant	\$319,070
Lab and Blowers	\$3,190,706/\$156,983
Public Works Storage	\$33,391/\$55,848
Lift Stations (29)	\$1,182,103
Comprehensive - boilers and equipment	\$12,222,170
Reused Water System	\$765,771
Park Pavilion and Restroom	\$26,250
Police Station	\$1,400,000/\$97,000
Wells	\$204,205
Transformers	\$255,256
Tanks	\$1,276,281
Aerator reservoir	\$1,276,281

* Combined Single Limit

Carrier: The Florida Municipal Self-Insurers Fund
Florida Municipal Insurance Trust
Expiring September 30, 2005

