

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.

**\$50,815,000
FLORIDA MUNICIPAL LOAN COUNCIL
REVENUE BONDS,
SERIES 2007A**

Dated: Date of Delivery

Due: October 1, as shown on the inside cover

The Revenue Bonds, Series 2007A (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, 2008. The principal of, premium, if any, and interest on the Bonds will be paid through the Trustee described herein. 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 two State of Florida municipalities (City of Haines City and City of Hallandale Beach) (jointly 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 the Trustee described herein, pursuant to a Trust Indenture, dated as of September 1, 2007 between the Issuer and the Trustee (the "Indenture").

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

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



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

The Bonds are offered when, as, and if issued and received by the Underwriter, subject to the approval of legality and tax-exempt status by Bryant Miller Olive P.A., Tampa, Florida, Bond Counsel. Certain legal matters will be passed upon for the Issuer by its counsel Kraig A. Conn, Esq. counsel to the Issuer, as assistant general counsel to the Florida League of Cities, Inc., for the Insurer by its counsel Kutak Rock, LLP, Omaha, Nebraska, and for the Underwriter by its counsel, Holland & Knight LLP, 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 6, 2007.

Banc of America Securities LLC

The date of this Official Statement is August 24, 2007.

AMOUNTS, MATURITIES, INTEREST RATES AND PRICES

\$42,730,000 Serial Bonds

<u>Maturity (October 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>
2008	\$1,155,000	4.250%	100.569
2009	1,380,000	4.250	100.984
2010	1,440,000	4.250	101.260
2011	325,000	4.250	101.528
2011	1,180,000	5.000	104.329
2012	540,000	4.250	101.547
2012	1,040,000	5.000	104.965
2013	1,655,000	5.000	105.228
2014	1,740,000	5.000	105.597
2015	1,825,000	5.000	105.634
2016	1,920,000	5.000	105.438
2017	2,015,000	5.000	105.167
2018	2,120,000	4.375	98.745
2019	2,215,000	4.500	98.441
2020	2,315,000	5.000	101.498
2021	2,430,000	5.000	101.100
2022	2,560,000	5.000	100.704
2023	2,685,000	5.000	100.467
2024	2,825,000	5.000	100.231
2025	2,970,000	5.000	100.000
2026	3,120,000	5.000	99.752
2027	3,275,000	5.000	99.494

\$8,085,000 5.000% Term Bonds Due October 1, 2032 - Price 98.869%

Florida Municipal Loan Council

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

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

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

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

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

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OFFICIAL STATEMENT

Relating To

\$50,815,000

FLORIDA MUNICIPAL LOAN COUNCIL

Revenue Bonds

Series 2007A

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 \$50,815,000 Florida Municipal Loan Council Revenue Bonds, Series 2007A (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 May 31, 2007 and a Trust Indenture (the "Indenture"), dated as of September 1, 2007, between the Issuer and Deutsche Bank Trust Company Americas, as trustee (the "Trustee").

The Bonds are being issued to provide funds to make loans to two municipalities of the State of Florida further described herein. The proceeds to be received by the Issuer from the sale of the Bonds will be loaned to the State of Florida municipalities of the City of Haines City and the City of Hallandale Beach (jointly, the "Borrowers," and individually, a "Borrower") pursuant to Loan Agreements, dated as of September 1, 2007, 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 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 has agreed to appropriate in its annual budget, by amendment, if required, and to pay when due under its respective Loan Agreement, as promptly as money becomes available, amounts of Non-Ad Valorem Revenues (hereinafter defined) of such Borrower sufficient to satisfy the Loan Repayment obligations of such Borrower. "Non-Ad Valorem Revenues" means all revenues and taxes of the particular Borrower derived from any source whatever, other than ad valorem taxation on real and personal property, which are legally available for Loan Repayments.

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

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

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation (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, 2008.

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 of 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, 2017 are not subject to optional redemption prior to maturity. The Bonds maturing after October 1, 2017 are subject to redemption at the option of the Issuer on or after October 1, 2017 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, 2032 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, 2028 and on each October 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2028	\$1,460,000
2029	1,535,000
2030	1,615,000
2031	1,695,000
2032*	1,780,000

*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 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade 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. This eliminates 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.

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 upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent on a payment date in accordance with their respective holdings shown on DTC's records. 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 eighteenth series of bonds to be issued by the Issuer.

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

Chairman Jay Chernoff, Councilman, City of North Miami Beach
Vice-Chair Rene Flowers, Council Vice-Chair, City of St. Petersburg
Larry Ady, Commissioner, City of Belle Isle
Lizbeth Benacquisto, Council Member, Village of Wellington
Isaac Salver, Council Member, Town of Bay Harbor Islands
Sarah Seevers, Council Member, City of Destin
H.L. (Roy) Tyler, Commissioner, City of Haines City

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 seventeen 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 \$26.0 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 two 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 and H hereof.

City of Haines City - The City of Haines City is located in Polk County, Florida and was incorporated in 1914. The City of Haines City has an estimated population of approximately 17,800 people.

City of Hallandale Beach - The City of Hallandale Beach is located in Broward County, Florida and was incorporated in 1927. The City of Hallandale Beach has an estimated population of approximately 44,000 people.

PURPOSE OF THE BONDS

In General

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

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

City of Haines City- The City of Haines City is borrowing the proceeds of \$26,200,000 principal amount of the Bonds (which inclusive of net original issue premium is \$26,389,542.55) for the purposes of financing the costs of various capital expenditures. The City of Haines City Loan is expected to be repaid over a period of 25 years. Although Haines City is entering into a Covenant Loan Agreement, for internal budgetary purposes, the City intends to obtain funds to repay a portion of the Loan from tax increment revenues derived from a community redevelopment area of the City.

City of Hallandale Beach - The City of Hallandale Beach is borrowing the proceeds of \$24,615,000 principal amount of the Bonds (which inclusive of net original issue premium is \$24,996,654.45) for the purpose of financing the acquisition, clearance and improvement of real property for use as a park. The City of Hallandale Beach 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.....	\$50,815,000.00
Net Original Issue Premium.....	<u>571,197.00</u>

TOTAL SOURCES:..... \$51,386,197.00

USES OF FUNDS:

Deposit to Project Loan Fund.....	\$50,512,296.40
Costs of Issuance(1).....	<u>873,900.60</u>

TOTAL USES:..... \$51,386,197.00

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

SECURITY AND SOURCES OF PAYMENT

Limited Obligations; Trust Estate

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

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

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

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

Reserve Fund

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

The Debt Service Reserve Fund Surety Bond also serves as the reserve fund for the Issuer's (i) Revenue Bonds, Series 2001A, issued November 15, 2001, and outstanding as of the date of this Official Statement in the principal amount of \$74,100,000, (ii) Revenue Bonds, Series 2002A, issued May 17, 2002, and outstanding as of the date of this Official Statement in the principal amount of \$41,620,000, (iii) Revenue Bonds, Series 2002B, issued August 15, 2002, and outstanding as of the date of this Official Statement in the principal amount of \$66,015,000, (iv) Revenue Bonds, Series 2002C, issued November 22, 2002, and outstanding as of the date of this Official Statement in the principal amount of \$23,185,000, (v) Revenue Bonds, Series 2003A, issued May 16, 2003, and outstanding as of the date of this Official Statement in the principal amount of \$70,390,000, (vi) Revenue Bonds, Series 2003B, issued December 17, 2003, and outstanding as of the date of this Official Statement in the principal amount of \$42,140,000, (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 \$14,080,000, (viii) Revenue Bonds, Series 2005A, issued February 15, 2005, and

outstanding as of the date of this Official Statement in the principal amount of \$50,425,000, (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 \$17,585,000, (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 \$15,050,000, (xi) Revenue Bonds, Series 2005D, issued September 13, 2005 and outstanding as of the date of this Official Statement in the principal amount of \$21,540,000, and (xii) Revenue Bonds, Series 2006, issued January 9, 2007 and outstanding as of the date of this Official Statement in the principal amount of \$22,365,000. 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. Thus, amounts on deposit in the Reserve Fund are available to cure a deficiency in the Revenue Fund resultant from the failure of any Borrower to timely pay debt service on its Loan.

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

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

Under the terms of the Agreement, the Trustee is required to reimburse the Insurer, from the funds supplied to the Trustee, with interest, until the face amount of the Debt Service Reserve Fund Surety Bond is reinstated. No optional redemption of Bonds corresponding to a Loan with respect to which a draw has been made under the Debt Service Reserve Fund Surety Bond may be made until the Debt Service Reserve Fund Surety Bond is reinstated. The Debt Service Reserve Fund Surety Bond is provided as an alternative to the Issuer depositing funds in the Reserve Fund. The Debt Service Reserve Fund Surety Bond has already been issued in the face amount of \$19,644,500 and the premium therefor has been previously paid. At the time of issuance of the Bonds, the face amount of the Debt Service Reserve Fund Surety Bond will be increased by \$2,540,750 (five percent of the stated principal amount of the Bonds) to \$22,185,250, 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 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."

The Covenants to Budget and Appropriate

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

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

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

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

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

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

Property Tax Reforms

The Florida Legislature completed its special session on June 14, 2007. During the session the legislature passed legislation which will reduce ad valorem taxes that may be levied by local governments, other than school districts, in Fiscal Year 2007-2008 to below the level of taxes levied in Fiscal Year 2006-2007. The legislation limits the growth of ad valorem tax levies in future years (except those levied by school districts) to the growth in a jurisdiction's population as measured by new construction and the statewide growth in per capita personal income. However, local government governing bodies may increase ad valorem tax levies by extraordinary votes or by referenda. Any county or municipality that levies in excess of the amount permitted under the legislation will forfeit participation in the half-cent sales tax revenue sharing program for a twelve month period. Except as described in the preceding sentence, the legislation does not directly affect non-ad valorem revenues of local governments.

The legislation also authorizes several constitutional amendments to be voted on during a referendum to be held on January 29, 2008. Such proposed amendments include: (i) a new homestead exemption equal to 75% of the first \$200,000 in value and 15% of the next \$300,000 with a minimum homestead exemption of \$50,000, except the minimum for low income seniors is \$100,000; (ii) assessment methods for affordable housing real property; (iii) a "grandfather" clause that will allow persons with a homestead as of January 1, 2008, whose benefits are larger under the current homestead exemption and "Save Our Homes" provisions than under the new homestead exemption to continue to receive the Save Our Homes benefits; and (iv) a \$25,000 property tax exemption for tangible personal property. Ad valorem taxes levied for the payment of debt when authorized by a vote of the electors are not subject to millage limitations.

The City of Haines City has advised the Issuer that it estimates that its ad valorem tax revenue will not decrease as a result of the recent enacted legislation. Due to the tremendous growth the City has experienced over the past several years, even with the statutorily limited millage rate, tax revenues are expected to increase. The City of Hallandale Beach has advised the Issuer that it estimates that as a result of the recently enacted legislation its ad valorem tax revenues will be decreased by approximately \$4,463,644 and that it expects to balance its budget through expenditure reductions. Neither Borrower has estimated the financial impact if the proposed constitutional amendments are enacted.

It is impossible to predict whether certain of the amendments will be approved by voters and what effect, if any, such approval will have on the Borrowers' finances.

Financial Statements of the Borrowers

Appendices G and H 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 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 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

MBIA Insurance Corporation ("MBIA") 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 MBIA. MBIA 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. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions. In February 2007, MBIA Corp. incorporated a new subsidiary, MBIA México, S.A. de C.V. ("MBIA Mexico"), through which it intends to write financial guarantee insurance in Mexico beginning in 2007. To date, MBIA Mexico has had no operating activity.

The principal executive offices of MBIA 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, MBIA is subject to the New York Insurance Law which, among other things prescribes minimum capital requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA 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 MBIA

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

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

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

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA 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. MBIA 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, 2006, MBIA had admitted assets of \$10.9 billion (audited), total liabilities of \$6.9 billion (audited), and total capital and surplus of \$4.0 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2007, MBIA had admitted assets of \$10.8 billion (unaudited), total liabilities of \$6.8 billion (unaudited), and total capital and surplus of \$4.0 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2006 and December 31, 2005 and for each of the three years in the period ended December 31, 2006, 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, 2006 and the consolidated financial statements of MBIA and its subsidiaries as of June 30, 2007 and for the six month

periods ended June 30, 2007 and June 30, 2006 included in the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2007, 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 MBIA 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 MBIA 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 by reference into this Official Statement:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2006; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2007.

Any documents, including any financial statements of MBIA and its subsidiaries that are included therein or attached as exhibits thereto, filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the Company's most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, 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 from the respective dates of filing such documents. 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 Company's SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2006, and (2) the Company's Quarterly Report on Form 10-Q for the quarters ended March 31, 2007 and June 30, 2007) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA at its principal executive offices.

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

DEBT SERVICE REQUIREMENTS

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

Year Ending October 1 (Inclusive)	<u>Principal</u>	<u>Interest</u>	<u>Total Annual Debt Service</u>
2008	\$1,155,000	\$2,652,355.90	\$3,807,355.90
2009	1,380,000	2,431,037.50	3,811,037.50
2010	1,440,000	2,372,387.50	3,812,387.50
2011	1,505,000	2,311,187.50	3,816,187.50
2012	1,580,000	2,238,375.00	3,818,375.00
2013	1,655,000	2,163,425.00	3,818,425.00
2014	1,740,000	2,080,675.00	3,820,675.00
2015	1,825,000	1,993,675.00	3,818,675.00
2016	1,920,000	1,902,425.00	3,822,425.00
2017	2,015,000	1,806,425.00	3,821,425.00
2018	2,120,000	1,705,675.00	3,825,675.00
2019	2,215,000	1,612,925.00	3,827,925.00
2020	2,315,000	1,513,250.00	3,828,250.00
2021	2,430,000	1,397,500.00	3,827,500.00
2022	2,560,000	1,276,000.00	3,836,000.00
2023	2,685,000	1,148,000.00	3,833,000.00
2024	2,825,000	1,013,750.00	3,838,750.00
2025	2,970,000	872,500.00	3,842,500.00
2026	3,120,000	724,000.00	3,844,000.00
2027	3,275,000	568,000.00	3,843,000.00
2028	1,460,000	404,250.00	1,864,250.00
2029	1,535,000	331,250.00	1,866,250.00
2030	1,615,000	254,500.00	1,869,500.00
2031	1,695,000	173,750.00	1,868,750.00
2032	<u>1,780,000</u>	<u>89,000.00</u>	<u>1,869,000.00</u>
Total	\$50,815,000	\$35,036,318.40	\$85,851,318.40

The following table sets forth the annual Basic Payments for each Borrower.

Year Ending October 1 (<u>inclusive</u>)	City of Haines <u>City</u>	City of Hallandale <u>Beach</u>
2008	\$1,848,567.71	\$1,958,788.19
2009	1,849,187.50	1,961,850.00
2010	1,849,325.00	1,963,062.50
2011	1,853,400.00	1,962,787.50
2012	1,852,450.00	1,965,925.00
2013	1,850,675.00	1,967,750.00
2014	1,855,675.00	1,965,000.00
2015	1,853,675.00	1,965,000.00
2016	1,854,925.00	1,967,500.00
2017	1,854,175.00	1,967,250.00
2018	1,856,425.00	1,969,250.00
2019	1,857,050.00	1,970,875.00
2020	1,854,750.00	1,973,500.00
2021	1,855,750.00	1,971,750.00
2022	1,859,250.00	1,976,750.00
2023	1,860,000.00	1,973,000.00
2024	1,863,000.00	1,975,750.00
2025	1,863,000.00	1,979,500.00
2026	1,865,000.00	1,979,000.00
2027	1,863,750.00	1,979,250.00
2028	1,864,250.00	
2029	1,866,250.00	
2030	1,869,500.00	
2031	1,868,750.00	
2032	<u>1,869,000.00</u>	
Total	\$46,457,780.21	\$39,393,538.19

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.

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 2008 through 2017 and 2020 through 2024 were offered at a price in excess of the principal amount thereof. Under the Code, the excess of the cost basis of a bond over the principal amount of the bond (other than for a bondholder who holds a bond as inventory, stock in trade, or for sale to customers in the ordinary course of business) is generally characterized as "bond premium." For federal income tax purposes, bond premium is amortized over the term of the bonds. A bondholder will therefore be required to decrease his basis in the Bonds by the amount of the amortizable bond premium attributable to each taxable year he holds such Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

In addition, the Bonds maturing in the years 2020 through 2024 were offered at prices in excess of the principal amount thereof to achieve a yield based upon the date on which such Bonds are subject to optional redemption by the Issuer (the "Call Date") rather than the maturity date (the "Callable Premium Bonds"). Under the Code, the excess of the cost basis of a Callable Premium Bond over the amount payable at the Call Date of the Callable Premium Bond that minimizes the yield to a purchaser of a Callable Premium Bond (the "Lowest Yield Call Date") (other than for a bondholder who holds a bond as inventory, stock in trade, or for sale to customers in the ordinary course of business) is generally characterized as "bond premium." For federal income tax purposes, bond premium is amortized over the period to the Lowest Yield Call Date of a Callable Premium Bond. A bondholder will therefore be required to decrease his basis in the

Callable Premium Bond by the amount of the amortizable bond premium attributable to each taxable year he holds such Callable Premium Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

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

Tax Treatment of Original Issue Discount

Under the Code, the difference between the principal amount of the Bonds maturing in the years 2018, 2019, 2026, 2027 and 2032 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, Holland & Knight LLP. Certain legal matters will be passed upon for 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 \$51,081,815.15 (which includes net original issue premium of \$571,197.00 and underwriter's discount of \$304,381.85), 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 eighteenth 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 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/ Jay Chernoff
Its Chairman

APPENDIX A
FORM OF CONTINUING DISCLOSURE AGREEMENT
FOR BORROWERS

This **CONTINUING DISCLOSURE AGREEMENT** dated as of September 1, 2007 (the "Continuing Disclosure Agreement") is executed and delivered by _____, a Florida _____ ("Borrower"), and by Florida League of Cities, Inc., a Florida corporation not-for-profit, as Dissemination Agent (the "Dissemination Agent") hereunder. Additional capitalized terms used herein shall have the meanings ascribed thereto in Section 2 hereof.

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

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

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

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

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

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

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

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

"Bonds" means the \$ _____ Florida Municipal Loan Council Revenue Bonds, Series 2007A.

"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 of even date herewith by and between Florida Municipal Loan Council, as Issuer, and Deutsche Bank Trust Company Americas, as Trustee.

"Insurer" means MBIA Insurance Corporation.

"Issuer" means Florida Municipal Loan Council.

"Loan Agreement" means the Loan Agreement dated of even date herewith, 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 Deutsche Bank Trust Company Americas, 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 _____, 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, 2007 (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, 2007 (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 _____, 200_.

_____, as Borrower

By: _____

Its: _____

Acknowledgment of Receipt:

Florida League of Cities, Inc., as
Dissemination Agent

By: _____

Its: _____

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APPENDIX B

FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE ISSUER

This **CONTINUING DISCLOSURE AGREEMENT** dated as of September 1, 2007 (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 2007A.

"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, 2007, by and between the Issuer and Deutsche Bank Trust Company Americas, 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 Deutsche Bank Trust Company Americas, 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, 2007 (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
Deutsche Bank Trust Company Americas
New York, New York
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, 2007 (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 2007.
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 ____, 200_.

FLORIDA MUNICIPAL LOAN COUNCIL,
as Issuer

By: _____
Its: Chairman

Acknowledgment of Receipt:

FLORIDA LEAGUE OF CITIES, INC.,
as Dissemination Agent

By: _____
Its: Executive Director

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APPENDIX C
FORM OF TRUST INDENTURE

THIS TRUST INDENTURE is made and entered into as of September 1, 2007, 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 DEUTSCHE BANK TRUST COMPANY AMERICAS, a New York state banking corporation, duly organized, existing and authorized to accept and execute trusts of the character herein set out, as Trustee (the "Trustee").

WITNESSETH:

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

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

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

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

WHEREAS, the Council has previously by a resolution adopted on October 23, 2002 (the "Resolution"), authorized the issuance of its Florida Municipal Loan Council Revenue Bonds, in various series in an additional aggregate principal amount of not exceeding \$750,000,000, pursuant to certain trust indentures, to provide funds to finance, refinance or reimburse the cost of qualified Projects of the participating Borrowers; and

WHEREAS, the Council has now determined to issue its \$__000,000 Florida Municipal Loan Council Revenue Bonds, Series 2007A 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, 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 \$__000,000 Florida Municipal Loan Council Revenue Bonds, Series 2007A 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 October 2, ending on and including the following October 1, except for the first period which begins on September __, 2007.

“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 _____, 2007 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, 2007 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, 2008.

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

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

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

“Investment Securities” means any of the following investments:

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations, the principal of and interest on which are unconditionally guaranteed by the United States of America.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are permitted only if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
2. Farmers Home Administration (FMHA)
Certificates of beneficial ownership
3. Federal Financing Bank
4. Federal Housing Administration Debentures (FHA)
5. General Services Administration
Participation certificates
6. Government National Mortgage Association (GNMA or “Ginnie Mae”)
GNMA-guaranteed mortgage-backed bonds
GNMA-guaranteed pass-through obligations
(not acceptable for certain cash-flow-sensitive issues.)
7. U.S. Maritime Administration
Guaranteed Title XI financing
8. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds

New Communities Debentures-U.S. government guaranteed debentures

U.S. Public Housing Notes and Bonds-U.S. government guaranteed public housing notes and bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are permitted only if they have been stripped by the agency itself):

1. Federal Home Loan Bank System
Senior debt obligations
2. Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac") Participation Certificates
Senior debt obligations
3. Federal National Mortgage Association (FNMA or "Fannie Mae")
Mortgage-backed securities and senior debt obligations
4. Student Loan Marketing Association (SLMA or "Sallie Mae")
Senior debt obligations
5. Resolution Funding Corp. (REFCORP) obligations
6. Farm Credit System
Consolidated systemwide bonds and notes

D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of "AAAm-G," "AAA-m," or "AAA-m" and if rated by Moody's rated "Aaa," "Aa1" or "Aa2."

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits that are fully insured by FDIC, including BIF and SAIF.

G. Investment Agreements, including GICs, 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 March 20, 2008 and thereafter each September 20th and March 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 Deutsche Bank Trust Company Americas, 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.

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ARTICLE II

THE BONDS

SECTION 2.01. Authorization; Book-Entry System.

(a) Authorization, Issuance and Execution of Bonds. A single series of Bonds may be issued hereunder in order to obtain moneys to carry out the purposes of the Program for the benefit of the Council and the Borrowers. The Bonds shall be designated as "Florida Municipal Loan Council Revenue Bonds, Series 2007A". 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 _____ Million Dollars (\$___,000,000). 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 September __, 2007. They shall be numbered consecutively from R-1 upward. They shall be in the denomination of \$5,000 each, or integral multiples thereof. Each Bond shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated, unless authenticated on an Interest Payment Date, in which case it shall bear interest from such

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

\$_____ Serial Bonds

<u>Maturity</u> <u>(October 1)</u>	<u>Amount</u>	<u>Interest Rate</u>
2007		
2008		
2009		
2010		
2011		
2012		
2013		
2014		
2015		
2016		
2017		
2018		
2019		
2020		
2021		
2022		
2023		
2024		
2025		
2026		

Term Bonds Due _____ 1, 20__ - \$_____ - ____%

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).

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ARTICLE III

REDEMPTION OF BONDS

SECTION 3.01. Optional Redemption of the Bonds.

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

SECTION 3.02. Mandatory Redemption of Bonds.

The Bonds maturing on October 1, 20__ are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 20__ and on each October 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
	\$

*

*Maturity, not a redemption.

The Bonds maturing on October 1, 20__ are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 20__ and on each October 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
	\$

*

*Maturity, not a redemption.

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.

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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(ii) 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 _____, 200__ 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 2007A 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:
 - (a) _____ \$_____
 - (b) _____

The Council understands that \$_____ is being transmitted directly to the Bond Insurer.

SECTION 4.08. Reserve Fund.

(a) The Trustee shall establish a Reserve Fund which shall be funded at closing in an amount equal to the Reserve Requirement. Such Reserve Fund shall be on a parity with any reserve fund established by the Council in any other approved series of the Council's bonds listed on Annex A to the Surety Bond. If any withdrawal is made under subsection (b)(i) below,

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

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

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

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

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

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

required under each Loan Agreement until the amount of such deficiency has been restored; and

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

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

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

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

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

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

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ARTICLE V

PROJECT LOANS

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

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

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

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

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ARTICLE VII

INVESTMENT OF MONEYS

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

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

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ARTICLE VIII

DISCHARGE OF INDENTURE

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

Notwithstanding the release and discharge of the lien of this Indenture as provided above, those provisions of this Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, 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.

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ARTICLE IX

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

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

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

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

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

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

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

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

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

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 Section 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 \$50,000,000 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 Council may remove the Trustee at any time without cause, by an instrument or concurrent instruments in writing delivered to the Trustee so removed and consented to 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, provided, that all amounts owing to the Trustee shall be paid simultaneous with or prior to such removal. The Trustee may be removed at any time for cause by the Bond Insurer, with notice to the Council.

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 \$___,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. Such successor Trustee shall give notice of such successors to Fitch and S&P.

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

SECTION 10.11. [Reserved]

SECTION 10.12. Paying Agent. The Council hereby appoints the Trustee as Paying Agent. The Council may, with the approval of the Trustee and the Bond Insurer, appoint additional Paying Agents for the Bonds. Each Paying Agent shall designate to the

Council and the Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Council under which such Paying Agent will agree, particularly:

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

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

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

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

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

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

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ARTICLE XI

SUPPLEMENTAL INDENTURES

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

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

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

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

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

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

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ARTICLE XII

AMENDMENT OF LOAN AGREEMENTS

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

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

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

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

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.

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ARTICLE XIV

MISCELLANEOUS

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

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

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

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

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

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, Suite 300
Tallahassee, Florida 32301

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

- Trustee: Deutsche Bank Trust Company Americas
Trust & Securities Services (Municipal Group)
60 Wall Street
Mail Stop 2715
New York, New York 10005

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: Jay R. Chernoff
Title: Chairman

ATTEST:

FLORIDA LEAGUE OF CITIES, INC.,
Program Administrator

By: _____
Name: Michael Sittig
Title: Executive Director

DEUTSCHE BANK TRUST COMPANY
AMERICAS, as Trustee

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

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**APPENDIX D
FORM OF LOAN AGREEMENT**

This Loan Agreement (the "Loan Agreement" or the "Agreement") dated as of _____ 1, 2007 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, 2007, 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 2007A" (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 2007A 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 _____, 2007.

“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, 2007 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, 2008.

"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 March 20, 2008, and thereafter each September 20th and March 20th, or if such day is not a Business Day, the next preceding Business Day.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“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 Deutsche Bank Trust Company Americas, 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 expects to obtain when required, 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 _____, 2010, 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 _____, 2010. 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 directly 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 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 secured by Non-Ad Valorem Revenues. 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 _____, 2010, 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 March 20th and September 20th, or if such day is not a Business Day, the next preceding Business Day (a "Loan Repayment Date"), commencing March 20, 2008, and extending through September 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, the Trustee or the Bond Insurer. 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 and the Bond Insurer.

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, the payment of which would materially adversely affect the Borrower's ability to meet its obligations hereunder (it being agreed that, if insurance or adequate reserves are available to make such payment, such judgment would not materially affect the Borrower's ability to meet its obligations hereunder) and at any time after 90 days from the entry thereof, unless otherwise provided in the final judgment, (i) such judgment shall not have been discharged, or (ii) 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 or other applicable law.

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

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

addition to any other remedies herein or by law provided, have the right, at its or their option without any further demand or notice, to take such steps and exercise such remedies as provided in Section 9.02 of the Indenture, and, without limitation, one or more of the following:

(a) Declare all Loan Repayments, in an amount equal to 100% of the principal amount thereof plus all accrued interest thereon to the date on which such Loan Repayments shall be used to redeem Bonds pursuant to Section 3.02 of the Indenture and all other amounts 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: Deutsche Bank Trust Company Americas
Trust & Securities Services (Municipal Group)
60 Wall Street, 27th Floor
New York, New York 10005

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

Deutsche Bank Trust Company Americas
Trust & Securities Services (Municipal Group)
60 Wall Street, 27th Floor
New York, New York 10005

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: Jay R. Chernoff
Title: Chairman

ATTEST:

By: _____
Name: Michael Sittig
Title: Executive Director

LOAN AGREEMENT

[BORROWER]

(SEAL)

By: _____

Name:

Title:

ATTESTED BY:

By: _____

Name:

Title:

Approved as to form and correctness
this ___ day of _____, 2007.

By: _____

Name:

Title:

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

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

[Dated Date of Closing]

Florida Municipal Loan Council
Tallahassee, Florida

RE: \$50,815,000 Florida Municipal Loan Council Revenue Bonds, Series 2007A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Florida Municipal Loan Council (the "Council") of its \$50,815,000 Florida Municipal Loan Council Revenue Bonds, Series 2007A (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, a Trust Indenture dated as of September 1, 2007, between the Council and Deutsche Bank Trust Company Americas, as Trustee (the "Indenture"), and Resolution No. 2007-02 adopted by the Council on May 31, 2007 (the "Resolution"). In such capacity, we have examined such law and certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion. Any capitalized undefined terms used herein shall have the meanings set forth in the Indenture.

The proceeds of the Bonds will be loaned to the City of Haines, Florida and the City of Hallandale 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 and others furnished to us, without undertaking to verify the same by independent investigation. We have not undertaken an independent audit, examination, investigation or inspection of such matters and have relied solely on the facts, estimates and circumstances described in such proceedings and certifications. We have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

In rendering this opinion, we have examined and relied upon the opinion of even date herewith of Kraig A. Conn, Esquire, Counsel to the Council, as to the due creation and valid existence of the Council, the due adoption of the Resolution, the due 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 or indebtedness 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.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax laws of the United States of America.

Based on our examination, we are of the opinion, that, under existing law:

1. The Resolution constitutes a valid and binding obligation of the Council enforceable against the Council in accordance with its terms.
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. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. The opinion set forth in the preceding sentence is subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended, (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The

Council has covenanted in the Indenture to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. 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.

For purposes of this opinion, we have not been engaged or undertaken to review and, therefore, express no opinion herein regarding the accuracy, completeness or adequacy of the Official Statement or any other offering material relating to the Bonds. This opinion should not be construed as offering material, an offering circular, prospectus or official statement and is not intended in any way to be a disclosure statement used in connection with the sale or delivery of the Bonds. 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 underwriter with any federal or state statute, regulation or ruling with respect to the sale and distribution of the Bonds or regarding the perfection or priority of the lien on the revenues pledged and created by the Indenture. Further, we express no opinion regarding federal income tax consequences arising with respect to the Bonds other than as expressly set forth herein.

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

Very truly yours,

BRYANT MILLER OLIVE P.A.

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APPENDIX F

SPECIMEN OF FINANCIAL GUARANTY INSURANCE POLICY

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FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

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

**[PAR]
[LEGAL NAME OF ISSUE]**

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

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

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

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

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

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

COUNTERSIGNED:

Resident Licensed Agent

City, State

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

STD-RCS-FL-7
01/05

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APPENDIX G

Financial Information Regarding City of Haines City

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>
REVENUES:			
Property taxes	\$ 4,457,048	\$ 3,312,645	\$ 2,542,308
Gas and fuel taxes	776,898	773,685	756,847
Franchise fees	1,375,670	1,049,398	931,158
Utility taxes	1,125,498	961,352	852,452
Communications service tax	696,625	664,363	582,675
Licenses and permits	1,722,151	1,425,001	892,769
Intergovernmental	2,674,658	3,495,552	4,657,370
Charges for services	2,457,159	1,785,109	1,521,378
Fines and forfeitures	196,205	155,900	144,390
Impact fees	1,125,907	1,153,815	169,005
Contributions	121,397	106,169	97,088
Interest	430,516	156,626	38,059
Other	<u>106,953</u>	<u>98,529</u>	<u>139,065</u>
Total Revenues	<u>17,266,685</u>	<u>15,138,144</u>	<u>13,324,564</u>
EXPENDITURES:			
Current:			
General Government	1,975,155	1,826,659	1,471,226
Public Safety	5,659,210	4,908,154	4,700,747
Physical Environment	2,033,972	1,300,278	1,197,440
Transportation	859,531	752,554	762,239
Economic Environment	497,252	570,507	588,113
Culture and Recreation	1,836,180	1,673,418	1,500,228
Debt service:			
Debt Issue Costs	--	71,882	86,568
Capital outlay:	<u>1,089,456</u>	<u>2,552,560</u>	<u>4,577,942</u>
Total Expenditures	<u>13,950,756</u>	<u>13,656,012</u>	<u>14,884,503</u>
Revenues Over (Under) Expenditures	<u>3,315,929</u>	<u>1,482,132</u>	<u>(1,559,939)</u>
Other Financing Sources (Uses):			
Insurance proceeds	46,756	705,154	--
Proceeds from capital leases	90,873	--	--
Refunding Loan Issued	--	3,488,907	--
Payment to Refund Debt	--	(3,389,250)	--
Debt Issued	--	--	3,254,001
Transfers In	807,067	1,010,248	1,006,838
Transfers Out	<u>(1,431,121)</u>	<u>(1,164,739)</u>	<u>(841,083)</u>
Total other financing sources (uses)	<u>(486,425)</u>	<u>650,320</u>	<u>3,419,756</u>
Net Change in fund balances	2,829,504	2,132,452	1,859,817
Fund Balances, October 1, 2004, previously reported	--	6,772,058	--
Restatement	--	(1,205,222)	--
Fund balances - Beginning of Year	<u>7,699,288</u>	<u>5,566,836</u>	<u>4,912,241</u>
Fund Balances - End of Year	<u>\$10,528,792</u>	<u>\$7,699,288</u>	<u>\$6,772,058</u>

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

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Independent Auditors' Report

To the Honorable Mayor and Board
of City Commissioners
City of Haines City, 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 Haines City, Florida (the "City"), as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and CRA Fund, 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 9, 2007 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 section on pages 4 through 15 and pension disclosures on pages 56 through 58 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplemental schedules listed in the foregoing table of contents 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 also presented for the purpose 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 supplementary schedules, including the Schedule of Expenditures of Federal Awards, have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly presented in all material respects when considered in relation to the basic financial statements taken as a whole.

Cheryl B. Baer & Holland, L.L.P.

Orlando, Florida
March 9, 2007

CITY OF HAINES CITY, FLORIDA
Statement of Net Assets
September 30, 2006

	Primary Government		
	Governmental Activities	Business Type Activities	Total Primary Government
Assets			
Cash and cash equivalents	\$ 8,771,103	\$ 1,040,772	\$ 9,811,875
Accounts receivable - net	566,350	870,315	1,436,665
Internal balances	12,878	(12,878)	-
Due from other governments	1,476,142	-	1,476,142
Inventory	33,695	163,450	197,145
Restricted assets:			
Cash and cash equivalents	7,918,389	7,408,303	15,326,692
Deferred charges	-	122,810	122,810
Long-term receivables	149,679	-	149,679
Capital assets:			
Nondepreciable	2,022,812	3,824,323	5,847,135
Depreciable	15,224,457	20,814,602	36,039,059
Total assets	<u>36,175,505</u>	<u>34,231,697</u>	<u>70,407,202</u>
Liabilities			
Accounts payable	1,058,101	677,886	1,735,987
Due to other governments	431,275	-	431,275
Accrued liabilities	-	22,710	22,710
Other current liabilities	123,505	-	123,505
Deferred revenue	48,511	-	48,511
Other liabilities	22,789	-	22,789
Current liabilities payable from restricted assets:			
Accrued interest payable	-	135,743	135,743
Portion due within one year	-	508,379	508,379
Deposits	-	673,190	673,190
Other liabilities	-	13,015	13,015
Noncurrent liabilities:			
Portion due within one year	520,848	458,006	978,854
Portion due after one year	11,960,401	7,895,821	19,856,222
Total liabilities	<u>14,165,430</u>	<u>10,384,750</u>	<u>24,550,180</u>
Net assets			
Invested in capital assets, net of related debt	11,065,309	16,008,934	27,074,243
Restricted for:			
Debt service	5,352	811,887	817,239
Capital projects	2,616,113	5,199,986	7,816,099
Other purposes	54,791	-	54,791
Unrestricted	8,268,510	1,826,140	10,094,650
Total net assets	<u>\$ 22,010,075</u>	<u>\$ 23,846,947</u>	<u>\$ 45,857,022</u>

CITY OF HAINES CITY, FLORIDA
Statement of Activities
Year Ended September 30, 2006

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental activities:							
General government	\$ 2,320,516	\$ 2,108,237	\$ 127,649	\$ 24,661	\$ (59,969)	\$ -	\$ (59,969)
Public safety	6,099,180	736,806	19,092	-	(5,343,282)	-	(5,343,282)
Physical environment	2,035,618	1,954,328	-	-	(81,290)	-	(81,290)
Transportation	914,764	615,253	-	-	(299,511)	-	(299,511)
Economic development	1,107,999	265,427	507,095	253,183	(82,294)	-	(82,294)
Culture and recreation	2,054,021	473,378	224,514	-	(1,356,129)	-	(1,356,129)
Interest on long-term debt	524,467	-	-	-	(524,467)	-	(524,467)
Total governmental activities	<u>15,056,565</u>	<u>6,153,429</u>	<u>878,350</u>	<u>277,844</u>	<u>(7,746,942)</u>	<u>-</u>	<u>(7,746,942)</u>
Business-type activities:							
Water and sewer utility	4,070,347	6,780,040	-	242,343	-	2,952,036	2,952,036
Stormwater utility	20,901	170,087	-	-	-	149,186	149,186
Total business-type activities	<u>4,091,248</u>	<u>6,950,127</u>	<u>-</u>	<u>242,343</u>	<u>-</u>	<u>3,101,222</u>	<u>3,101,222</u>
Total	<u>\$ 19,147,813</u>	<u>\$ 13,103,556</u>	<u>\$ 878,350</u>	<u>\$ 520,187</u>	<u>(7,746,942)</u>	<u>3,101,222</u>	<u>(4,645,720)</u>
General revenues:							
Property taxes					5,806,571	-	5,806,571
Franchise fees					1,375,670	-	1,375,670
Utility taxes					1,125,498	-	1,125,498
Communications service tax					696,625	-	696,625
Gas and fuel taxes					776,898	-	776,898
State revenue sharing					637,657	-	637,657
Sales taxes					1,005,884	-	1,005,884
Unrestricted investment earnings					403,712	333,584	737,296
Loss on disposal of capital assets					(31,318)	(26,871)	(58,189)
Total general revenue					<u>11,797,197</u>	<u>306,713</u>	<u>12,103,910</u>
Transfers					<u>790,864</u>	<u>(790,864)</u>	<u>-</u>
Change in net assets					<u>4,841,119</u>	<u>2,617,071</u>	<u>7,458,190</u>
Net assets - beginning of year					<u>17,168,956</u>	<u>21,229,876</u>	<u>38,398,832</u>
Net assets - ending of year					<u>\$ 22,010,075</u>	<u>\$ 23,846,947</u>	<u>\$ 45,857,022</u>

See accompanying notes to the financial statements.

CITY OF HAINES CITY, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2006

	<u>General Fund</u>	<u>CRA Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 7,771,773	\$ 999,330	\$ -	\$ 8,771,103
Accounts receivable	566,350	-	-	566,350
Due from other funds	12,878	-	-	12,878
Due from other governments	1,468,216	7,926	-	1,476,142
Inventory	33,695	-	-	33,695
Restricted assets:				
Cash and cash equivalents	3,240,688	4,672,349	5,352	7,918,389
Long-term receivables	149,679	-	-	149,679
Total assets	<u>\$ 13,243,279</u>	<u>\$ 5,679,605</u>	<u>\$ 5,352</u>	<u>\$ 18,928,236</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 887,747	\$ 170,354	\$ -	\$ 1,058,101
Due to other governments	431,275	-	-	431,275
Other current liabilities	141,732	4,562	-	146,294
Deferred revenue	1,253,733	-	-	1,253,733
Total liabilities	<u>2,714,487</u>	<u>174,916</u>	<u>-</u>	<u>2,889,403</u>
Fund balances:				
Reserved for:				
Encumbrances	332,323	299,605	-	631,928
Debt service	-	-	5,352	5,352
Inventory	33,694	-	-	33,694
Capital asset acquisition	574,784	-	-	574,784
Long-term receivables	135,415	-	-	135,415
Other purposes	584,663	5,271,294	-	5,855,957
Unreserved, reported in:				
General fund:				
Designated	1,315,308	-	-	1,315,308
Undesignated	7,552,605	-	-	7,552,605
Special revenue funds:				
Undesignated	-	(66,210)	-	(66,210)
Total fund balances	<u>10,528,792</u>	<u>5,504,689</u>	<u>5,352</u>	<u>16,038,833</u>
Total liabilities and fund balances	<u>\$ 13,243,279</u>	<u>\$ 5,679,605</u>	<u>\$ 5,352</u>	<u>\$ 18,928,236</u>

CITY OF HAINES CITY, FLORIDA
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
September 30, 2006

Total fund balances for governmental funds \$ 16,038,833

Total net assets reported for governmental activities in the statement of net assets is different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$	1,658,141
Buildings and improvements, net of \$2,518,370 accumulated depreciation		12,115,900
Equipment, net of \$1,936,184 accumulated depreciation		1,826,570
Transportation equipment, net of \$1,576,761 accumulated depreciation		1,145,921
Library books, net of \$55,223 accumulated depreciation		136,066
Construction in progress		364,671
		364,671

Total capital assets, net 17,247,269

2. Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities, except for portions payable early in the following year for which sufficient resources have been accumulated in the funds to liquidate the liabilities. These liabilities consist of:

Florida municipal loan council loans		(11,250,000)
Loss on refunding		132,593
Debt issuance cost		69,007
Capital lease obligations		(375,693)
Compensated absences		(1,057,156)
		(1,057,156)

Total long-term liabilities (12,481,249)

3. Amounts to be collected under long-term receivables are not available to pay for the current period's expenditures, and therefore are reported as deferred at the fund level.

1,205,222

Total net assets of governmental activities \$ 22,010,075

See accompanying notes to the financial statements.

CITY OF HAINES CITY, FLORIDA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2006

	General Fund	CRA Fund	Debt Service Fund	Total Governmental Funds
Revenues:				
Property taxes	\$ 4,457,048	\$ 1,349,523	\$ -	\$ 5,806,571
Gas and fuel taxes	776,898	-	-	776,898
Franchise fees	1,375,670	-	-	1,375,670
Utility taxes	1,125,498	-	-	1,125,498
Communications service tax	696,625	-	-	696,625
Licenses and permits	1,722,151	-	-	1,722,151
Intergovernmental	2,674,658	207,757	-	2,882,415
Charges for services	2,457,159	-	-	2,457,159
Fines and forfeitures	196,205	-	-	196,205
Impact fees	1,125,907	-	-	1,125,907
Contributions	121,397	650	-	122,047
Interest	430,516	265,423	1,344	697,283
Other	106,953	-	-	106,953
Total revenues	<u>17,266,685</u>	<u>1,823,353</u>	<u>1,344</u>	<u>19,091,382</u>
Expenditures:				
Current:				
General government	1,975,155	-	-	1,975,155
Public safety	5,659,210	51,597	-	5,710,807
Physical environment	2,033,972	-	-	2,033,972
Transportation	859,531	-	-	859,531
Economic development	497,252	600,101	-	1,097,353
Culture and recreation	1,836,180	-	-	1,836,180
Debt service:				
Principal	-	-	517,445	517,445
Interest	-	-	516,063	516,063
Capital outlay	1,089,456	1,772,509	-	2,861,965
Total expenditures	<u>13,950,756</u>	<u>2,424,207</u>	<u>1,033,508</u>	<u>17,408,471</u>
Revenues over (under) expenditures	<u>3,315,929</u>	<u>(600,854)</u>	<u>(1,032,164)</u>	<u>1,682,911</u>
Other financing sources (uses):				
Insurance proceeds	46,756	-	-	46,756
Proceeds from capital leases	90,873	-	-	90,873
Transfers in	807,067	917,204	1,036,883	2,761,154
Transfers out	(1,431,121)	(539,169)	-	(1,970,290)
Total other financing sources (uses)	<u>(486,425)</u>	<u>378,035</u>	<u>1,036,883</u>	<u>928,493</u>
Net change in fund balances	2,829,504	(222,819)	4,719	2,611,404
Fund balances - beginning of year	<u>7,699,288</u>	<u>5,727,508</u>	<u>633</u>	<u>13,427,429</u>
Fund balances - end of year	<u>\$ 10,528,792</u>	<u>\$ 5,504,689</u>	<u>\$ 5,352</u>	<u>\$ 16,038,833</u>

CITY OF HAINES CITY, 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, 2006

Total net change in fund balances for governmental funds \$ 2,611,404

The change in net assets reported for governmental activities in the statement of activities is different because:

1. 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 exceed depreciation in the current period.

Capital outlay	\$ 2,861,965	
Depreciation expense	<u>(930,886)</u>	1,931,079

2. Proceeds of certain long-term debt are reported as financing sources in governmental funds and thus contribute to the increase in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. This is the amount by which payment of principal on this debt exceeds (is exceeded by) the proceeds from issuance of new debt.

Principal payment	517,445	
Loan proceeds from capital leases	<u>(90,873)</u>	426,572

3. Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are used. The net change associated with these expenses/expenditures is as follows:

Compensated absences		(88,218)
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4. Capital assets are not presented for governmental funds; the net effect of disposals of capital assets is to decrease net assets on the statement of activities.

(31,318)

5. To record interest expense on the statement of activities for amortization of the following items:

Debt issue costs	(5,525)	
Loss on refunding of debt	<u>(2,875)</u>	<u>(8,400)</u>

Change in net assets of governmental activities \$ 4,841,119

CITY OF HAINES CITY, FLORIDA
Statement of Net Assets
Proprietary Funds
September 30, 2006

	<u>Water and Sewer Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
Assets			
Current assets:			
Cash and cash equivalents	\$ 602,711	\$ 438,061	\$ 1,040,772
Accounts receivable - net	844,475	25,840	870,315
Inventory	163,450	-	163,450
Total current assets	<u>1,610,636</u>	<u>463,901</u>	<u>2,074,537</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	7,108,804	-	7,108,804
Cash and investments with fiscal agents	299,499	-	299,499
Deferred charges	122,810	-	122,810
Capital assets:			
Land	289,901	-	289,901
Stormwater improvements	-	27,280	27,280
Plant and plant improvements	31,496,059	-	31,496,059
Buildings and improvements	117,182	-	117,182
Equipment	1,897,395	51,782	1,949,177
Transportation equipment	600,828	-	600,828
Construction in progress	3,534,422	-	3,534,422
	<u>37,935,787</u>	<u>79,062</u>	<u>38,014,849</u>
Less: Accumulated depreciation	(13,369,880)	(6,044)	(13,375,924)
Total capital assets (net of accumulated depreciation)	<u>24,565,907</u>	<u>73,018</u>	<u>24,638,925</u>
Total noncurrent assets	<u>32,097,020</u>	<u>73,018</u>	<u>32,170,038</u>
Total assets	<u>\$ 33,707,656</u>	<u>\$ 536,919</u>	<u>\$ 34,244,575</u>

See accompanying notes to the financial statements.

CITY OF HAINES CITY, FLORIDA
Statement of Net Assets (Continued)
Proprietary Funds
September 30, 2006

	Water and Sewer Fund	Stormwater Fund	Total
Liabilities			
Current liabilities:			
Accounts payable	\$ 640,186	\$ 37,700	\$ 677,886
Due to other funds	12,878	-	12,878
Accrued liabilities	22,710	-	22,710
Current portion of long-term debt	458,006	-	458,006
Current liabilities payable from restricted assets:			
Current portion of long-term debt	508,379	-	508,379
Accrued interest payable	135,743	-	135,743
Deposits	673,190	-	673,190
Other liabilities	13,015	-	13,015
Total current liabilities	2,464,107	37,700	2,501,807
Noncurrent liabilities:			
Long-term debt	7,895,821	-	7,895,821
Total noncurrent liabilities	7,895,821	-	7,895,821
Total liabilities	\$ 10,359,928	\$ 37,700	\$ 10,397,628
Net Assets			
Invested in capital assets, net of related debt	\$ 15,935,916	\$ 73,018	\$ 16,008,934
Restricted for:			
Debt service	811,887	-	811,887
Capital projects	5,199,986	-	5,199,986
Unrestricted	1,399,939	426,201	1,826,140
Total net assets	\$ 23,347,728	\$ 499,219	\$ 23,846,947

See accompanying notes to the financial statements.

CITY OF HAINES CITY, FLORIDA
Statement of Revenues, Expenditures and Changes in Fund Net Assets
Proprietary Funds
Year Ended September 30, 2006

	<u>Water and Sewer Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 5,396,190	\$ 170,087	\$ 5,566,277
Impact fees	1,361,813	-	1,361,813
Total operating revenues	<u>6,758,003</u>	<u>170,087</u>	<u>6,928,090</u>
Operating Expenses			
Personal services	1,434,639	11,130	1,445,769
Other services and charges	1,549,042	7,453	1,556,495
Depreciation	769,245	2,318	771,563
Total operating expenses	<u>3,752,926</u>	<u>20,901</u>	<u>3,773,827</u>
Operating income	<u>3,005,077</u>	<u>149,186</u>	<u>3,154,263</u>
Nonoperating Revenues (Expenses)			
Interest revenue	318,518	15,066	333,584
Interest expense	(317,421)	-	(317,421)
Loss on disposal of assets	(26,871)	-	(26,871)
Insurance and other revenue	22,037	-	22,037
Total nonoperating revenues (expenses)	<u>(3,737)</u>	<u>15,066</u>	<u>11,329</u>
Income before contributions and transfers	3,001,340	164,252	3,165,592
Capital contributions	242,343	-	242,343
Transfers in	16,203	-	16,203
Transfers out	(807,067)	-	(807,067)
Change in net assets	2,452,819	164,252	2,617,071
Net assets - beginning of year	<u>20,894,909</u>	<u>334,967</u>	<u>21,229,876</u>
Net assets - end of year	<u>\$ 23,347,728</u>	<u>\$ 499,219</u>	<u>\$ 23,846,947</u>

See accompanying notes to the financial statements.

CITY OF HAINES CITY, FLORIDA
Statement of Cash Flows
Proprietary Funds
Year ended September 30, 2008

	Business-Type Activities - Enterprise Funds		
	Water and Sewer	Stormwater	Total
Operating activities			
Cash received from customers	\$ 5,303,914	\$ 169,363	\$ 5,473,277
Cash payments to suppliers for goods and services	(1,095,544)	(7,453)	(1,102,997)
Cash payments to employees for services	(1,487,987)	(11,130)	(1,499,117)
Impact fees	1,361,813	-	1,361,813
Net cash provided by operating activities	4,082,196	150,780	4,232,976
Noncapital financing activities			
Transfers in	16,203	-	16,203
Transfers out	(807,067)	-	(807,067)
Increase in due to other funds	2,400	-	2,400
Net cash used by noncapital financing activities	(788,464)	-	(788,464)
Capital and related financing activities			
Acquisition and construction of capital assets	(4,007,743)	-	(4,007,743)
Capital contributions	242,343	-	242,343
Principal paid on notes and capital lease obligation	(765,923)	-	(765,923)
Other nonoperating revenue	22,037	-	22,037
Interest paid on revenue bonds, notes payable and capital lease obligations	(330,617)	-	(330,617)
Net cash used by capital and related financing activities	(4,839,903)	-	(4,839,903)
Investing activities			
Interest income	318,518	15,066	333,584
Net cash provided by investing activities	318,518	15,066	333,584
Net increase (decrease) in cash and cash equivalents/investments	(1,227,653)	165,846	(1,061,807)
Cash and cash equivalents			
Beginning of year	9,238,667	272,215	9,510,882
End of year	\$ 8,011,014	\$ 438,061	\$ 8,449,075
Cash and cash equivalents classified as:			
Current assets	\$ 602,711	\$ 438,061	\$ 1,040,772
Restricted assets	7,408,303	-	7,408,303
	\$ 8,011,014	\$ 438,061	\$ 8,449,075
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 3,005,077	\$ 149,186	\$ 3,154,263
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	769,245	2,318	771,563
Change in assets and liabilities			
Accounts receivable	(136,320)	(724)	(137,044)
Deferred Charges	13,986	-	13,986
Inventory	22,045	-	22,045
Accounts payable	417,467	-	417,467
Accrued liabilities	855	-	855
Customer deposits	44,044	-	44,044
Compensated absences	(54,203)	-	(54,203)
Total adjustments	1,077,119	1,594	1,078,713
Net cash provided by operating activities	\$ 4,082,196	\$ 150,780	\$ 4,232,976

See accompanying notes to the financial statements.

CITY OF HAINES CITY, FLORIDA
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2006

	<u>Pension Trust Funds</u>	<u>Right of Way Agency Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 668,199	\$ 11,017	\$ 679,216
Receivables:			
Contributions	175,121	-	175,121
Accrued interest and dividends	36,778	-	36,778
Investments, at fair value:			
U.S. stocks	5,283,169	-	5,283,169
International stocks	35,849	-	35,849
U.S. obligations	1,234,177	-	1,234,177
Corporate debt	761,397	-	761,397
Fixed income mutual funds	1,001,890	-	1,001,890
Investment contract with insurance company:			
Life insurance annuities	6,755,553	-	6,755,553
Total assets	<u>\$ 15,952,133</u>	<u>\$ 11,017</u>	<u>\$ 15,963,150</u>
Liabilities			
Deposits held in custody for others	\$ -	\$ 11,017	\$ 11,017
Vouchers payable	6,674	-	6,674
Total liabilities	<u>6,674</u>	<u>11,017</u>	<u>17,691</u>
Net Assets			
Held in trust for pension benefits	<u>\$ 15,945,459</u>	<u>\$ -</u>	<u>\$ 15,945,459</u>

See accompanying notes to the financial statements.

CITY OF HAINES CITY, FLORIDA
Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
Year Ended September 30, 2006

	Pension Trust Funds
Additions:	
Contributions:	
Employer	\$ 678,740
Employees	410,860
State of Florida	175,121
Total contributions	1,264,721
Investment income:	
Interest and dividends	938,979
Net investment income	938,979
Total contributions and investment income	2,203,700
 Deductions:	
Pension benefits	979,540
Administrative expenses	108,025
Total deductions	1,087,565
 Change in net assets	1,116,135
 Net assets - beginning of year	14,829,324
 Net assets - end of year	\$ 15,945,459

See accompanying notes to the financial statements.

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 1 - Summary of significant accounting policies

A. Reporting entity

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

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

In evaluating the City as a reporting entity, management has included all component units in accordance with GASB Statement No. 14, "*The Financial Reporting Entity*." The Financial Reporting Entity consists of the City of Haines City, Florida (the primary government) and its blended component unit. Blended component units are legally separate organizations for which the City is financially accountable. The component unit discussed below is included in the City's reporting entity.

Blended component unit

The following component unit is blended with the primary government for financial statement purposes because the component unit's governing body is substantially the same as the City Commission or because the component unit exclusively serves the City.

Community Redevelopment Agency (CRA)

The CRA, which was created on April 4, 1991 by Resolution No. 558 pursuant to the Community Redevelopment Act, as found in Chapter 163 of the Florida Statutes, is an entity which is legally separate from the City of Haines City and is governed by a seven-member board; five board members are the City Commission members and the other two members are appointed by the City Commission. Its sole purpose is to finance and develop the City's designated redevelopment areas. The CRA is reported as a major special revenue fund.

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 1 - Summary of significant accounting policies (continued)

B. Government-wide and fund financial statements

The basic financial statements consist of the government-wide financial statements and fund financial statements. The government-wide financial statements required under this statement (the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the City and its blended component unit. For the most part, the effect of interfund activity has been removed from these statements so as not to distort financial results. Fiduciary funds are also excluded from the government-wide financial statements since by definition these assets are being held for the benefit of third parties and cannot be used to address 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. 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 (fund financial statements) are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City's fiduciary funds are presented in the fund financial statements but, as noted above, are not included in the government-wide statements. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations.

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

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

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 1 - Summary of significant accounting policies (continued)

considers revenues to be available if they are collected within 90 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, franchise fees, 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 financial transactions of the City are recorded in individual funds. Each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

GASB Statement 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.

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 CRA Fund is the community redevelopment agency special revenue fund. Its purpose is to finance and redevelop the City's designated redevelopment areas.

The City reports the following major proprietary fund:

The Water and Sewer Fund accounts for the operations of the City's regional water and sewer system.

Additionally, the City reports the following fund types:

The Pension Trust Funds account for the activities of the General Employees' Pension Fund, Police Officers' Pension Fund and Firefighters' Pension Fund, which accumulate resources for pension benefit payments to qualified employees.

The Right of Way Agency Fund accounts for funds held in custody for the maintenance of Southern Dunes right-of-way land.

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 1 - Summary of significant accounting policies (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The 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, as well as fees, fines and forfeitures, (2) operating grants and contributions, and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Budget process and accounting

On or before September 1 of each year the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing October 1. A public hearing is conducted at City Hall to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through passage of an ordinance.

As set forth in the City Charter, the City Commission adopts an annual budget for the General Fund, Special Revenue and Proprietary Funds. The City does not adopt a budget for the Debt Service Fund, because effective budgetary control is achieved through bond indenture provisions. The annual budgets for the General Fund and Special Revenue Fund are prepared in accordance with generally accepted accounting principles for governmental fund types (modified accrual basis). The annual budgets for the Proprietary Funds are generally prepared in accordance with generally accepted accounting principles (GAAP) for enterprise fund types (accrual basis), except that capital expenses are included in the budget and depreciation expense is not included. All annual appropriations lapse at fiscal year-end.

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 1 - Summary of significant accounting policies (continued)

Budgetary control is maintained at the department level. Expenditures may not legally exceed budgeted appropriations at the department level. Department Heads are permitted to transfer appropriations between line items within their department, with the approval of the Finance Director and City Manager. Appropriations may be transferred between departments with the approval of the Finance Director and City Manager. The City Commission approves budget amendments for expenditures/expenses which are funded by new or increased revenue sources through passage of an ordinance.

E. Assets, liabilities and net assets or equity

Deposits and investments

The City's cash and cash equivalents include cash on hand, time and demand deposits and short-term investments. For purposes of the Statement of Cash Flows, the City considers all highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

All investments, including Pension Funds, are stated at fair value, with the exception of investments in the Florida Local Government Surplus Funds Trust Fund (SBA), an external 2a7-like investment pool which is presented at share price. All fair market valuations are based on quoted market prices; SBA pool shares are based on amortized cost, which approximates fair market value of the SBA's underlying portfolio.

Receivables and payables

Receivables consist of trade receivables, due from other governments and interest receivable, and are recorded at gross amount. The City has recorded an allowance. The City's General Fund, Water and Sewer Fund, and Stormwater Fund accounts receivable are presented net of an allowance for doubtful accounts of \$30,491; \$105,423; and \$4,859, respectively, at September 30, 2006. All other receivables are considered fully collectible.

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."

Inventory

Inventory is valued at cost using the first-in/first-out (FIFO) method. Inventory of governmental funds is recorded as an expenditure when consumed rather than when purchased.

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 1 - Summary of significant accounting policies (continued)

Restricted assets

Certain proceeds of revenue bonds and loans, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond/loan covenants.

Capital assets

Capital assets, which include land, plant and plant improvements, buildings and improvements, equipment, transportation equipment, library books and infrastructure (i.e., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City 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 value at the time of donation.

The costs of normal maintenance and repairs that do not add to the fair value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the current year.

Depreciable capital assets are amortized using the straight-line method (except library books, which use a composite method) over the following estimated useful lives:

Assets	Years
Stormwater improvements	10 - 30 years
Plant and plant improvements	5 - 50 years
Buildings and improvements	5 - 50 years
Equipment	3 - 50 years
Transportation equipment	3 - 15 years
Library books	3 - 7 years

Pursuant to GASB Statement No. 34, an extended period of deferral (until fiscal year ending September 30, 2007) is available before the requirement to record and depreciate general infrastructure assets acquired before the implementation date. This category is likely to be one of the largest asset classes of the City and its cost has not historically been recorded nor has depreciation been charged. General infrastructure assets, reported prospectively beginning October 1, 2002, include roads, bridges, underground pipe (other than that related to utilities), sidewalks, street lights, traffic signals, etc.

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 1 - Summary of significant accounting policies (continued)

Deferred revenue

Government funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. General Fund deferred revenue includes \$1,205,222 of deferrals related to grant funds not considered available at September 30, 2006.

Compensated absences

All regular employees with less than five years continuous service earn 80 hours of annual leave. The number of hours of annual leave increases relative to the number of years of continuous service, in increments of five years. The maximum of 160 hours of annual leave is obtained after twenty years of continuous service. For employees with 10 years or less of continuous service with the City, a maximum of 25 days of annual leave may be carried over to the next year. For employees with more than 10 years of continuous service, a maximum of 35 days may be carried over. Employees who terminate with more than one year's service are paid for 100% of their unused annual leave. The City has accrued 100% of the annual leave liability, including related fringe benefits.

All regular employees earn eight hours of sick leave per month. A maximum of 112 days sick leave may be accumulated. Employees who voluntarily terminate or retire are paid for 100% of their accumulated sick leave balance up to a maximum of 112 days. The City has accrued the estimated amount of vested sick leave liability, including related fringe benefits.

Long-term obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 1 - Summary of significant accounting policies (continued)

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.

Encumbrance accounting is employed in all governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because commitments will be re-appropriated and honored during the subsequent year.

Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from management's estimates.

Note 2 - Property taxes

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

The Tax Collector remits collected taxes at least monthly to the City. The City recognizes property tax revenue in the year for which they are levied.

A calendar of property tax events is as follows:

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

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 3 - Deposits and investments

In accordance with Florida Statutes and the City's written investment policy (which was adopted by the City Commission by Resolution), the City may invest in the following types of investments: the Local Government Surplus Funds Trust Fund (SBA); SEC-registered money market funds with the highest credit quality rating; interest-bearing time deposits or savings accounts in qualified public depositories; direct obligations of the U.S. Treasury; Federal agencies and instrumentalities; securities of investment companies or investment trusts provided their portfolio is limited to obligations of the U.S. government or agencies or instrumentalities; repurchase agreements fully collateralized by U.S. government obligations and other investments authorized by law or ordinance for a municipality.

The City pools the majority of its cash in a single bank account that is available for use by all funds, except the Pension Trust Funds. The City has entered into an agreement with the bank concerning the sweeping of this account to pay all cleared charges against other accounts and pay the City a stipulated variable rate of interest on the account's daily balance. At September 30, 2006, the carrying amount of the City's total deposits was \$25,138,567. All deposits are covered either by the Federal Deposit Insurance Corporation or by the State of Florida Collateral Pool, a multiple financial institution pool with the ability to assess its members' financial institution for collateral shortfalls if a member fails.

The City's Pension Trust Funds' investment balances, other than investments in stocks, are as shown on the following page at September 30, 2006.

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 3 - Deposits and investments (continued)

	Type	Credit Quality Rating	Fair Value	Years to Maturity			
				< 1	1-5	6-10	>10
General Employees' Pension:							
Mutual funds - real estate	Mutual Funds	Unrated	\$ 142,525	\$ -	\$ -	\$ -	\$ -
Life insurance annuities	Annuities	Unrated	6,755,553	-	-	-	-
Police Pension:							
FHLMC	Fixed Income	AAA	36,628	-	-	-	36,628
FNMA	Fixed Income	AAA	314,746	-	314,746	-	-
US treasury bond	Fixed Income	N/A	52,563	-	-	-	52,563
US treasury note	Fixed Income	N/A	289,688	-	289,688	-	-
Total U.S. obligations			693,625	-	604,434	-	89,191
Corporate debt	Fixed Income	AA-	72,671	-	36,749	35,922	-
Corporate debt	Fixed Income	A+	47,906	-	47,906	-	-
Corporate debt	Fixed Income	A	224,920	-	98,288	52,851	73,781
Corporate debt	Fixed Income	A-	60,642	-	37,577	-	23,065
Corporate debt	Fixed Income	BBB+	21,915	-	-	-	21,915
Total corporate debt			428,054	-	220,520	88,773	118,761
FHLMC	Fixed Income	AAA	212,055	-	-	-	212,055
FNMA	Fixed Income	AAA	170,357	-	-	67,983	102,374
Total govt MBS/CMO/ABS			382,412	-	-	67,983	314,429
GNMA	Fixed Income	N/A	99,877	-	-	79,215	20,662
Total GNMA mortgage pass-thru			99,877	-	-	79,215	20,662
Firefighters' Pension:							
FHLMC	Fixed Income	AAA	30,523	-	-	-	30,523
FNMA	Fixed Income	AAA	243,676	-	243,676	-	-
US treasury bond	Fixed Income	N/A	39,431	-	-	-	39,431
US treasury note	Fixed Income	N/A	226,922	-	226,922	-	-
Total U.S. obligations			540,552	-	470,598	-	69,954
Corporate debt	Fixed Income	AAA	5,715	-	-	-	5,715
Corporate debt	Fixed Income	AA-	56,296	-	26,249	30,047	-
Corporate debt	Fixed Income	A+	47,104	-	37,260	9,844	-
Corporate debt	Fixed Income	A	168,392	-	72,219	33,763	62,410
Corporate debt	Fixed Income	A-	55,836	-	32,209	-	23,627
Total corporate debt			333,343	-	167,937	73,654	91,752
FHLMC	Fixed Income	AAA	136,033	-	-	-	136,033
FNMA	Fixed Income	AAA	166,823	-	-	49,946	116,877
Total govt MBS/CMO/ABS			302,856	-	-	49,946	252,910
GNMA	Fixed Income	N/A	74,220	-	-	58,995	15,225
Total GNMA mortgage pass-thru			74,220	-	-	58,995	15,225
Total U.S. obligations			\$ 1,234,177	\$ -	\$1,075,032	\$ -	\$ 159,145
Total corporate debt			\$ 761,397	\$ -	\$ 388,457	\$ 162,427	\$ 210,513
Total mutual funds			\$ 142,525	\$ -	\$ -	\$ -	\$ -
Total life insurance annuities			\$ 6,755,553	\$ -	\$ -	\$ -	\$ -
Total govt MBS/CMO/ABS			\$ 685,268	\$ -	\$ -	\$ 117,929	\$ 567,339
Total GNMA mortgage pass-thru			\$ 174,097	\$ -	\$ -	\$ 138,210	\$ 35,887

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 4 - Capital assets

Capital asset activity for the year ended September 30, 2006 is as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,569,066	\$ 89,075	\$ -	\$ 1,658,141
Construction in progress	807,722	364,671	(807,722)	364,671
Total capital assets not being depreciated	2,376,788	453,746	(807,722)	2,022,812
Capital assets being depreciated:				
Building and improvements	12,439,213	2,242,456	(47,399)	14,634,270
Equipment	3,404,408	561,154	(202,808)	3,762,754
Transportation equipment	2,402,337	357,290	(36,945)	2,722,682
Library books	136,248	55,041	-	191,289
Total capital assets being depreciated	18,382,206	3,215,941	(287,152)	21,310,995
Less Accumulated depreciation for:				
Buildings and improvements	(2,135,499)	(406,784)	23,913	(2,518,370)
Equipment	(1,871,063)	(260,680)	195,559	(1,936,184)
Transportation equipment	(1,376,951)	(236,172)	36,362	(1,576,761)
Library books	(27,973)	(27,250)	-	(55,223)
Total accumulated depreciation	(5,411,486)	(930,886)	255,834	(6,086,538)
Total capital assets, being depreciated, net	12,970,720	2,285,055	(31,318)	15,224,457
Governmental activities capital assets, net	\$ 15,347,508	\$ 2,738,801	\$ (839,040)	\$ 17,247,269

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 4 - Capital assets (continued)

	Beginning balance	Increases	Decreases	Ending balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 289,901	\$ -	\$ -	\$ 289,901
Construction in progress	1,113,202	3,387,381	(966,161)	3,534,422
Total capital assets not being depreciated	1,403,103	3,387,381	(966,161)	3,824,323
Capital assets being depreciated:				
Stormwater improvements	27,280	-	-	27,280
Plant and plant improvements	30,590,547	906,977	(1,465)	31,496,059
Buildings and improvements	117,182	-	-	117,182
Equipment	1,475,473	611,970	(138,266)	1,949,177
Transportation equipment	551,533	105,120	(55,825)	600,828
Total capital assets being depreciated	32,762,015	1,624,067	(195,556)	34,190,526
Less accumulated depreciation for:				
Stormwater improvements	(909.00)	(909)	-	(1,818)
Plant and plant improvements	(11,816,418)	(545,738)	1,465	(12,360,691)
Buildings and improvements	(9,750)	(5,067)	-	(14,817)
Equipment	(580,461)	(161,977)	111,551	(630,887)
Transportation equipment	(365,663)	(57,872)	55,824	(367,711)
Total accumulated depreciation	(12,773,201)	(771,563)	168,840	(13,375,924)
Total capital assets, being depreciated, net	19,988,814	852,504	(26,716)	20,814,602
Business-type activities capital assets, net	\$ 21,391,917	\$ 4,239,885	\$ (992,877)	\$ 24,638,925

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

Governmental activities:	
General government	\$ 257,147
Public safety	388,374
Physical environment	1,646
Transportation	55,233
Economic environment	10,645
Culture and recreation	217,841
Total depreciation expense - governmental activities	\$ 930,886

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 4 - Capital assets (continued)

Business-type activities:

Water and Sewer	\$ 769,245
Stormwater	2,318
	\$ 771,563
Total depreciation expense - business-type activities	\$ 771,563

Construction and other significant commitments

Outstanding purchase order commitments, including construction commitments, are recorded in the governmental funds as a reservation of fund balance for encumbrances. Enterprise funds do not record such commitments as a reservation of fund balance. Total commitments by fund are as follows:

	Remaining commitment
General fund	\$ 332,323
CRA fund	299,605
Water and Sewer fund	375,252
	\$ 1,007,180

Note 5 - Interfund balances and transfers

Interfund loans for short-term operating purposes resulted in the following balances at September 30, 2006:

	Receivable	Payable
General fund	\$ 12,878	\$ -
Water and Sewer fund	-	12,878
	\$ 12,878	\$ 12,878

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 5 - Interfund balances and transfers (continued)

Interfund transfers for operating purposes from the fund that collected them to the fund that is authorized to expend them were as follows for the year ended September 30, 2006:

	Transfers in	Transfer out
General fund	\$ 807,067	\$ (1,431,121)
CRA fund	917,204	(539,169)
Debt Service fund	1,036,883	-
Water and Sewer fund	16,203	(807,067)
	\$ 2,777,357	\$ (2,777,357)

Note 6 - Leases

1. Operating leases

The City's General Fund and Water and Sewer Fund activities include certain leases accounted for as operating leases. All of the City's operating leases contain a 30-day cancellation clause with no penalty; therefore, none of the leases have noncancelable terms in excess of one year which would require disclosure of future minimum lease payments.

Rent expenditures/expenses were \$33,515 and \$2,316 for the General Fund and Water and Sewer Fund, respectively, during the year ended September 30, 2006.

2. Capital leases

The City is obligated under various leases accounted for as capital leases. These leases were executed to finance the purchase of several police vehicles, fire vehicles, fire trucks, equipment, and a computer system. These lease agreements qualify as capital leases for accounting purposes and, therefore, are recorded at the present value of the future minimum lease payments as of the inception date. Interest rates vary from 2.43% to 6.43%, with maturity dates from November 2006 to November 2011.

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 6 - Leases (continued)

Assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities
Vehicles and equipment	\$ 950,811	\$ 107,196
Less: Accumulated depreciation	(355,811)	(42,760)
Total	\$ 595,000	\$ 64,436

The future minimum lease obligations and net present value of these minimum lease payments are as follows at September 30, 2006:

Fiscal Year	Governmental Activities	Business-Type Activities
2007	\$ 109,682	\$ 43,207
2008	96,047	43,207
2009	80,536	21,627
2010	55,043	-
2011	55,043	-
2012 - 2015	13,761	-
Total minimum lease payments	410,112	108,041
Less: Amount representing interest	(34,419)	(4,482)
Present value of minimum lease payments	\$ 375,693	\$ 103,559

Note 7 - Long-term debt

Summarized below are the City's debt issued to finance the acquisition and construction of major capital facilities that were outstanding as of September 30, 2006:

1. Governmental activities debt

\$320,000 loan payable – Florida Municipal Loan Council – Funds borrowed to finance construction of a new police station, renovate City Hall and related facilities and purchase related furniture, fixtures and equipment. Semiannual payments will be made over a 5 year period, including interest which varies from 3.85% to 5.57%. This loan was partially refunded during fiscal 2005 with a \$3,355,000 loan payable.

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 7 - Long-term debt (continued)

\$4,485,000 loan payable – Florida Municipal Loan Council – Funds borrowed to finance various redevelopment projects within the City by the CRA Fund. Semiannual payments will be made over a 15 year period, including interest which varies from 3.0% to 4.625%.

\$3,090,000 loan payable – Florida Municipal Loan Council – Funds borrowed to finance construction of the railroad spur project. Semiannual payments will be made over a 30 year period, including interest which varies from 3.0% to 5.125%.

\$3,355,000 loan payable – Florida Municipal Loan Council – Funds borrowed during fiscal 2005 to refund \$3,215,000 of the Police Station Loan from the Florida Municipal Loan Council. Semiannual payments will be made over a 25 year period, including interest which varies from 3.0% to 5.0%. The excess of the reacquisition price over the net carrying amount of the old debt of \$138,118 is netted against this loan and amortized over 25 years, which is the both the remaining life of the old debt and the life of the new debt. Associated debt issuance costs of \$71,882 are also being amortized over 25 years.

2. Business-type activities debt

\$1,990,000 Water and Sewer Revenue Refunding Bonds, Series 1991 – Issued to refund the outstanding Water and Sewer Refunding and Revenue Bonds, Series 1987. These bonds and the interest thereon are payable solely from the net revenues derived from the operation of the City's water and sewer utility system and amounts in deposit in the debt service reserve fund. Certain reserves and covenants must be met. Interest is payable semiannually at rates varying between 6.35% and 6.5% until final maturity on October 1, 2012.

\$147,733 State Revolving Fund Loan – Funds borrowed to finance the acquisition and construction of influent transmission facilities, lift stations 4 and 5. The loan is secured by pledged revenues, and certain reserves and covenants must be met. The loan will be repaid in twenty annual installments including interest at 4.2% for the original loan of \$221,000 and 4.15% for the additional completion loan of \$215,000.

\$161,061 State Revolving Fund Loan – Funds borrowed to finance the acquisition and construction of influent transmission facilities, lift stations 1 and 2. The loan is secured by pledged revenues, and certain reserves and covenants must be met. The loan will be repaid in twenty annual installments including interest at 3.98%.

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 7 - Long-term debt (continued)

\$6,302,307 State Revolving Fund Loan – Funds borrowed to finance the construction of wastewater treatment, reuse and sludge facilities. The loan is secured by pledged revenues and certain reserves and covenants must be met. The loan will be repaid in forty semiannual payments including interest at 2.59% and 2.63%, which applies to various loan increments.

3. Changes in long-term debt

The following is a summary of changes in long-term debt of the City for the year ended September 30, 2006:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
FMLC - Police Station	\$ 390,000	\$ -	\$ (70,000)	\$ 320,000	\$ 75,000
FMLC - CRA	4,750,000	-	(265,000)	4,485,000	275,000
FMLC - Rail Spur	3,145,000	-	(55,000)	3,090,000	60,000
FMLC - Police Station	3,355,000	-	-	3,355,000	15,000
Loans payable	<u>11,640,000</u>	-	<u>(390,000)</u>	<u>11,250,000</u>	<u>425,000</u>
Less Unamortized Costs:					
Deferred Amount on Refunding	(138,118)	-	2,875	(135,243)	-
Debt Issue Costs	(71,882)	-	5,525	(66,357)	-
Total loans payable, net of unamortized costs	<u>11,430,000</u>	-	<u>(381,600)</u>	<u>11,048,400</u>	<u>425,000</u>
Capital Leases	412,260	90,873	(127,440)	375,693	95,848
Compensated absences	968,943	552,493	(464,280)	1,057,156	464,280
Total governmental activities long-term liabilities	<u>\$ 12,811,203</u>	<u>\$ 643,366</u>	<u>\$ (973,320)</u>	<u>\$ 12,481,249</u>	<u>\$ 985,128</u>

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 7 - Long-term debt (continued)

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Business-type activities:					
Revenue bonds - Series 1991	\$ 2,210,000	\$ -	\$ (220,000)	\$ 1,990,000	\$ 235,000
Less: Deferred amounts for original issue discount	(11,203)	-	2,636	(8,567)	-
	<u>2,198,797</u>	<u>-</u>	<u>(217,364)</u>	<u>1,981,433</u>	<u>235,000</u>
State Revolving Fund Loan - 4 & 5	173,823	-	(26,090)	147,733	27,180
State Revolving Fund Loan - 1 & 2	184,425	-	(23,364)	161,061	24,294
State Revolving Fund Loan & Reuse	6,818,276	-	(515,969)	6,302,307	529,443
	<u>7,176,524</u>	<u>-</u>	<u>(565,423)</u>	<u>6,611,101</u>	<u>580,917</u>
Capital lease	142,887	-	(39,328)	103,559	40,547
Compensated absences	164,124	111,910	(109,921)	166,113	109,921
Total business-type activities long-term liabilities	<u>\$ 9,682,332</u>	<u>\$ 111,910</u>	<u>\$ (932,036)</u>	<u>\$ 8,862,206</u>	<u>\$ 966,385</u>

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 7 - Long term debt (continued)

4. Principal and Interest Requirements to Maturity

The following represents the annual debt service requirements to maturity for debt outstanding as of September 30, 2006, including the General Government's \$11,250,000 of FMLC debt principal and Enterprise Fund Revenue Bonds of \$1,990,000 and State Revolving Fund Loans of \$6,611,100.

Fiscal year ending	General Government			Enterprise Funds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 425,000	\$ 500,946	\$ 925,946	\$ 815,918	\$ 294,217	\$ 1,110,135
2008	440,000	486,996	926,996	846,845	262,703	1,109,548
2009	450,000	471,574	921,574	878,218	229,592	1,107,810
2010	465,000	454,821	919,821	910,053	195,046	1,105,099
2011	485,000	436,487	921,487	947,361	158,889	1,106,250
2012 - 2016	2,735,000	1,883,282	4,618,282	3,862,349	319,632	4,181,981
2017 - 2021	2,465,000	1,257,437	3,722,437	340,357	4,415	344,772
2022 - 2026	1,525,000	810,969	2,335,969	-	-	-
2027 - 2031	1,705,000	384,700	2,089,700	-	-	-
2032 - 2035	555,000	57,913	612,913	-	-	-
	<u>\$11,250,000</u>	<u>\$6,745,125</u>	<u>\$17,995,125</u>	<u>\$8,601,101</u>	<u>\$1,464,494</u>	<u>\$10,065,595</u>

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 8 - Restricted assets

Certain cash and investments that are legally restricted in the statement of net assets at September 30, 2006 are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital projects	\$ 5,242,133	\$ -
Confiscated property	27,382	-
Main Street/Other	32,761	-
Debt service	-	640,188
Impact fees	2,616,113	4,920,710
Deposits	-	673,190
Bond and loan reserves	-	1,174,215
	<u> </u>	<u> </u>
Total	<u>\$ 7,918,389</u>	<u>\$ 7,408,303</u>

The balances of the liabilities payable from restricted asset accounts in the government-wide statement of net assets at September 30, 2006 are as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Accrued interest payable	\$ -	\$ 135,743
Current portion of long-term debt	-	508,379
Deposits	-	673,190
Other liabilities	-	13,015
	<u> </u>	<u> </u>
Total	<u>\$ -</u>	<u>\$ 1,330,327</u>

Note 9 - Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. There have been no significant reductions in insurance coverage from the previous year. Settlement amounts have not exceeded insurance coverage for the current year nor the three prior years.

The City's former workers' compensation insurer, Governmental Risk Insurance Trust (GRIT), a governmental insurance pool, filed for Chapter 11 bankruptcy on March 30, 2000. As a result, the City is contingently liable for certain workers' compensation claims that otherwise would have been subject to GRIT coverage. There were two such claims outstanding at September 30, 2006.

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 10 - Contingent liabilities

The City receives revenues from various federal and state grants. These grants are for specific purposes and are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement for expenditures disallowed under the terms of the grants. Based upon prior experience, City management believes such disallowances, if any, will be immaterial.

The City is involved in legal actions and has certain workers' compensation claims outstanding, as described above. In the opinion of management, associated contingent obligations will not have a material effect on the financial statements of the City.

Note 11 - Other post-employment benefits

The City offers its retirees the option of continuing to participate in health and life insurance plans that are offered to its active employees. Florida Statutes state that the City must offer its retirees this option at a premium cost of no more than that applicable to active employees. Each retiree must pay 100% of the costs of any insurance they elect to continue. Funding is on a "pay as you go" basis. Most of the City's employees would become eligible for those benefits should they reach normal retirement age while working for the City.

Life and health insurance are fully insured and provided through outside providers. Retiree premium costs are paid in full by the retirees.

Note 12 - Pension plans

Defined benefit plans

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

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 12 - Pension plans (continued)

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

	<u>General Employees</u>	<u>Police Officers and Firefighters</u>
Eligibility to participate	Full-time at date of hire (30 hours per week)	Full-time police officers or firefighters
Determination of contributions	Actuarially determined	Actuarially determined
Funding of administration costs	Included in Normal Cost	Included in Normal Cost
Period required to vest	20% after 3 years of service, plus 20% annually thereafter; 100% after 7 years for participants hired after August 1, 1999	100% after 10 years of credited service
Required contributions	5% of total compensation	9% of salary
Eligibility for Benefits:		
Normal retirement	Later of age 60 or 5 years of service; Later of age 60 or 7 years of vesting service for participants hired after August 1, 1999	Earlier of age 55 and 10 years of service or age 52 and 25 years of service or age 60
Early retirement	Age 55 and 10 years of service (unreduced benefit with 25 years of service)	Age 50 and 10 years of credited service
Benefits:		
Normal retirement	2.5% of average final compensation times credited service	3.2% of average final compensation times credited service
Early retirement	Accrued benefit, reduced 2% for each year up to five and 4% for each year between five and ten that the early retirement date precedes normal retirement	Accrued benefit, reduced 3% for each year prior to normal retirement

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

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 12 - Pension plans (continued)

Membership

	<u>General Employees</u>	<u>Police Officers</u>	<u>Firefighters</u>
Retirees and beneficiaries receiving benefits and terminated employees not yet receiving benefits	107	13	10
Active plan members:			
Fully vested	34	8	6
Partially vested	3	-	-
Non-vested	67	37	20
Total membership	<u>211</u>	<u>58</u>	<u>36</u>

Annual pension cost

The City's annual pension cost for the year ended September 30, 2006 was as follows:

	<u>General Employees</u>	<u>Police Officers</u>	<u>Firefighters</u>
Annual required contribution	\$ 651,083	\$ 59,132	\$ 81,931
Interest on net pension obligation	(18,329)	-	-
Adjustments to annual required contribution	29,940	-	-
Annual pension cost	<u>\$ 662,694</u>	<u>\$ 59,132</u>	<u>\$ 81,931</u>

Contributions to the plans for the fiscal year ended September 30, 2006 exceed the annual pension cost; therefore, there is no net pension obligation.

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

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 12 - Pension plans (continued)

Three-year trend information

	<u>Fiscal year ending</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net pension Obligation</u>
General	9/30/05	\$662,694	103%	\$ -
Employees'	9/30/04	\$547,779	95%	\$ -
Plan	9/30/03	\$410,638	102%	\$ -
Police	9/30/06	\$ 59,132	100%	\$ -
Officers'	9/30/05	\$ 75,848	100%	\$ -
Plan	9/30/04	\$128,844	100%	\$ -
Fire-	9/30/06	\$ 81,931	100%	\$ -
fighters'	9/30/05	\$ 44,731	100%	\$ -
Plan	9/30/04	\$113,719	100%	\$ -

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 12 - Pension plans (continued)

Financial statements for the City's pension plans at September 30, 2006 are as follows:

	<u>General Employees' Pension Fund</u>	<u>Police Officers' Pension Fund</u>	<u>Firefighters' Pension Fund</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 546,575	\$ 83,793	\$ 37,831	\$ 668,199
Receivables:				
Contributions	-	106,594	68,527	175,121
Accrued interest and dividends	-	21,115	15,663	36,778
Investments, at fair value:				
U.S. Stocks	184,470	2,856,825	2,241,874	5,283,169
International Stocks	35,849	-	-	35,849
U.S. Treasury obligations	-	693,625	540,552	1,234,177
Corporate debt	-	428,054	333,343	761,397
Fixed Income Mutual Funds	142,525	482,289	377,076	1,001,890
Investment contract with insurance company:				
Life insurance annuities	6,755,553	-	-	6,755,553
Total assets	<u>\$ 7,664,972</u>	<u>\$ 4,672,295</u>	<u>\$ 3,614,866</u>	<u>\$ 15,952,133</u>
Liabilities				
Vouchers payable	\$ 6,674	\$ -	\$ -	\$ 6,674
Total Liabilities	<u>6,674</u>	<u>-</u>	<u>-</u>	<u>6,674</u>
Net Assets				
Held in trust for pension benefits	<u>\$ 7,658,298</u>	<u>\$ 4,672,295</u>	<u>\$ 3,614,866</u>	<u>\$ 15,945,459</u>

CITY OF HAINES CITY, FLORIDA
Notes to the Financial Statements
Year Ended September 30, 2006

Note 12 - Pension plans (continued)

	General Employees' Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund	Total
Additions:				
Contributions:				
Employer	\$ 537,677	\$ 59,132	\$ 81,931	\$ 678,740
Employees	173,078	157,791	79,991	410,860
State of Florida	-	106,594	68,527	175,121
Total contributions	<u>710,755</u>	<u>323,517</u>	<u>230,449</u>	<u>1,264,721</u>
Investment income:				
Interest and dividends	293,792	371,759	273,428	938,979
Net investment income	<u>293,792</u>	<u>371,759</u>	<u>273,428</u>	<u>938,979</u>
Total contributions and investment income	<u>1,004,547</u>	<u>695,276</u>	<u>503,877</u>	<u>2,203,700</u>
Deductions:				
Pension benefits	414,306	291,687	273,547	979,540
Administrative expenses	33,194	37,060	37,771	108,025
Total deductions	<u>447,500</u>	<u>328,747</u>	<u>311,318</u>	<u>1,087,565</u>
Change in net assets	557,047	366,529	192,559	1,116,135
Net assets - beginning of year	<u>7,101,251</u>	<u>4,305,766</u>	<u>3,422,307</u>	<u>14,829,324</u>
Net assets - end of year	<u>\$ 7,658,298</u>	<u>\$ 4,672,295</u>	<u>\$ 3,614,866</u>	<u>\$ 15,945,459</u>

Note 13 - Hurricanes

During August and September 2004, three hurricanes directly impacted the City. The City estimates that it incurred approximately \$550,000 in costs related to building and property repairs in association with these events. Of the above mentioned amount, \$419,385 remains subject to reimbursement by FEMA and is presented as part of General Fund deferred revenue at September 30, 2006.

CITY OF HAINES CITY, FLORIDA
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 4,164,950	\$ 4,164,950	\$ 4,457,048	\$ 292,098
Gas and fuel taxes	831,000	831,000	776,898	(54,102)
Franchise fees	1,067,000	1,067,000	1,375,670	308,670
Utility taxes	971,005	971,005	1,125,498	154,493
Communications service tax	685,000	685,000	696,625	11,625
Licenses and permits	1,674,230	1,674,230	1,722,151	47,921
Intergovernmental	2,518,195	2,518,195	2,674,658	156,463
Charges for services	1,938,270	1,938,270	2,457,159	518,889
Fines and forfeitures	116,740	116,740	196,205	79,465
Impact fees	-	-	1,125,907	1,125,907
Contributions	138,400	138,400	121,397	(17,003)
Interest	120,135	120,135	430,516	310,381
Other	57,250	57,250	106,953	49,703
Total revenues	14,282,175	14,282,175	17,266,685	2,984,510
Expenditures:				
Current:				
General government	2,368,260	2,321,711	1,975,155	346,556
Public safety	5,724,140	5,724,140	5,659,210	64,930
Physical environment	1,343,955	1,343,955	2,033,972	(690,017)
Transportation	1,400,860	1,400,860	859,531	541,329
Economic development	529,755	527,855	497,252	30,603
Culture and recreation	2,002,470	2,003,220	1,836,180	167,040
Debt issue costs	-	-	-	-
Capital outlay	1,477,295	1,524,994	1,089,456	435,538
Total expenditures	14,846,735	14,846,735	13,950,756	895,979
Revenues over (under) expenditures	(564,560)	(564,560)	3,315,929	3,880,489
Other financing sources (uses):				
Insurance proceeds	-	-	46,756	46,756
Refunding loan issued	720,680	720,680	-	(720,680)
Proceeds from capital leases	-	-	90,873	90,873
Transfers in	1,172,395	1,172,395	807,067	(365,328)
Transfers out	(1,619,515)	(1,619,515)	(1,431,121)	188,394
Total other financing sources (uses)	273,560	273,560	(486,425)	(759,985)
Net change in fund balances	(291,000)	(291,000)	2,829,504	3,120,504
Fund balances - beginning of year	7,699,288	7,699,288	7,699,288	-
Fund balances - end of year	\$ 7,408,288	\$ 7,408,288	\$ 10,528,792	\$ 3,120,504

CITY OF HAINES CITY, FLORIDA
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
CRA Fund
Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
Revenues:				
Property Taxes	\$ 1,055,290	\$ 1,055,290	\$ 1,349,523	\$ 294,233
Intergovernmental Revenues	844,890	844,890	207,757	(637,133)
Charges for Services	-	-	650	650
Interest Revenue	-	-	265,423	265,423
Total revenues	1,900,180	1,900,180	1,823,353	(76,827)
Expenditures:				
Current:				
Public Safety	252,155	252,155	51,597	200,558
Economic Development	5,887,269	5,887,269	600,101	5,287,168
Debt service:				
Debt Issue Costs	536,480	536,480	-	536,480
Capital Outlay	1,664,976	1,664,976	1,772,509	(107,533)
Total expenditures	8,340,880	8,340,880	2,424,207	5,916,673
Revenues over (under) expenditures	(6,440,700)	(6,440,700)	(600,854)	5,839,846
Other financing sources (uses):				
Debt Proceeds	4,924,900	4,924,900	-	(4,924,900)
Other Nonoperating Sources	462,600	462,600	-	(462,600)
Transfers In	917,200	917,200	917,204	4
Transfers Out	(100,000)	(100,000)	(539,169)	(439,169)
Total other financing sources (uses)	6,204,700	6,204,700	378,035	(5,826,665)
Net change in fund balances	(236,000)	(236,000)	(222,819)	13,181
Fund balances - beginning of year	5,727,508	5,727,508	5,727,508	-
Fund balances - end of year	\$ 5,491,508	\$ 5,491,508	\$ 5,504,689	\$ 13,181

CITY OF HAINES CITY, FLORIDA
Schedule of Funding Progress – General Employees', Police Officers' and
Firefighters' Pension Funds
Year Ended September 30, 2006

<u>Actuarial Valuation Date</u>	<u>(1) Actuarial Value of Assets</u>	<u>(2) Actuarial Accrued Liability (AAL)</u>	<u>Unfunded (Assets in excess of) AAL (UAAL) (2) - (1)</u>	<u>Funded Ratio (1) / (2)</u>	<u>(3) Annual Covered Payroll</u>	<u>UAAL as a % of Payroll [(2) - (1)] / (3)</u>
<u>Police Officers' Pension Fund</u>						
10/01/06	\$ 4,754,803	\$ 6,556,282	\$ 1,801,479	72.52%	\$ 1,773,616	101.57%
10/01/05	\$ 4,448,507	\$ 6,080,557	\$ 1,632,050	73.16%	\$ 1,662,220	98.18%
10/01/04	\$ 4,152,286	\$ 5,806,806	\$ 1,654,520	71.51%	\$ 1,541,923	107.30%
10/01/03	\$ 3,932,756	\$ 4,198,074	\$ 265,318	93.68%	\$ 1,425,843	18.61%
10/01/02	\$ 3,810,989	\$ 4,094,870	\$ 283,881	93.07%	\$ 1,293,715	21.94%
10/01/01	\$ 3,767,987	\$ 4,058,477	\$ 290,490	92.84%	\$ 1,196,397	24.28%
<u>Firefighters' Pension Fund</u>						
10/01/06	\$ 3,548,079	\$ 5,437,072	\$ 1,888,993	65.26%	\$ 976,270	193.49%
10/01/05	\$ 3,361,348	\$ 5,093,971	\$ 1,732,623	65.99%	\$ 676,943	255.95%
10/01/04	\$ 3,231,788	\$ 4,408,169	\$ 1,176,381	73.31%	\$ 687,732	171.05%
10/01/03	\$ 3,080,079	\$ 3,180,354	\$ 100,275	96.85%	\$ 642,628	15.60%
10/01/02	\$ 2,940,430	\$ 3,053,658	\$ 113,228	96.29%	\$ 594,424	19.05%
10/01/01	\$ 2,829,058	\$ 2,955,081	\$ 126,023	95.74%	\$ 714,336	17.64%

A Schedule of Funding Progress is not required to be presented for the General Employees' Pension Fund since it utilizes the Aggregate Actuarial Cost Method.

CITY OF HAINES CITY, FLORIDA
Schedule of Contributions from the City and Other Contributing Entities -
General Employees', Police Officers' and Firefighters' Pension Funds
Year Ended September 30, 2006

<u>Year Ended September 30</u>	<u>Annual Required Contribution</u>	<u>City Contribution</u>	<u>State Contribution</u>	<u>Percentage Contributed</u>
<u>General Employees' Pension Fund</u>				
2005	\$ 651,083	\$ 683,991	\$ -	105.05%
2004	\$ 534,833	\$ 517,674	\$ -	96.79%
2003	\$ 400,903	\$ 419,412	\$ -	104.64%
2002	\$ 351,334	\$ 397,930	\$ -	113.26%
2001	\$ 265,309	\$ 301,455	\$ -	113.62%
2000	\$ 114,339	\$ 270,146	\$ -	236.27%
<u>Police Officers' Pension Fund</u>				
2006	\$ 142,009	\$ 59,132	\$ 82,877 *	100.00%
2005	\$ 139,925	\$ 75,848	\$ 64,077 *	100.00%
2004	\$ 192,921	\$ 128,844	\$ 64,077 *	100.00%
2003	\$ 133,667	\$ 69,590	\$ 64,077 *	100.00%
2002	\$ 116,291	\$ 52,214	\$ 64,077 *	100.00%
2001	\$ 98,258	\$ 34,181	\$ 64,077 *	100.00%
<u>Firefighters' Pension Fund</u>				
2006	\$ 132,100	\$ 81,931	\$ 50,169 *	100.00%
2005	\$ 85,717	\$ 44,731	\$ 40,986 *	100.00%
2004	\$ 154,705	\$ 113,719	\$ 40,986 *	100.00%
2003	\$ 140,366	\$ 105,033	\$ 35,333 *	100.00%
2002	\$ 114,823	\$ 79,283	\$ 35,540 *	100.00%
2001	\$ 92,081	\$ 54,095	\$ 37,986 *	100.00%

* Frozen per Florida Statutes, Chapter 175, as amended. This represents the amount of State funding allowed to be used for current benefits. The increment between this amount and the actual amount provided by the State must be retained by the pension plans until it is spent on increased benefits. Therefore, the actuary excludes the "frozen increment" for current funding calculation purposes.

CITY OF HAINES CITY, FLORIDA
Schedule of Funding Progress and Contributions
Year Ended September 30, 2006

The information presented in the required supplemental schedule was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows:

	General Employees' Pension Fund	Police Officers' Pension Fund	Firefighters' Pension Fund
Valuation Date	10/01/05	10/01/06	10/01/06
Actuarial Cost Method	Aggregate	Entry Age Normal	Entry Age Normal
Asset Valuation Method	Four year smoothed market; market value	Five year smoothed market; limited to current market value	Five year smoothed market; limited to current market value
Amortization Method/ Amortization Period	Level percentage of compensation/average future remaining years to retirement	Level percentage of pay / closed; 30 years	Level percentage of pay / closed; 30 years
Actuarial Assumptions:			
Investment Rate of Return			
Pre-retirement	6.25%	8.0%	8.0%
Post-retirement	6.25%	8.0%	8.0%
Projected Salary Increases	6.38% to 9.60% (based on age)	6.5%	6.0%

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APPENDIX H

Financial Information Regarding City of Hallandale Beach, Florida

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

	<u>2006</u>	<u>2005</u>	<u>2004</u>
REVENUES:			
Property taxes	\$ 19,038,280	\$ 16,492,259	\$ 14,753,280
Charges for services	4,109,815	4,059,695	3,771,321
Utility taxes	2,988,218	2,939,355	2,810,591
Intergovernmental	3,235,916	3,041,845	2,725,073
Franchise taxes	4,462,284	3,969,778	3,567,793
Licenses and permits	1,375,884	3,731,199	2,242,324
Fines and forfeitures	220,201	285,383	415,692
Fire assessments	2,476,047	-	-
Investment earnings	1,153,732	636,908	228,765
Other revenues	<u>139,783</u>	<u>2,685,464</u>	<u>2,761,895</u>
Total revenues	<u>39,200,160</u>	<u>37,841,886</u>	<u>33,276,734</u>
EXPENDITURES:			
Current:			
General government	6,967,775	6,103,533	4,198,999
Public safety	22,809,803	20,588,665	19,725,128
Physical environment	2,916,891	2,457,171	2,500,506
Human services	723,088	732,834	666,341
Culture and recreation	2,079,842	2,010,509	1,908,418
Capital outlay	<u>865,164</u>	<u>758,933</u>	<u>1,021,286</u>
Total expenditures	<u>36,362,563</u>	<u>32,651,645</u>	<u>30,020,678</u>
Excess (deficiency) of revenues over expenditures	<u>2,837,597</u>	<u>5,190,241</u>	<u>3,256,056</u>
Other financing sources (uses):			
Proceeds from the sale of capital assets	39,562	43,370	63,930
Transfers in	103,667	37,837	23,063
Transfers out	<u>(3,247,209)</u>	<u>(2,339,466)</u>	<u>(1,741,525)</u>
Total other financing sources (uses)	<u>(3,103,980)</u>	<u>(2,258,259)</u>	<u>(1,654,532)</u>
Net change in fund balances	(266,383)	2,931,982	1,601,524
Fund balances, beginning	<u>24,663,769</u>	<u>21,731,787</u>	<u>20,130,263</u>
Fund balances, ending	\$ <u>24,397,386</u>	\$ <u>24,663,769</u>	\$ <u>21,731,787</u>

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

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and Members of the
City Commission
City of Hallandale 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 Hallandale Beach, Florida (the "City"), as of and for the year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material 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 Hallandale Beach, Florida, as of September 30, 2006, 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 28, 2007 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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, the budgetary comparison information and the pension fund schedules of funding progress and employer contributions on pages 3 through 16, 61 through 62, and 63 through 64, respectively, 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's basic financial statements. The combining and individual nonmajor fund financial statements and 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 combining and individual fund statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying introductory and statistical sections, as listed in the table of contents, 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.

McGladrey & Pullen, LLP

Fort Lauderdale, Florida
March 28, 2007

City of Hallandale Beach, Florida

Statement of Net Assets
September 30, 2006

Assets	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents	\$ 19,139,056	\$ 11,758,216	\$ 30,897,272
Cash with fiscal agent	500,716	-	500,716
Accounts receivable, net of allowance	4,813,084	2,734,466	7,547,550
Due from other governments	1,690,646	-	1,690,646
Inventory	95,501	687,120	782,621
Other assets	8,024	5,462	13,486
Investments	20,199,863	5,000,000	25,199,863
Restricted assets:			
Cash and cash equivalents	106,361	7,321,031	7,427,392
Deferred charges	-	213,872	213,872
Net pension asset	605,203	-	605,203
Capital assets, nondepreciable	21,490,608	16,892,142	38,382,750
Capital assets, net of accumulated depreciation	19,460,826	15,029,651	34,490,477
Total assets	88,109,888	59,641,960	147,751,848
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	1,039,244	4,853,363	5,892,607
Due to other governments	13,956	-	13,956
Deposits	106,361	1,414,114	1,520,475
Unearned revenue	498,927	-	498,927
Accrued interest	5,933	148,337	154,270
Noncurrent liabilities:			
Due within one year	1,147,547	611,775	1,759,322
Due in more than one year	5,729,376	12,989,816	18,719,192
Total liabilities	8,541,344	20,017,405	28,558,749
Net assets:			
Invested in capital assets, net of related debt	39,855,048	18,783,296	58,638,344
Restricted for public safety	1,187,742	-	1,187,742
Restricted for community improvements	2,136,115	-	2,136,115
Restricted for perpetual care	137,185	-	137,185
Unrestricted	36,252,454	20,841,259	57,093,713
Total net assets	\$ 79,568,544	\$ 39,624,555	\$ 119,193,099

See Notes to Financial Statements.

City of Hallandale Beach, Florida

Statement of Activities
Year Ended September 30, 2006

Function/Program	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	\$ 13,029,517	\$ 4,017,762	\$ -	\$ 392,206	\$ (8,619,549)	\$ -	\$ (8,619,549)
Public safety	25,531,316	3,392,209	3,547,247	-	(18,591,860)	-	(18,591,860)
Physical environment	3,465,441	-	172,596	-	(3,292,845)	-	(3,292,845)
Transportation	1,323,712	159,485	8,685	-	(1,155,542)	-	(1,155,542)
Economic environment	1,542,286	-	94,676	-	(1,447,610)	-	(1,447,610)
Culture and recreation	2,582,458	131,941	299,447	-	(2,151,070)	-	(2,151,070)
Human services	1,379,121	-	124,322	-	(1,254,799)	-	(1,254,799)
Interest	57,450	-	-	-	(57,450)	-	(57,450)
Total governmental activities	48,911,301	7,701,397	4,246,973	392,206	(36,570,725)	-	(36,570,725)
Business-type activities:							
Cemetry	95,098	105,020	-	-	-	9,922	9,922
Sanitation	4,660,685	4,950,746	-	-	-	290,061	290,061
Sewer	7,528,132	7,233,711	-	-	-	(294,421)	(294,421)
Stormwater drainage	1,345,472	1,298,843	-	-	-	(46,629)	(46,629)
Water	5,289,309	7,473,108	-	-	-	2,183,799	2,183,799
Total business-type activities	18,918,696	21,061,428	-	-	-	2,142,732	2,142,732
Total	\$ 67,829,997	\$ 28,762,825	\$ 4,246,973	\$ 392,206	(36,570,725)	2,142,732	(34,427,993)
General revenues:							
Property taxes					19,605,193	-	19,605,193
Franchise and utility taxes					7,403,932	67,178	7,471,110
Sales taxes					2,278,540	-	2,278,540
Motor fuel taxes					667,788	-	667,788
Alcoholic beverage taxes					24,489	-	24,489
Fire assessments					2,476,047	-	2,476,047
Intergovernmental revenue (not restricted to specific programs)					4,316,012	-	4,316,012
Investment earnings					1,988,805	1,341,126	3,329,931
Other revenue					359,016	20,186	379,202
Gain on the sale of capital assets					18,775	4,122	22,897
Transfers:					95,312	(95,312)	-
Total general revenue and transfers					39,233,909	1,337,300	40,571,209
Change in net assets					2,663,184	3,480,032	6,143,216
Net assets, beginning					76,905,360	36,144,523	113,049,883
Net assets, ending					\$ 79,568,544	\$ 39,624,555	\$ 119,193,099

See Notes to Financial Statements.

City of Hallandale Beach, Florida

Balance Sheet
Governmental Funds
September 30, 2006

Assets	General Fund	Community	Grant	Nonmajor	Total
		Redevelopment Agency Fund	Administration Fund	Governmental Funds	Governmental Funds
Cash and cash equivalents	\$ 2,736,028	\$ 3,635,660	\$ 2,023,719	\$ 4,377,449	\$ 12,772,856
Cash with fiscal agent	500,716	-	-	-	500,716
Accounts receivable, net of allowance	2,915,797	1,826,083	5,959	65,245	4,813,084
Due from other governments	353,221	-	1,282,867	54,558	1,690,646
Inventory	95,501	-	-	-	95,501
Other assets	8,024	-	-	-	8,024
Advances to other funds	-	-	-	200,000	200,000
Restricted cash	106,361	-	-	-	106,361
Investments	20,199,863	-	-	-	20,199,863
Total assets	\$ 26,915,511	\$ 5,461,743	\$ 3,312,545	\$ 4,697,252	\$ 40,387,051
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 545,885	\$ 124,687	\$ 227,136	\$ 134,615	\$ 1,032,323
Due to other governments	-	-	13,956	-	13,956
Deposits	106,361	-	-	-	106,361
Advances from other funds	-	-	-	200,000	200,000
Unearned/Deferred revenue	1,842,335	-	1,442,893	50,201	3,335,429
Compensated absences	23,544	-	-	-	23,544
Total liabilities	2,518,125	124,687	1,683,985	384,816	4,711,613
Fund Balances:					
Reserved for:					
Inventory	95,501	-	-	-	95,501
Long-term receivable	-	1,826,083	-	-	1,826,083
Debt service	-	500,000	-	-	500,000
Capital improvements	-	2,985,973	-	-	2,985,973
Perpetual care	-	-	-	137,185	137,185
Unreserved, designated for:					
Fire equipment	503,873	-	-	-	503,873
Computer equipment	39,166	-	-	-	39,166
Police radios	200,000	-	-	-	200,000
Police vehicles	250,000	-	-	-	250,000
Enterprise system	75,000	25,000	-	-	100,000
Unreserved, undesignated reported in:					
General fund	23,233,846	-	-	-	23,233,846
Special revenue funds	-	-	1,628,560	3,420,573	5,049,133
Permanent fund	-	-	-	10,783	10,783
Capital projects fund	-	-	-	743,895	743,895
Total fund balances	24,397,386	5,337,056	1,628,560	4,312,436	35,675,438
Total liabilities and fund balances	\$ 26,915,511	\$ 5,461,743	\$ 3,312,545	\$ 4,697,252	\$ 40,387,051

See Notes to Financial Statements.

City of Hallandale Beach, Florida

Reconciliation of Governmental Funds
Balance Sheet to the Statement of Net Assets
September 30, 2006

Total fund balance – governmental funds		\$ 35,675,438
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 capital assets	\$ 77,132,383	
Less accumulated depreciation	<u>(36,180,949)</u>	40,951,434
Net pension asset resulting from excess contributions to pension plans is not reported in the fund financial statements as it is not a financial resource.		
		605,203
Revenues that do not meet the availability criteria are reported as deferred revenue in the fund financial statements; these amounts are reported as revenue in the government-wide statements.		
		2,836,502
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Accrued interest	(5,933)	
Notes payable	(1,096,385)	
Compensated absences	<u>(3,646,396)</u>	(4,748,714)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net assets of internal service funds are reported with governmental activities.		
		4,248,681
Net assets of governmental activities		<u><u>\$ 79,568,544</u></u>

See Notes to Financial Statements.

City of Hallandale Beach, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended September 30, 2006

	General Fund	Community Redevelopment Agency Fund	Grant Administration Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 19,038,280	\$ -	\$ -	\$ 752,530	\$ 19,790,810
Charges for services	4,109,815	-	-	596,056	4,705,871
Utility taxes	2,988,218	-	-	-	2,988,218
Intergovernmental	3,235,916	3,069,923	4,609,470	991,470	11,906,779
Franchise taxes	4,462,284	-	-	-	4,462,284
Licenses and permits	1,375,884	2,200	-	-	1,378,084
Fines and forfeitures	220,201	-	-	198,520	418,721
Fire assessments	2,476,047	-	-	-	2,476,047
Investment earnings	1,153,732	313,600	-	238,429	1,705,761
Other revenues	139,783	30,711	392,206	140,590	703,290
Total revenues	39,200,160	3,416,434	5,001,676	2,917,595	50,535,865
Current:					
General government	6,967,775	-	2,989,571	277,554	10,234,900
Public safety	22,809,803	-	336,007	1,185,864	24,331,674
Physical environment	2,916,891	-	3,186	-	2,920,077
Transportation	-	-	-	1,161,099	1,161,099
Economic development	-	1,542,286	-	-	1,542,286
Human services	723,088	-	595,088	-	1,318,176
Culture and recreation	2,079,842	-	57,891	-	2,137,733
Debt service:					
Principal	-	500,000	-	188,831	688,831
Interest	-	56,437	-	4,332	60,769
Capital outlay	865,164	5,115,908	795,826	772,624	7,549,522
Total expenditures	36,362,563	7,214,631	4,777,569	3,590,304	51,945,067
Excess (deficiency) of revenues over expenditures	2,837,597	(3,798,197)	224,107	(672,709)	(1,409,202)
Other financing sources (uses):					
Proceeds from the sale of capital assets	39,562	-	-	-	39,562
Transfers in	103,667	2,757,209	-	403,692	3,264,568
Transfers out	(3,247,209)	(12,409)	(457,015)	(32,623)	(3,749,256)
Total other financing sources (uses)	(3,103,980)	2,744,800	(457,015)	371,069	(445,126)
Net change in fund balances	(266,383)	(1,053,397)	(232,908)	(301,640)	(1,854,328)
Fund balances, beginning	24,663,769	6,390,453	1,861,468	4,614,076	37,529,766
Fund balances, ending	\$ 24,397,386	\$ 5,337,056	\$ 1,628,560	\$ 4,312,436	\$ 35,675,438

See Notes to Financial Statements.

City of Hallandale Beach, Florida

Reconciliation of the Statement of Revenue, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended September 30, 2006

Net change in fund balances– total governmental funds	\$ (1,854,328)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:	
Capital outlay	7,297,873
Depreciation expense	<u>(2,697,444)</u>
	4,600,429
Proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, gains/ losses on the sale of capital assets in the statement of activities are adjusted for the net book value of the assets disposed.	(20,787)
Revenues that do meet the availability criteria are reported as deferred revenue in the fund financial statements; these amounts are reported as revenues in the government-wide statements.	(614,681)
Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:	
Principal payments on notes	688,831
Interest expense	3,319
The change in net pension asset is not reported in the fund financial statements, but is reported in the government-wide financial statements.	64,758
The change in compensated absences balances during the year has no effect on the expenditures in the governmental funds. The change is reported in the statement of activities.	(356,739)
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	152,382
Change in net assets of governmental activities	<u><u>\$ 2,663,184</u></u>

See Notes to Financial Statements.

City of Hallandale Beach, Florida

Statement of Net Assets
 Proprietary Funds
 September 30, 2006

Business-Type Activities – Enterprise Funds

Assets	Business-Type Activities – Enterprise Funds						Governmental
	Water Fund	Sewer Fund	Sanitation Fund	Stormwater Drainage Fund	Cemetery Fund (Nonmajor)	Total	Activities-Internal Service Funds
Current Assets:							
Cash and cash equivalents	\$ 5,163,002	\$ 4,394,115	\$ 1,643,117	\$ 499,605	\$ 58,377	\$ 11,758,216	\$ 6,366,200
Restricted assets:							
Cash and cash equivalents	1,382,552	-	-	-	-	1,382,552	\$ -
Accounts receivable, net of allowance	953,937	1,123,966	568,225	86,243	2,095	2,734,466	-
Due from other funds	55,000	320,000	-	-	-	375,000	-
Inventory	56,092	-	-	-	631,028	687,120	-
Other assets	594	4,868	-	-	-	5,462	-
Total current assets	7,611,177	5,842,949	2,211,342	585,848	691,500	16,942,816	6,366,200
Investments	-	5,000,000	-	-	-	5,000,000	-
Restricted assets:							
Cash and cash equivalents	3,253,896	1,204,937	-	1,479,646	-	5,938,479	-
Deferred charges	119,091	30,932	-	63,849	-	213,872	-
Capital assets:							
Land	743,777	40,047	-	-	375,478	1,159,302	-
Construction in progress	15,497,745	-	-	235,095	-	15,732,840	-
Buildings and improvements	3,918,546	694,999	151,276	24,203	-	4,789,024	-
Improvements other than buildings	252,192	6,426	-	8,425	134,540	401,583	-
Vehicles and equipment	1,036,898	1,267,884	2,608,060	362,873	45,958	5,321,673	-
Infrastructure	7,130,021	20,310,011	-	9,500,570	-	36,940,602	-
Total capital assets	28,579,179	22,319,367	2,759,336	10,131,166	555,976	64,345,024	-
Less accumulated depreciation	(10,289,964)	(17,939,116)	(2,173,447)	(1,855,095)	(165,609)	(32,423,231)	-
Net capital assets	18,289,215	4,380,251	585,889	8,276,071	390,367	31,921,793	-
Total noncurrent assets	21,662,202	10,616,120	585,889	9,819,566	390,367	43,074,144	-
Total assets	29,273,379	16,459,069	2,797,231	10,405,414	1,081,867	60,016,960	6,366,200

(Continued)

City of Hallandale Beach, Florida

Statement of Net Assets
 Proprietary Funds (Continued)
 September 30, 2006

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Liabilities and Net Assets	Water Fund	Sewer Fund	Sanitation Fund	Stormwater Drainage Fund	Cemetery Fund (Nonmajor)	Total	Governmental Activities- Internal Service Funds
Current Liabilities:							
Accounts payable and accrued liabilities	\$ 2,041,338	\$ 2,455,062	\$ 138,176	\$ 213,233	\$ 5,554	\$ 4,853,363	\$ 6,921
Accrued interest	84,011	25,296	-	39,030	-	148,337	-
Due to other funds	-	-	-	55,000	320,000	375,000	-
Due to others	31,562	-	-	-	-	31,562	-
Payable from restricted assets:							
Deposits	1,382,552	-	-	-	-	1,382,552	-
Compensated absences	50,371	11,544	19,227	2,214	-	83,356	4,354
Accrued claims for self-insured risks	-	-	-	-	-	-	197,480
Accrued claims for management health	-	-	-	-	-	-	52,660
Current portion of bonds and notes payable	295,898	81,033	-	151,488	-	528,419	-
Total current liabilities	3,885,732	2,572,935	157,403	460,965	325,554	7,402,589	261,415
Noncurrent Liabilities:							
Compensated absences	229,468	52,590	87,592	10,088	-	379,738	19,835
Accrued claims for self-insured risks	-	-	-	-	-	-	1,836,269
Bonds and notes payable	7,022,097	1,824,626	-	3,763,355	-	12,610,078	-
Total noncurrent liabilities	7,251,565	1,877,216	87,592	3,773,443	-	12,989,816	1,856,104
Total liabilities	11,137,297	4,450,151	244,995	4,234,408	325,554	20,392,405	2,117,519
Net Assets							
Invested in capital assets, net of related debt	10,971,220	2,474,592	585,889	4,361,228	390,367	18,783,296	-
Unrestricted	7,164,862	9,534,326	1,966,347	1,809,778	365,946	20,841,259	4,248,681
Total net assets	\$ 18,136,082	\$ 12,008,918	\$ 2,552,236	\$ 6,171,006	\$ 756,313	\$ 39,624,555	\$ 4,248,681

See Notes to Financial Statements.

City of Hallandale Beach, Florida

Statement of Revenues, Expenses and Changes in Fund Net Assets
 Proprietary Funds
 Year Ended September 30, 2006

Business-Type Activities – Enterprise Funds

	Water Fund	Sewer Fund	Sanitation Fund	Stormwater Drainage Fund	Cemetery Fund (Nonmajor)	Total	Governmental Activities- Internal Service Funds
Operating revenues:							
Charges for services	\$ 7,220,998	\$ 7,233,711	\$ 4,950,746	\$ 1,298,843	\$ 105,020	\$ 20,809,318	\$ 1,184,615
Franchise taxes	-	-	67,178	-	-	67,178	-
Other revenues	9,423	8,388	-	2,000	375	20,186	72,030
Total operating revenues	7,230,421	7,242,099	5,017,924	1,300,843	105,395	20,896,682	1,256,645
Operating expenses:							
Costs of sales and services	1,668,209	5,465,588	3,110,976	167,875	67,860	10,480,508	-
Administration	3,360,330	1,645,475	1,293,288	499,338	17,328	6,815,759	407,678
Claims expense	-	-	-	-	-	-	1,559,629
Depreciation	260,770	326,847	256,421	502,295	11,074	1,357,407	-
Total operating expenses	5,289,309	7,437,910	4,660,685	1,169,508	96,262	18,653,674	1,967,307
Operating income (loss)	1,941,112	(195,811)	357,239	131,335	9,133	2,243,008	(710,662)
Nonoperating revenues (expenses):							
Investment earnings	636,038	523,095	61,465	121,692	-	1,342,290	283,044
Amortization expense	-	(1,855)	-	(3,651)	-	(5,506)	-
Interest expense	-	(88,367)	-	(172,313)	-	(260,680)	-
Gains on the sale of capital assets	4,122	-	-	-	-	4,122	-
Total nonoperating revenues (expenses)	640,160	432,873	61,465	(54,272)	-	1,080,226	283,044
Income (loss) before contributions and transfers	2,581,272	237,062	418,704	77,063	9,133	3,323,234	(427,618)
Capital contributions	252,110	-	-	-	-	252,110	-
Transfers in	-	-	200,000	469,424	-	669,424	580,000
Transfers out	(283,178)	(181,076)	(136,021)	(27,276)	(137,185)	(764,736)	-
Change in net assets	2,550,204	55,986	482,683	519,211	(128,052)	3,480,032	152,382
Total net assets, beginning	15,585,878	11,952,932	2,069,553	5,651,795	884,365	36,144,523	4,096,299
Total net assets, ending	\$ 18,136,082	\$ 12,008,918	\$ 2,552,236	\$ 6,171,006	\$ 756,313	\$ 39,624,555	\$ 4,248,681

See Notes to Financial Statements.

City of Hallandale Beach, Florida

Statement of Cash Flows

Proprietary Funds

Year Ended September 30, 2006

Business-Type Activities – Enterprise Funds

	Water Fund	Sewer Fund	Sanitation Fund	Stormwater Drainage Fund	Cemetery Fund (Nonmajor)	Total	Governmental Activities- Internal Service Funds
Cash Flows From Operating Activities							
Cash received from fees and charges	\$ 7,212,007	\$ 7,174,120	\$ 4,936,188	\$ 1,267,523	\$ 105,785	\$ 20,695,623	\$ 1,256,645
Cash paid to suppliers for goods, services, claims and administrative charges	(583,911)	(4,441,873)	(3,122,845)	(241,449)	(490,205)	(8,880,283)	(775,234)
Cash paid to employees for services	(3,376,355)	(1,633,016)	(1,290,891)	(496,916)	(17,328)	(6,814,506)	(221,808)
Net cash provided by (used in) operating activities	3,251,741	1,099,231	522,452	529,158	(401,748)	5,000,834	259,603
Cash Flows From Noncapital Financing Activities							
Interfund loans	3,193,644	(320,000)	-	(3,162,082)	320,000	31,562	-
Transfers in	-	-	63,979	469,424	-	533,403	580,000
Transfers out	(283,177)	(181,076)	-	(27,276)	(137,185)	(628,714)	-
Net cash provided by (used in) noncapital financing activities	2,910,467	(501,076)	63,979	(2,719,934)	182,815	(63,749)	580,000
Cash Flows From Capital and Related Financing Activities							
Purchase of capital assets	(12,423,619)	(193,360)	(314,890)	(517,187)	(3,692)	(13,452,748)	-
Proceeds from capital grants	252,110	-	-	-	-	252,110	-
Principal paid on long-term debt	(273,385)	(73,043)	-	(143,047)	-	(489,475)	-
Interest paid on long-term debt	(2,325)	(88,229)	-	(172,313)	-	(262,867)	-
Net cash provided by (used in) capital and related financing activities	(12,447,219)	(354,632)	(314,890)	(832,547)	(3,692)	(13,952,980)	-
Cash Flows Provided By Investing Activities							
Purchase of investments	-	(5,000,000)	-	-	-	(5,000,000)	-
Interest received	636,038	523,095	61,465	121,692	-	1,342,290	283,044
Net cash provided by (used in) investing activities	636,038	(4,476,905)	61,465	121,692	-	(3,657,710)	283,044
Net increase (decrease) in cash and cash equivalents	(5,648,973)	(4,233,382)	333,006	(2,901,631)	(222,625)	(12,673,605)	1,122,647
Cash and cash equivalents, beginning	15,448,423	9,832,434	1,310,111	4,880,882	281,002	31,752,852	5,243,553
Cash and cash equivalents, ending	\$ 9,799,450	\$ 5,599,052	\$ 1,643,117	\$ 1,979,251	\$ 58,377	\$ 19,079,247	\$ 6,366,200
Reconciliation to the statement of net assets:							
Cash and cash equivalents	\$ 5,163,002	\$ 4,394,115	\$ 1,643,117	\$ 499,605	\$ 58,377	11,758,216	6,366,200
Restricted assets, cash and cash equivalents	4,636,448	1,204,937	-	1,479,646	-	7,321,031	-
\$ 9,799,450	\$ 5,599,052	\$ 1,643,117	\$ 1,979,251	\$ 58,377	\$ 19,079,247	\$ 6,366,200	

(Continued)

City of Hallandale Beach, Florida

Statement of Cash Flows
 Proprietary Funds (Continued)
 Fiscal Year Ended September 30, 2006

Business-Type Activities – Enterprise Funds

	Water Fund	Sewer Fund	Sanitation Fund	Stormwater Drainage Fund	Cemetery Fund (Nonmajor)	Total	Governmental Activities- Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:							
Operating income (loss)	\$ 1,941,112	\$ (195,811)	\$ 357,239	\$ 131,335	\$ 9,133	\$ 2,243,008	\$ (710,662)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities							
Depreciation and amortization	260,770	326,847	256,421	502,295	11,074	1,357,407	-
Change in assets and liabilities:							
(Increase) decrease in accounts receivable	(24,906)	(67,978)	(81,736)	(35,320)	390	(209,550)	-
Decrease in due from other governments	-	-	-	2,000	-	2,000	-
Increase in inventory and other assets	(56,686)	(4,868)	-	-	(410,390)	(471,944)	-
Increase (decrease) in accounts payable	1,140,984	1,028,582	(11,869)	(71,043)	(11,955)	2,074,699	1,884
Increase (decrease) in accrued liabilities	-	-	2,397	(2,531)	-	(134)	-
Increase (decrease) in other liabilities	(9,533)	12,459	-	-	-	2,926	-
Increase (decrease) in liability for compensated absences	-	-	-	2,422	-	2,422	(7,892)
Increase in accrued claims for self-insured risks	-	-	-	-	-	-	1,048,303
Decrease in accrued claims for management health	-	-	-	-	-	-	(72,030)
Net cash provided by (used in) operating activities	\$ 3,251,741	\$ 1,099,231	\$ 522,452	\$ 529,158	\$ (401,748)	\$ 5,000,834	\$ 259,603
Noncash Capital and Related Financing Activities							
Amortization of Deferred Costs	\$ 6,962	\$ 1,855	\$ -	\$ -	\$ -	\$ 8,817	\$ -

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See Notes to Financial Statements.

City of Hallandale Beach, Florida

Statement of Fiduciary Net Assets
 Fiduciary Funds
 September 30, 2006

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ -	\$ 2,235,211
Cash with fiscal agent	2,297,389	-
Accounts receivable	194,631	25,436
Due from other governments	425,024	-
Investments:		
U.S. government agencies	11,006,501	-
Corporate bonds	19,077,210	-
Equity securities	64,853,512	-
Mutual funds	597,179	-
Real estate	5,131,474	-
Total assets	103,582,920	2,260,647
Liabilities		
Due to others	-	2,260,647
Net Assets		
Held in trust for pension benefits	\$ 103,582,920	\$ -

See Notes to Financial Statements.

City of Hallandale Beach, Florida

Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
Year Ended September 30, 2006

Additions	
Contributions:	
Employer	\$ 7,042,646
Plan members	1,332,736
State	425,024
Total contributions	<u>8,800,406</u>
Investment earnings:	
Interest	2,025,866
Net increase in the fair value of investments	5,619,509
Total investment earnings	<u>7,645,375</u>
Less investment expense	(211,251)
Net investment income	<u>7,434,124</u>
Total additions	<u>16,234,530</u>
Deductions	
Benefits	<u>7,081,155</u>
Change in net assets	<u>9,153,375</u>
Net assets, beginning	<u>94,429,545</u>
Net assets, ending	<u>\$ 103,582,920</u>

See Notes to Financial Statements.

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of Hallandale, Florida was incorporated in 1927 by Laws of Florida 12791 Acts of 1927. On August 17, 1999, the City Commission approved an ordinance amending the City Charter to change the name to the City to Hallandale Beach, Florida (the "City"). The City operates under the Commission-Manager form of government and provides the following services as authorized by its charter and state statute: general government, public safety (police and fire), public works, physical environment, water, sewer, stormwater drainage, municipal cemetery, sanitation, human services, culture and recreation, planning and zoning and general administrative.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governmental units, which are promulgated by the Governmental Accounting Standards Board ("GASB"). Significant accounting and reporting policies and practices used by the City are described below:

A. Reporting Entity

In accordance with GAAP, these basic financial statements present the City (the primary government) and its component units. A component unit is a legally separate organization for which the City is financially accountable.

The City is financially accountable if it appoints a voting majority of the organization'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. The City is also financially accountable if the entity is fiscally dependent on the City. Additionally, the City is required to consider other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. Furthermore, GAAP require that the basic financial statements allow the user to clearly distinguish between the primary government and its discretely presented component units. However, because of the closeness of their relationship with the primary government (City), some component units are blended as though they are part of the primary government.

The application of these criteria results in the inclusion of the following component units in the City's basic financial statements. Because of the closeness of their relationship with the City, these component units are blended as special revenue funds in the City's financial statements.

Blended Component Units:

Golden Isles Safe Neighborhood District

The Golden Isles Safe Neighborhood District is governed by a board comprised of the City's elected commissioners. The commissioners approve the District's budgets, levy taxes, and must approve any debt issuances.

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Three Islands Safe Neighborhood District

The Three Islands Safe Neighborhood District is governed by a board comprised of the City's elected commissioners. The commissioners approve the District's budgets, levy taxes and must approve any debt issuances.

Hallandale Community Redevelopment Agency

Pursuant to Section 163.387, Florida Statutes, the City of Hallandale Beach established a Redevelopment Trust Fund for the Community Redevelopment Agency ("CRA" or "Agency"), effective December 1996. The City Commission, acting as the agency board of directors, approved a Community Redevelopment Plan, which will primarily utilize Tax Increment Financing to fund community redevelopment within the designated area. The specific area incorporates approximately two thirds of the city with the exception of the most easterly portion of the City. The base year established of January 1, 1996, will be utilized in determining the base amount of property valuation. Each year the City, County and Children's Services Council must contribute 95% of the incremental increase, if any, in ad valorem taxes levied over and above the base year. The Hospital District has made a separate agreement for a flat amount. The CRA is governed by a board comprised of the City's elected officials. Although the Agency is legally separated from the City, the CRA is reported as part of the primary government because its sole purpose is to finance and redevelop the City's designated redevelopment areas.

B. Government-Wide and Fund Financial Statements

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

The government-wide financial statements include a statement of net assets and a statement of activities. These statements report on the government as a whole and provide a complete financial picture of the government. For the most part, interfund activities have been removed from these statements. The amounts reported as internal balances represent the residual amounts due between governmental and business-type activities. The City's fiduciary funds are presented in the fund financial statements. Since by definition these assets are being held for the benefit of a third party (pension participants) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

The government-wide statement of net assets reports all financial and capital resources of the City's governmental and business-type activities. Governmental activities are those supported by taxes and intergovernmental revenue. Business-type activities rely to a significant extent on fees and charges for support. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue include: 1) charges for goods or services that are recovered directly from customers for services rendered, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment, and 3) grants and contributions that are restricted to meeting capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Separate fund based 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.

Since the governmental fund financial statements are presented on a different measurement focus and basis of accounting than the government-wide financial statements, a reconciliation is provided which briefly explains the adjustments necessary to reconcile the governmental fund financial statements to the government-wide governmental activities financial statements.

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

The government-wide, the proprietary fund and 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 reported when a liability is incurred, regardless of the timing of related cash flows. The Agency funds report only assets and liabilities using the accrual basis of accounting but have no measurement focus.

Pronouncements of the Financial Accounting Standards Board ("FASB") issued prior to December 1, 1989 are followed in the governmental and business-type activities and enterprise funds to the extent that these standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent FASB pronouncements for their business-type activities and enterprise funds subject to the same limitation. The City has elected not to follow subsequent FASB guidance.

All governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are generally recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the fiscal 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.

In governmental funds property taxes when levied for, public services taxes, franchise taxes, intergovernmental revenue when eligibility requirements are met, charges for services and interest income associated with the current fiscal period are all considered to be measurable and have been recognized, if available. Licenses and permits and miscellaneous revenue are recorded as revenue when received in cash, because they are generally not measurable until actually received.

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for using a separate set of self-balancing accounts, which comprise its assets, liabilities, reserve, fund equities, revenue and expenditures or expenses. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

GAAP set forth minimum criteria (percentage of the assets, liabilities, revenue or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor, internal service, and fiduciary funds are each presented in the aggregate in the applicable fund financial statements.

The City reports the following major governmental funds:

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

The **Community Redevelopment Agency Fund** accounts for the tax increment revenue assessed on properties in the specified CRA area and capital improvements, neighborhood improvement loans, and other economic incentives that help improve the appearance of property and equality of life for area residents and businesses.

The **Grant Administration Fund** accounts for City projects financed by federal, state and local grants.

The City reports the following major proprietary funds:

The **Water Fund** accounts for the provision of water services to residents and businesses of the City.

The **Sewer Fund** accounts for the provision of sanitary sewer services to residents and businesses of the City.

The **Sanitation Fund** accounts for the provision of waste and trash collection and disposal services to residents and businesses of the City.

The **Stormwater Drainage Fund** accounts for the provision of stormwater maintenance and capital improvements to residents and businesses of the City.

Additionally, the City reports the following fund types:

Internal Service Funds are used to account for the financing of post-retirement insurance, workers' compensation, and general liability insurance provided to the various funds of the City.

Fiduciary Funds include pension trust funds and agency funds. Pension trust funds account for certain of the City's retirement plans. Agency funds are used for assets held by the City for payroll related costs and other miscellaneous assets.

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 revenue for the various functions concerned.

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Amounts reported as program revenue include: 1) charges to customers for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. All revenue that are not program revenue are general revenue, and include all taxes, as well as grants, contributions and investment earnings that are not restricted to a particular program.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenue consist primarily of charges for services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All items not meeting this definition are reported as nonoperating revenue and expenses.

D. Cash and Cash Equivalents

The City considers cash on hand, cash with fiscal agents, bank repurchase agreements, and overnight investments with original maturities of less than three months to be cash and cash equivalents. In addition, each fund's equity in the City's investment pool has been treated as a cash equivalent since cash may be deposited or withdrawn from the pool at any time without prior notice or penalty. Interest earned on pooled cash and investments is allocated to funds based on average monthly balances.

E. Investments

Investments, including investments in the pension trust fund, are reported at fair value (quoted market price or the best available estimate thereof).

F. Inventory

Inventory, which generally consists of expendable supplies held for consumption, is valued at lower of cost (first-in, first-out) or market. The cost is recorded as expenditure at the time individual inventory items are consumed. The reserve of fund balance for inventory is equal to the amount of inventory and is reserved to indicate a portion of fund balance is not available for future expenditures.

Inventory in the Cemetery fund consists of crypts. Inventory is valued at its cost and is reduced by crypts sold during the year, which is calculated based on a weighted-average basis.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

G. Capital Assets

Capital assets, assets that have a useful life of greater than one year and a value of greater than \$1,000, are stated at cost in the government-wide and proprietary fund financial statements. Donated capital assets are stated at their fair value on the date contributed. Depreciation is recorded as an operating expense for all assets meeting the City's capitalization threshold. In governmental fund financial statements, capital assets are recorded as expenditures and no depreciation expense is recorded. Interest is capitalized on projects of the business-type activities and proprietary funds during construction based upon the cost of borrowings less interest earned on related investments acquired with the proceeds of borrowings. In the current year interest was capitalized in the water fund in the amount of \$313,500.

Depreciation is provided over estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Vehicles and equipment	5 years
Buildings and improvements	20 years
Enterprise infrastructure	20 years
Government infrastructure	42 years

H. Employee Vacations and Sick Leave

City employees are granted vacation pay and sick leave in varying amounts based on employee classification and length of service. Employees may elect to use sick leave as earned or receive cash payments in lieu of time off at reduced amounts. A portion of unused vacation pay and sick-leave pay are paid upon an employee's termination. The City accrues for vacations and sick leave based on anticipated use or payout (i.e., amounts that are due and payable).

Accumulated and unpaid vacation pay and sick leave are recorded as expenses in the government-wide and proprietary funds when earned. Expenditures for accumulated compensated absences have been recorded in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Deferred/Unearned Revenue

Revenues received but unearned by either the passage of a specified time or the fulfillment of expenditure provisions are recorded as unearned revenue. For governmental funds, deferred revenue also represents revenues that are not available.

J. Long-Term Obligations

In the government-wide financial statements, and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates 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.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (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.

K. Fund Equity/Net Assets

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.

Net assets of the government-wide financial statements and proprietary fund financial statements are categorized as invested in capital assets net of related debt, restricted or unrestricted. The first category represents capital assets net of accumulated depreciation, less outstanding debt related to the acquisition or construction of the capital assets. The restricted category represents amounts restricted by requirements of revenue bonds and other externally imposed constraints or by enabling legislation. Unrestricted net assets represent resources that are available for spending.

L. Pension Plans

The City provides separate defined benefit pension plans for general employees, professional/management, and uniformed police and fire department personnel. The City still provides a defined-contribution plan for those management employees who did not elect to transfer to the Professional/Management Plan. All new professional and management employees are required to enter the defined benefit pension plan, as the defined contribution plan will be phased out as employees retire or resign. It is the City's policy to fund the normal cost and the amortization of the unfunded prior service cost.

M. Self-Insurance

The City is currently self-insured for all post-retirement insurance, workers' compensation, and general liability claims. Operating funds are charged premiums by the internal service funds. The accrued liability for estimated insurance claims represents an estimate of the eventual loss on claims arising prior to year-end, including those incurred but not yet reported.

N. Use of Estimates

The preparation of financial statements in conformity with GAAP 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 revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 2. Property Tax

The City's property tax is levied and becomes a lien on real and personal property located in the City, including the Golden Isles Safe Neighborhood District and the Three Islands Safe Neighborhood District, on October 1 of each year based upon the assessed value listed as of the prior January 1. Assessed values are established by the Broward County Property Appraiser. The assessed values at January 1, 2005, upon which the 2005-06 levy was based, were approximately \$3.2 billion, \$182.2 million and \$548.6 million for the City, the Golden Isles Safe Neighborhood District, and the Three Islands Safe Neighborhood District, respectively.

The City is permitted by state law to levy taxes up to 10 mills of assessed valuation for the General Fund. Taxes were levied at 6.2838 mills, 1.2900 mills, and 1.0000 mills for the General Fund, the Golden Isles Safe Neighborhood District and the Three Islands Safe Neighborhood District, respectively, for the 2005-06 fiscal year.

All taxes are due from property holders on March 31, become delinquent on April 1 and become subject to the issuance of tax sale certificates on June 1. Current tax collections for the year ended September 30, 2006, were approximately 99.53% of the total tax levy.

Note 3. Deposits and Investments

As of September 30, 2006, the City's cash and investments were as follows:

Cash and Cash Equivalents		
Deposits with Financial Institutions	\$	23,008,733
State of Florida Board of Administration		
Surplus Funds Trust Fund		20,349,247
Total cash and cash equivalents		<u>43,357,980</u>
Investments:		
General Government Funds		
Corporate Notes	\$	2,025,854 *
U.S. Government Agencies		14,088,738 *
U.S. Government Securities		9,085,271 *
Total general government funds		<u>25,199,863</u>
Pension Trust Funds		
U.S. Government Agencies		11,006,501 **
Corporate Bonds		19,077,210 **
Equity securities		64,853,512 **
Mutual Funds		597,179
Real Estate		5,131,474 **
Total pension trust funds		<u>100,665,876</u>
Total investments		<u>125,865,739</u>
Total cash and investments	\$	<u>169,223,719</u>

*These investments are insured but unregistered, with securities held by the counterparty in the City's name.

**These investments are uninsured and unregistered, with securities held by the counterparty in the City's name.

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

Cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Assets	
Cash and cash equivalents	\$ 30,897,272
Restricted cash and cash equivalents	7,427,392
Cash with fiscal agent	500,716
Investments	25,199,863
Fiduciary Funds	
Cash and cash equivalents	2,235,211
Cash with fiscal agent	2,297,389
Investments	100,665,876
Total cash and investments	<u>\$ 169,223,719</u>

Each fund's equity in the City's investment pool has been treated as a cash equivalent since cash may be deposited or withdrawn from the pool at any time without prior notice or penalty. Interest earned on pooled cash and investments is allocated to funds based on average monthly balances.

Deposits: The City's policy is to follow Florida Statutes which authorize the deposit of City funds in demand deposits or time deposits of financial institutions approved by the State Treasurer. These are defined as public deposits. All City public deposits are held in qualified public depositories pursuant to Chapter 280, Florida Statutes, "Florida Security for Public Deposits Act." Under the act, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The collateral pledging level may range from 50% to 125% depending upon the depository's financial condition and the length of time that the depository has been established. All collateral must be deposited with the State Treasurer. Any losses to public depositors resulting from insolvency are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessment against other qualified public depositories of the same type as the depository in default. The City's bank balances were insured either by the federal depository insurance or collateralized in the bank's participation in the Florida Security for Public Deposits Act.

Investments: The Florida State Board of Administration Local Government Surplus Funds Trust Fund ("SBA") is not a registrant with the Securities and Exchange Commission ("SEC"); however, its board has adopted operating procedures consistent with the requirements for a 2a-7 fund. In accordance with these requirements, the method used to determine the participants' shares sold and redeemed is the amortized cost method. The amortized cost method is the same method used to report investments. Amortized cost includes accrued income and is a method of calculating an investment's value by adjusting its acquisition cost for the amortization of discount or premium over the period from purchase to maturity. The Local Government Surplus Funds Trust Fund is governed by Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General of the State of Florida performs the operational audit of the activities and investment of the SBA.

Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

Under the City's new policy, authorized investments excluding pension plan assets may consist of investments in the following:

- Florida Local Government Surplus Funds Trust Fund ("SBA")—up to 100% of available funds
- United States Government Securities—up to 100% of available funds
- United States Government Agencies—up to 100% of available funds
- Federal Instrumentalities—up to 100% of available funds
- Interest Bearing Time Deposits or Savings Accounts—up to 10% of available funds
- Repurchase Agreements—up to 20% of available funds (excluding one-business day agreements and overnight sweep agreements)
- Commercial Paper—up to 25% of available funds
- Corporate Notes—up to 15% of available funds
- Bankers Acceptances—up to 25% of available funds
- State and/or Local Government Debt—up to 25% of available funds, a maximum of 10% of the various municipalities of the State of Florida
- Money Market Mutual Funds—up to 20% of available funds
- Intergovernmental Investment Pool—up to 25% of available funds
- Foreign Government Debt Issues—up to 5% of available funds

The City of Hallandale Beach Pension Plans authorized investments may consist of the following:

- Stable value (portfolios of short-term, high quality debt securities including money market funds, stable value funds and guaranteed interest arrangements)
- Domestic fixed income (portfolios composed of debt securities issued by the U.S. government, U.S. government sponsored/related agencies, U.S. domiciled corporations)
- International or Foreign Fixed Income (portfolios composed of debt securities issued by Foreign governments, foreign government sponsored/related agencies and foreign corporations)
- Real Estate (portfolios composed of Real Estate Investment Trusts of all types and other commingled real estate equity investment options)
- Domestic Stock (portfolios composed of common stocks of U.S. domiciled corporations)
- International or Foreign Stock (common stock of corporations domiciled outside the U.S.)
- Balanced/Asset Allocation (portfolios composed of significant proportions of both equity and fixed income investments)

In addition, the City's policy limits overall investment in any one issuer to 5% or less, except for United States Government Agencies, Federal Instrumentalities and Interest Bearing Time Deposits or Savings Accounts.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. In accordance with the City's investment policy, the City minimizes the interest rate risk of investments in the portfolio by structuring its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. For the City's pension plans, investment maturities are significantly longer.

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

Information about the sensitivity of the City's investments to interest rate fluctuations of its debt type investments using the segmented time distribution model is as follows:

Summary of Investments and Interest Rate Risk	Investment Maturities (in Years)				
	Fair Value	Less Than 1 Year	1 – 5 Years	5 – 10 Years	Greater Than 10 Years
U.S. Government Agencies	\$ 25,095,239	\$ 3,019,591	\$ 16,696,909	\$ 1,655,585	\$ 3,723,154
U.S. Government Securities	9,085,271	-	9,085,271	-	-
Pooled Fixed Income	20,349,247	20,349,247	-	-	-
Corporate Bonds	21,103,064	2,060,402	5,350,540	12,364,286	1,327,836
Total	\$ 75,632,821	\$ 25,429,240	\$ 31,132,720	\$ 14,019,871	\$ 5,050,990

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. U.S. Government Securities are not subject to credit risk. State law limits investments in commercial paper to the top two ratings used by nationally recognized statistical rating organizations (NRSROs). The City's policy is to limit its investments in commercial paper to the top rating issued by NRSROs and to limit its investments in State and Local Government Debt and Fixed Income Mutual /Money Market Funds to funds with underlying securities ranked at least A by NRSROs. The City has certain investments in an unrated investment pool administered by the State of Florida.

The Pension Plans have no limits imposed on fixed income securities issued directly by the US Government or any agency or instrumentality thereof. The General Employees' Plan does not limit corporate fixed income securities to a particular risk level, but rather expects a long-term return consistent with the level of risk assumed. Most investment categories may include all quality ranges and all durations. The Police/Fire Plan limits corporate fixed income securities to the four highest classifications by NRSROs and limits commercial paper to a rating of A1 or higher by Standard & Poor's or B1 by Moody's.

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 3. Deposits and Investments (Continued)

Presented below if the minimum rating as required for each debt type instrument.

Average Rating	Corporate Bonds	U.S. Govt. Agencies	SBA
AAA	\$ 1,079,940	\$ 22,942,823	\$ -
AA	13,061,094	-	-
AA-	1,871,807	-	-
A+	505,467	-	-
A	1,691,780	-	-
A-	977,918	-	-
BBB+	-	-	-
BBB	-	-	-
BBB-	782,216	-	-
B+	475,570	-	-
B	657,272	-	-
Unrated	-	2,152,416	20,349,247
Total	\$ 21,103,064	\$ 25,095,239	\$ 20,349,247

Custodial credit risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of the investments or collateral securities that are in possession of an outside party. The City does not have a formal policy, but its practice is to ensure that all investments are held by the City or its counterparty in the City's name. The pension plan investments are not registered or insured. The Plans do not have an investment policy for custodial credit risk. As of September 30, 2006, the Plans' investment portfolios were held with a third party custodian in the Plans' name.

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 4. Accounts Receivable

Accounts receivable for the City's governmental activities and each major governmental fund and nonmajor governmental funds in the aggregate, with related allowance for doubtful accounts, as of September 30, 2006 were as follows:

Governmental	General Fund	Community Redevelopment Agency Fund	Grant Administration Fund	Nonmajor Funds	Total Governmental Activities
EMS transport	\$ 3,589,741	\$ -	\$ -	\$ -	\$ 3,589,741
Property tax	603,868	-	-	-	603,868
Utility and sales tax	317,453	-	-	-	317,453
Franchise fees	537,482	-	-	-	537,482
Sales and user fees	115,894	-	-	60,245	176,139
Miscellaneous	137,070	-	5,959	5,000	148,029
Interest	212,716	-	-	-	212,716
Assessments	4,016	-	-	-	4,016
CRA Loans	-	1,826,083	-	-	1,826,083
Gross receivables	5,518,240	1,826,083	5,959	65,245	7,415,527
Allowance for uncollectibles	(2,602,443)	-	-	-	(2,602,443)
Total net receivables	\$ 2,915,797	\$ 1,826,083	\$ 5,959	\$ 65,245	\$ 4,813,084

Note 5. Due from Other Governments

Due from other governments for major governmental funds, nonmajor governmental funds in the aggregate and governmental activities as of September 30, 2006 include the following:

	General Fund	Grant Administration Fund	Other Nonmajor Funds	Total Governmental Activities
Federal Government	\$ -	\$ 602,956	\$ -	\$ 602,956
Florida Department of Revenue	342,421	494,079	54,558	891,058
Broward County, Florida	10,800	185,832	-	196,632
	\$ 353,221	\$ 1,282,867	\$ 54,558	\$ 1,690,646

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 6. Capital Assets

The following is a summary of capital asset activity for the year ended September 30, 2006:

Governmental activities:

	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Capital assets not being depreciated:				
Land	\$ 14,956,317	\$ 6,299,784	\$ (17,918)	\$ 21,238,183
Construction in progress	252,425	-	-	252,425
	<u>15,208,742</u>	<u>6,299,784</u>	<u>(17,918)</u>	<u>21,490,608</u>
Capital assets being depreciated:				
Buildings	17,130,696	300,937	-	17,431,633
Improvements other than buildings	6,936,185	26,508	-	6,962,693
Vehicles and equipment	11,057,580	578,163	(429,764)	11,205,979
Infrastructure	19,873,088	168,382	-	20,041,470
Total capital assets being depreciated	<u>54,997,549</u>	<u>1,073,990</u>	<u>(429,764)</u>	<u>55,641,775</u>
Less accumulated depreciation for:				
Buildings	8,494,621	748,820	-	9,243,441
Improvements other than buildings	4,417,270	219,514	-	4,636,784
Vehicles and equipment	7,850,897	1,251,907	(426,419)	8,676,385
Infrastructure	13,147,136	477,203	-	13,624,339
Total accumulated depreciation	<u>33,909,924</u>	<u>2,697,444</u>	<u>(426,419)</u>	<u>36,180,949</u>
Total capital assets being depreciated, net	<u>21,087,625</u>	<u>(1,623,454)</u>	<u>(3,345)</u>	<u>19,460,826</u>
Governmental activities capital assets, net	<u>\$ 36,296,367</u>	<u>\$ 4,676,330</u>	<u>\$ (21,263)</u>	<u>\$ 40,951,434</u>

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 6. Capital Assets (Continued)

Business-type activities:

	Beginning Balance	Additions and Transfers	Retirements and Transfers	Ending Balance
Capital assets not being depreciated:				
Land	\$ 1,159,302	\$ -	\$ -	\$ 1,159,302
Construction in progress	3,332,541	12,400,299	-	15,732,840
Total capital assets not being depreciated	4,491,843	12,400,299	-	16,892,142
Capital assets being depreciated:				
Buildings	4,789,024	-	-	4,789,024
Improvements other than buildings	401,583	-	-	401,583
Vehicles and equipment	4,878,981	465,917	(23,225)	5,321,673
Infrastructure	36,342,990	597,612	-	36,940,602
Total capital assets being depreciated	46,412,578	1,063,529	(23,225)	47,452,882
Less accumulated depreciation for:				
Buildings	3,354,452	107,726	-	3,462,178
Improvements other than buildings	388,762	6,079	-	394,841
Vehicles and equipment	3,726,840	469,756	(23,225)	4,173,371
Infrastructure	23,618,995	773,846	-	24,392,841
Total accumulated depreciation	31,089,049	1,357,407	(23,225)	32,423,231
Total capital assets being depreciated, net	15,323,529	(293,878)	-	15,029,651
Business-type activities capital assets, net	\$ 19,815,372	\$ 12,106,421	\$ -	\$ 31,921,793

Capital Asset Transfers:

During the year ended September 30, 2006, the Stormwater Drainage fund, an enterprise fund, received transfers from the governmental funds in the amount of \$469,424. This amount is reported as transfers out in the governmental funds and transfers in the stormwater fund. At the government-wide level this amount is reported as a transfer from the governmental activities to the business-type activities. In addition, the City transferred certain assets from the Water, Sewer and Sanitation funds to the general government, which is recorded in the governmental activities. These amounts are accounted for as transfers from the respective funds in the amount of \$50,443, \$12,304 and \$1,022, respectively. No entry was recorded at the fund level for the governmental funds. At the government-wide level, this asset transfer was recorded as a transfer between governmental activities and business-type activities in the amount of \$71,044.

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 6. Capital Assets (Continued)

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

Governmental activities:		
General government		\$ 139,827
Public safety:		
Law enforcement		516,523
Fire Protection		386,509
Physical environment		1,008,581
Culture and recreation		430,069
Transportation		162,613
Human services		53,322
Total depreciation expense, governmental activities		\$ 2,697,444
Business-type activities:		
Water utility		\$ 260,770
Sewer utility		326,847
Sanitation		256,421
Stormwater drainage		502,295
Cemetery		11,074
Total depreciation expense, business-type activities		\$ 1,357,407

Note 7. Interfund Activities

Due to/Due from other funds:

Receivable Fund	Payable Fund	Purpose for Balance	Amount
Sewer Fund	Cemetery Fund	To fund temporary cash shortage	\$ 320,000
Water Fund	Stormwater Drainage Fund	Short-term loan to fund cash restrictions	55,000
			\$ 375,000

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 7. Interfund Activities (Continued)

Transfers: During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. The composition of interfund transactions for the year ended September 30, 2006 are as follows:

Transfers Out	Transfers In						Total Transfers Out
	General Fund	Community Redevelopment Agency Fund	Nonmajor Governmental Funds	Sanitation Fund	Stormwater Drainage Fund	Internal Service Funds	
General Fund	\$ -	\$ 2,757,209	\$ 65,000	\$ 200,000	\$ -	\$ 225,000	\$ 3,247,209
Community Redevelopment Agency Fund	-	-	-	-	12,409	-	12,409
Grant Administration Fund	-	-	-	-	457,015	-	457,015
Nonmajor Governmental Funds	32,623	-	-	-	-	-	32,623
Water Fund	50,443	-	132,735	-	-	100,000	283,178
Sewer Fund	12,304	-	68,772	-	-	100,000	181,076
Sanitation Fund	1,021	-	-	-	-	135,000	136,021
Stormwater Drainage Fund	7,276	-	-	-	-	20,000	27,276
Nonmajor Cemetery Fund	-	-	137,185	-	-	-	137,185
	<u>\$ 103,667</u>	<u>\$ 2,757,209</u>	<u>\$ 403,692</u>	<u>\$ 200,000</u>	<u>\$ 469,424</u>	<u>\$ 580,000</u>	<u>\$ 4,513,992</u>

The transfers to the community redevelopment agency fund from the general fund were for the City's portion of tax increment financing. The transfers into the internal service funds are to provide additional capital for this activity. The transfer from the nonmajor governmental funds to the general fund is due to administrative fees collected from users of police outside services and remitted to the general fund. The transfers from the enterprise funds to the general fund are governmental assets paid with enterprise funds.

Note 8. Accounts Payable

Accounts payable for the City's governmental activities and each major governmental fund and nonmajor governmental funds in the aggregate as of September 30, 2006 were as follows:

Governmental	Community Redevelopment Agency Fund				Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
	General Fund	Agency Fund	Grant Administration Fund	Nonmajor Governmental Funds			
Vendor payables	\$ 525,750	\$ 34,722	\$ 102,894	\$ 92,335	\$ 6,921	\$ 762,622	
Retainage payable	-	57,534	101,020	5,280	-	163,834	
Other liabilities	20,135	32,431	23,222	37,000	-	112,788	
Total payables	<u>\$ 545,885</u>	<u>\$ 124,687</u>	<u>\$ 227,136</u>	<u>\$ 134,615</u>	<u>\$ 6,921</u>	<u>\$ 1,039,244</u>	

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 8. Accounts Payable (Continued)

Accounts payable for the City's proprietary activities and each major fund and the nonmajor proprietary fund in the aggregate as of September 30, 2006 were as follows:

Proprietary	Water Fund	Sewer Fund	Sanitation Fund	Stormwater Drainage Fund	Cemetery Fund (Nonmajor)	Total Business-Type Activities
Vendor payables	\$ 871,683	\$ 387,425	\$ 138,159	\$ 18,154	\$ 5,321	\$ 1,420,742
Retainage payable	1,169,355	-	-	195,079	-	1,364,434
Accrued liabilities	-	2,067,637	-	-	-	2,067,637
Other liabilities	300	-	17	-	233	550
Total payables	\$ 2,041,338	\$ 2,455,062	\$ 138,176	\$ 213,233	\$ 5,554	\$ 4,853,363

Note 9. Long-Term Debt and Other Obligations

The following is a summary of long-term debt and other obligation transactions for the year ended September 30, 2006:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Pledged revenue note	\$ 188,830	\$ -	\$ (188,830)	\$ -	\$ -
Revenue note, series 2002	1,596,385	-	(500,000)	1,096,385	500,000
Accrued claims for self-insured risks	985,446	1,505,387	(457,084)	2,033,749	197,480
Accrued claims for management health stipend	124,690	-	(72,030)	52,660	-
	<u>2,895,351</u>	<u>1,505,387</u>	<u>(1,217,944)</u>	<u>3,182,794</u>	<u>697,480</u>
Compensated absences	3,304,992	2,716,652	(2,327,515)	3,694,129	450,067
Total governmental activities, long-term liabilities	\$ 6,200,343	\$ 4,222,039	\$ (3,545,459)	\$ 6,876,923	\$ 1,147,547
Business-type activities:					
Revenue bonds, series 2001A	\$ 4,295,000	\$ -	\$ (170,000)	\$ 4,125,000	\$ 175,000
Revenue bonds, series 2005A	8,800,000	-	(290,000)	8,510,000	310,000
Unamortized bond premium	532,972	-	(29,475)	503,497	43,419
	<u>13,627,972</u>	<u>-</u>	<u>(489,475)</u>	<u>13,138,497</u>	<u>528,419</u>
Compensated absences	461,841	268,161	(266,908)	463,094	83,356
Total business-type activities, long-term liabilities	\$ 14,089,813	\$ 268,161	\$ (756,383)	\$ 13,601,591	\$ 611,775

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 9. Long-Term Debt and Other Obligations (Continued)

The Revenue Note, Series 2002 line of credit, not to exceed \$5,000,000 with an amortization onset date of August 15, 2003, is for the purpose of funding various CRA projects. The note is not a general obligation of the City and it is to be paid from CRA District revenue. Interest at 51.2% of the prime rate (8.25%) (4.23% as of September 30, 2006) is payable semiannually. Principal is payable semiannually in equal installments and the note matures on February 15, 2012.

The Revenue Bonds, Series 2001A were issued for the purpose of financing the acquisition and construction of a new membrane water treatment plant, construction and improvements to the stormwater drainage system and the sewer system. The bonds are not general obligation bonds of the City, bear interest of 4.46% as of September 30, 2006 and are to be repaid solely from non-ad valorem revenue. Principal is payable annually and the bonds mature on November 1, 2021.

The Revenue Bonds, Series 2005A were issued for the purpose of financing the acquisition and construction of a new membrane water treatment plant, construction and improvements to the stormwater drainage system, and construction and improvements to the sewer system. The bonds are not general obligation bonds of the City, bear interest of 3.98% as of September 30, 2006 and are to be repaid solely from non-ad valorem revenue. Principal is payable annually and the bonds mature on February 1, 2025.

A summary of annual debt service requirements as of September 30, 2006 is as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities			
	Revenue Note, Series 2002		Revenue Bonds, Series 2001A		Revenue Bonds, Series 2005A	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 500,000	\$ 41,031	\$ 175,000	\$ 202,088	\$ 310,000	\$ 362,803
2008	500,000	19,911	185,000	193,988	320,000	352,953
2009	96,385	2,036	190,000	185,075	330,000	342,390
2010	-	-	200,000	175,325	345,000	331,853
2011-2015	-	-	1,165,000	710,513	1,910,000	1,458,856
2016-2020	-	-	1,500,000	365,950	2,325,000	1,034,385
2021-2025	-	-	710,000	34,200	2,970,000	386,250
Totals	\$ 1,096,385	\$ 62,978	\$ 4,125,000	\$ 1,867,139	\$ 8,510,000	\$ 4,269,490

Notes to Financial Statements

Note 10. Pension Plans

General Employees Retirement Plan

Plan description: The General Employees Retirement Plan is a single-employer defined benefit plan, which covers all City employees except police officers, firefighters and Management/Professional employees. The City's payroll for employees covered by this plan applicable to the October 1, 2005 actuarial valuation was \$5.0 million. The City's total payroll for covered employees for the year ended September 30, 2006, was approximately \$5.5 million. As of October 1, 2005, employee membership data related to the plan was as follows:

Retirees and beneficiaries currently receiving benefits	115
Terminated employees entitled to benefits but not yet receiving them	60
Current active employees	137
Total	<u><u>312</u></u>

The plan provides enhanced retirement as well as death benefits. Benefits vest 20% after three years of active participation, plus 20% for each additional year to 100% after seven years. Employees who retire at or after age 60 with 15 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 71% of average compensation times the accrued benefit adjustment. Average compensation is equal to the monthly average of total pay within the three-year period ending on the day prior to the normal retirement date. Employees with 20 years of credited service may retire at or after age 55 and receive reduced retirement benefits. The City Commission has the authority to create or amend benefit and contribution provisions.

Covered employees are required by City ordinance to contribute 3% of monthly earnings. The City is required to contribute the remaining amounts necessary to fund the plan, based on an actuarially determined amount each year.

If an employee leaves covered employment or dies before five years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or designated beneficiary. Benefits and refunds of the plan are recognized when due and payable in accordance with the terms of the plan.

The City does not issue a stand-alone financial report for the plan.

Actuarially determined contribution requirements and contributions made: The funding policy for the City's deposit requirement was changed to accommodate the City budgetary process. Therefore, the October 1, 2005 valuation provides the Annual Required Contribution ("ARC") for fiscal years 2005 and 2006. The plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentages of payroll contribution rates are determined using the entry age normal-aggregate actuarial cost method. Unfunded actuarial accrued liability is amortized over 5 to 30 years.

Significant actuarial assumptions used to compute contribution requirements are a 7.75% investment return and annual salary increase ranging from 5.18 to 8.4%. The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities.

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 10. Pension Plans (Continued)

The employees, in accordance with City ordinance, made contributions for the year ending September 30, 2006 totaling \$187,555. Employer contributions for same period totaled \$1,959,212 or 100% of the actual amount required. Payments of contributions, benefits and refunds are recognized in the financial statements when paid. Administrative costs are paid out of the assets of the plan, provided that such payment is consistent with any law to which the plan is subject.

Trend information: Trend information indicates the progress made in accumulating sufficient assets to pay benefits when due. An analysis of funding progress for the year ended September 30, 2006 is as follows:

Year Ended September 30,	Annual Pension Cost ("APC")	Percentage of APC Contributed	Net Pension Obligation (Asset)
2006	\$ 1,964,007	100%	\$ (109,250)
2005	1,711,424	100%	(114,045)
2004	589,717	99%	(119,051)

Police Officers and Firefighters Retirement Plan

Plan description: The Police Officers and Firefighters Retirement Plan is a single-employer defined benefit plan, which covers all police officers and firefighters. The City's payroll for employees covered by this plan applicable to the October 1, 2005 actuarial valuation was approximately \$8.2 million. The City's total payroll for covered employees for the fiscal year ended September 30, 2006 was approximately \$8.2 million. As of October 1, 2005, employee membership data related to the plan was as follows:

Retirees and beneficiaries currently receiving benefits	138
Terminated employees entitled to benefits but not yet receiving them	4
Current active employees	124
Total	266

The plan provides retirement benefits as well as death and disability benefits. Employees vest after 10 years of service. Employees who retire at or after age 52 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 3.2% of average rate of pensionable earnings (salary) for the highest 78 consecutive bi-weekly pay periods of service preceding actual retirement, times years and completed months of service, not to exceed 80% of final salary. Employees with 10 years of credited service may retire at or after age 45 and receive reduced retirement benefits. Employees who attain the 80% maximum multiplier may retire at any age and receive normal retirement pension accrued. The Plan includes a Deferred Retirement Option, Medical Stipend, Cost of Living Adjustment and Additional Accrual Service purchase benefits.

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 10. Pension Plans (Continued)

Covered employees are required by statute to contribute 8% of their salary to the plan. If an employee leaves covered employment or dies before 10 years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or designated beneficiary. The service-incurred benefit is 30% of monthly compensation at time of death or the accrued monthly retirement benefit, whichever is greater. The non-service-incurred benefit requires 10 years of service and is the accrued monthly retirement benefit. The City is required by State of Florida statute to contribute the remaining amounts necessary to finance the coverage of its employees. On-behalf payments of fringe benefits and salaries for the City's employees are recognized as revenues and expenditures/expense during the year. Benefits and refunds of the plan are recognized when due and payable in accordance with the terms of the plan.

The City does not issue a stand-alone financial report for the plan.

Actuarially determined contribution requirements and contributions made: The plan's funding policy provides for periodic employer contributions at actuarially determined rates which, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentages of payroll contribution rates are determined using the frozen initial liability actuarial cost method. The retirement plan for police officers and firefighters of the City also amortizes the unfunded liability over a period of 30 years. Payments of contributions, benefits and refunds are recognized in the financial statements as they are paid. Administrative costs are paid out of the assets of the plan, provided that such payment is consistent with any law to which the plan is subject.

Significant actuarial assumptions used to compute contribution requirements are an 8.0% investment return and annual salary increases of 4.5% to 10.5%, based on age.

Contributions for year ended September 30, 2006, consisting of \$3,523,896 for the employer, or 100% of the actual amount required, \$960,616 for the employee and \$425,024 on behalf of the State of Florida, were made in accordance with the state statute and in accordance with actuarially determined contribution requirements determined through an actuarial valuation performed at October 1, 2005.

Trend information: Trend information indicates the progress made in accumulating sufficient assets to pay benefits when due. An analysis of funding progress for the year ended September 30, 2006 is as follows:

Year Ended September 30,	Annual Pension Cost ("APC")	Percentage of APC Contributed	Net Pension Obligation (Asset)
2006	\$ 3,872,349	102%	\$ (286,826)
2005	3,382,023	100%	(210,255)
2004	858,225	101%	(213,792)

There were no investments that individually represented 5% or more of the assets of the plan.

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 10. Pension Plans (Continued)

Professional/Management Employees Retirement Plan

Plan description: The Professional/Management Employees Retirement Plan is a single-employer defined-benefit plan, which covers all professional/management employees as indicated in the Personnel Resource System. The City's payroll for employees covered by the plan applicable to the October 1, 2005 actuarial valuation was \$1.9 million. The City's total payroll for the covered employees for the fiscal year ended September 30, 2006 was approximately \$1.8 million. As of October 1, 2005, employee membership data related to the plan was as follows:

Retirees and beneficiaries currently receiving benefits	3
Terminated employees entitled to benefits but not yet receiving them	10
Current active employees	31
Total	44

The plan provides enhanced retirement benefits as well as death benefits. Benefits vest 100% after 4 years. Employees can retire at or after age 60 with 4 years of credited service or age 52 with 10 years of credited service or upon attaining the maximum benefit regardless of age. The benefit amount is calculated as 3.2% for each year of eligible service multiplied by a three-year average compensation. Employees who retire early with 10 years of service and age 45 incur a reduction of 6% for each year the early retirement date precedes the normal retirement date. The plan includes a Deferred Retirement Option Plan, Medical Stipend, Excess Benefit Plan, Cost of Living Adjustment and Additional Accrual Service purchase benefits.

Covered employees are required by plan documents to contribute 5% of monthly compensation. The City is required to contribute the remaining amounts necessary to fund the plan, based on an actuarially determined amount each year.

If an employee leaves covered employment or dies before four years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or designated beneficiary. Benefits and refunds of the plan are recognized when due and payable in accordance with the terms of the plan.

The City does not issue a stand-alone financial report for the plan.

The Excess Benefit Plan is utilized when a retiree's calculated benefit under the plan is limited by Internal Revenue Service Section 415 calculations. In this instance, the portion of the limited benefit is paid to the retiree from the Excess Benefit Plan. This unfunded plan is administered by Principal Financial Group and annual benefits payment contribution requirements are paid directly from the City's treasury. The City contributed \$672,526 directly to the Excess Benefit Plan.

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 10. Pension Plans (Continued)

Actuarially determined contribution requirements and contributions made: The funding policy for the City's deposit requirements was changed to accommodate the City budget process. Therefore, the October 1, 2005 valuation provides the annual required contribution ("ARC") for fiscal years 2005 and 2006. The plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentages of payroll contribution rates are determined using the entry age normal-frozen initial liability actuarial cost method. Unfunded actuarial accrued liability is amortized over 10 to 30 years.

Significant actuarial assumptions used to compute contribution requirements are a 7.75% investment return and annual salary increase ranging from 5.18% to 8.4%.

The employees, in accordance with plan documents, made contributions for the year ended September 30, 2006 totaling \$163,279. Employer contributions for the same period totaled \$816,391 or 49% of the actual amount required. Payments of contributions, benefits and refunds are recognized in the financial statements as they are paid. Administrative costs are paid out of the assets of the plan, provided that such payment is consistent with any law to which the plan is subject.

Trend information: Trend information indicates the progress made in accumulating sufficient assets to pay benefits when due. An analysis of funding progress for the year ended September 30, 2006 is as follows:

Year Ended September 30,	Annual Pension Cost ("APC")	Percentage of APC Contributed	Net Pension Obligation (Asset)
2006	\$ 823,409	99%	\$ (209,127)
2005	1,217,708	72%	(216,145)
2004	376,539	218%	(108,011)

Administrative Expenses-All Pension Plans

Administrative costs paid by the General Employees Retirement Plan, Police Officers and Firefighters Retirement Plan and the Professional/Management Employees Retirement Plan include services of administrative personnel, bank charges, investment counsel charges, actuarial costs, insurance expense and miscellaneous office expenses.

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 10. Pension Plans (Continued)

Annual Pension Cost and Net Pension Obligation (Asset) – All Pension Plans

The annual pension cost and net pension obligation (asset) for each pension plan for year ended September 30, 2006 are as follows:

	General Employees	Police Officers and Firefighters	Professional/ Management
Annual required contribution ("ARC")	\$ 1,959,212	\$ 3,871,871	\$ 816,391
Interest on net pension obligation (asset)	(8,838)	(17,027)	(7,786)
Adjustment to annual required contribution	13,633	17,505	14,804
Annual pension cost	1,964,007	3,872,349	823,409
Contributions made	1,959,212	3,948,920	816,391
(Increase) decrease in net pension obligation (asset)	4,795	(76,571)	7,018
Net pension obligation (asset), beginning	(114,045)	(210,255)	(216,145)
Net pension obligation (asset), ending	\$ (109,250)	\$ (286,826)	\$ (209,127)

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 10. Pension Plans (Continued)

Actuarial methods and significant actuarial assumptions used to determine the annual required contributions for the current year follow:

	General Employees Retirement System	Police Officer/ Firefighters Retirement System	Professional/Management Employees Retirement Plan
Valuation date	October 1, 2005	September 30, 2005	October 1, 2005
Actuarial cost method	Aggregate	Frozen initial liability	Entry age normal-frozen initial liability
Amortization method for unfunded actuarial accrued liabilities	Level payment	Level percent closed	Level payment
Amortization period (closed)	5 to 30 years	30 years	10 to 30 years
Actuarial asset valuation method	Market value is adjusted by spreading expected value less actual value over four years	5-year smoothed market	Market value is adjusted by spreading expected value less actual value over four years
Actuarial assumptions:			
Assumed rate of return on investments	7.75% per annum	8.00% per annum	7.75% per annum
Salary increases	Assumed salaries increase on age range between 5.18% to 8.4% per year	4.5% to 10.5%, based on age (includes inflation at 4%)	Assumed salaries increase on age range between 5.18% to 8.4% per year
Mortality rate	1983 Group Annuity Mortality, male and female	1983 Group Annuity Mortality	1983 Group Annuity Mortality, male and female
Cost of living adjustments	None	1%	Adjustment to the retirement benefit of up to 2% per year if CPI is .5% or greater the immediate preceeding year

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 10. Pension Plans (Continued)

Money-Purchase Plan and Trust

The City maintains a single-employer money-purchase plan created in accordance with Internal Revenue Code Section 401(a). This defined contribution plan is comprised of four plans with varying levels of employer and employee contributions. The plan is no longer available to management employees, but will be maintained for current employees that have opted to remain in the plan. At September 30, 2006, there were 5 members participating in the plan. The plan requires the City to contribute 13% to 17% of the members' base pay depending on plan membership. Employee required contributions are 4% to 4.6%.

The City's contributions were calculated using the covered payroll amount of approximately \$457,155. The City's contribution amounted to \$69,618, or 15.2% of current covered payroll.

**Combining Statement of Fiduciary Net Assets
Pension Trust Funds
September 30, 2006**

Assets	General Employees Pension	ICMA 401(A) Pension	Police and Firefighters Pension	Professional Management Pension	Total Pension Trust Funds
Cash with fiscal agent	\$ -	\$ -	\$ 2,297,389	\$ -	\$ 2,297,389
Accounts receivable	-	4,396	190,235	-	194,631
Due from other governments	-	-	425,024	-	425,024
Investments:					
U.S. government agencies	-	-	11,006,501	-	11,006,501
Corporate bonds	11,543,968	-	5,385,088	2,148,154	19,077,210
Equity securities	13,163,242	1,370,787	46,288,681	4,030,802	64,853,512
Mutual funds	-	-	180,001	417,178	597,179
Real estate	1,802,896	-	2,757,482	571,096	5,131,474
Total assets	\$ 26,510,106	\$ 1,375,183	\$ 68,530,401	\$ 7,167,230	\$ 103,582,920
Net assets					
Held in trust for pension benefits	\$ 26,510,106	\$ 1,375,183	\$ 68,530,401	\$ 7,167,230	\$ 103,582,920

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 10. Pension Plans (Continued)

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
Year Ended September 30, 2006

	General Employees Pension	ICMA 401(A) Pension	Police and Firefighters Pension	Professional Management Pension	Total Pension Trust Funds
Additions					
Contributions:					
Employer	\$ 1,959,212	\$ 70,621	\$ 3,523,896	\$ 1,488,917	\$ 7,042,646
Plan members	187,555	21,286	960,616	163,279	1,332,736
State	-	-	425,024	-	425,024
Total contributions	2,146,767	91,907	4,909,536	1,652,196	8,800,406
Investment earnings:					
Interest	-	-	2,025,866	-	2,025,866
Net increase in the fair value of investments	1,589,896	94,690	3,397,040	537,883	5,619,509
	1,589,896	94,690	5,422,906	537,883	7,645,375
Less investment expense	(26,200)	-	(173,096)	(11,955)	(211,251)
Net investment income	1,563,696	94,690	5,249,810	525,928	7,434,124
Total additions	3,710,463	186,597	10,159,346	2,178,124	16,234,530
Deductions					
Benefits	1,636,784	177,082	4,548,233	719,056	7,081,155
Change in net assets	2,073,679	9,515	5,611,113	1,459,068	9,153,375
Net assets, beginning	24,436,427	1,365,668	62,919,288	5,708,162	94,429,545
Net assets, ending	\$ 26,510,106	\$ 1,375,183	\$ 68,530,401	\$ 7,167,230	\$ 103,582,920

Notes to Financial Statements

Note 11. Risk Management

The City is exposed to various risk of loss related to torts: theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters. The City's self-insurance internal service funds are used to account for and finance both uninsured and insured risks of loss. Coverage is provided for post-retirement insurance, workers' compensation and general liability, as specified by applicable federal and state statutes. In fiscal year 2000, the City initiated a health stipend program whereby retirees are given a monthly payment to help cover the cost of health premiums. This program is recorded in the Self-Insurance Trust Fund. The City purchases commercial stop-loss policies for workers' compensation claims in excess of \$250,000. The City relies on the liability limits of \$100,000 imposed by Florida statute and therefore, does not carry any other coverages. Other insured risks for loss are budgeted in various operating funds. The City purchases all risk property insurance for City structures (estimated \$25,000,000 replacement value) with a \$2,500 deductible. Other minor liabilities for small City programs or operations are budgeted in the operating funds. The settlements in the past three fiscal years were less than insurance coverage.

All operating funds of the City participate in the program and make payments to the fund based on estimates of the amounts needed to pay prior and current claims and to provide fund equity for catastrophic losses. The estimated liability for self-insured risks at September 30, 2006 of \$2,033,749 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicated that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

As of September 30, 2006 and 2005, the total estimated liabilities on pending claims were as follows:

	2006	2005
Claims payable, beginning	\$ 985,446	\$ 1,602,072
Incurred claims	1,505,387	535,459
Payments on claims	(457,084)	(1,152,085)
Claims payable, ending	<u>\$ 2,033,749</u>	<u>\$ 985,446</u>

City of Hallandale Beach, Florida

Notes to Financial Statements

Note 12. Commitments and Contingent Liabilities

Construction and purchase commitments: The City has active construction projects as of September 30, 2006. The projects include a membrane water plant, stormwater drainage, street and beautification projects and sewer capacity improvements. As of September 30, 2006, the City's significant commitments with contractors are as follows:

Project	Spent to-Date	Remaining Commitment
Water membrane softening plant	\$ 15,153,613	\$ 8,654,763
Stormwater drainage improvements	4,077,840	223,163
Street and beautification projects	2,432,642	456,697
Hallandale sports complex	1,881,057	116,185
Golden Isles guardhouse	135,569	166,488
Curci house	99,999	650,001
Sewer capacity improvements	95,018	42,749
31 st year community development block grant	19,995	293,333
Total	\$ 23,895,733	\$ 10,603,379

The water membrane plant is partially financed by revenue bonds secured by water revenue. The Hallandale Sports Complex is partially financed from grants to be received from the School Board of Broward County. The Curci House restoration project is partially financed with State and County grants, as well as City funding. All other commitments are financed from existing City resources.

Claims and lawsuits: There are several pending claims and lawsuits in which the City is involved. The estimated liability related to these claims has been accrued in the City's general liability self-insurance fund. In the opinion of City management, the ultimate resolution of these claims will not materially exceed the amounts recorded in the financial statements.

Grantor agencies: Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including the 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.

Note 13. Budgetary GAAP

For the year ended September 30, 2006, expenditures exceeded appropriations in the personal services category (the legal level of budgetary control) of the Grant Administration Fund, Three Islands District Fund and Police Outside Services Fund by \$280,169, \$1,592 and \$61,783, respectively. Expenditures exceeded appropriations in the operating expenditures category of the Grant Administration Fund and Transportation Fund by \$3,237,767 and \$180,961, respectively. Expenditures exceeded appropriations in the capital outlay category of the Community Redevelopment Agency Fund, Golden Isles Safe Neighborhood Fund and the Law Enforcement Trust Fund by \$39,028, \$2,653 and \$1,661, respectively.

Notes to Financial Statements

Note 14. Pronouncements Issued, But Not Yet Adopted

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, was issued April 2004. This Statement establishes uniform financial reporting standards for the postemployment benefit plans (OPEB plans) and supersedes existing guidance. The provisions of this Statement will be effective for the City beginning with its year ending September 30, 2008.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* will be effective for the City beginning with its year ending September 30, 2009. This Statement improves the relevance and usefulness of financial reporting by requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and provides information about actuarial accrued liabilities associated with OPEB and whether, and to what extent, progress is being made in funding the plan.

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, issued September 2006, will be effective for the City beginning with its year ending September 30, 2007. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition, this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues.

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, is effective for the City beginning with its fiscal year ending September 30, 2009. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups.

The City's management has not yet determined the effect these Statements will have on the City's financial statements.

STATISTICAL TABLES

City of Hallandale Beach, Florida

Schedule 1

Net Assets by Component

Last Ten Fiscal Years (1)

(Accrual Basis of Accounting)

(amounts expressed in thousands)

	1997	1998	1999	2000	2001
Governmental activities:					
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total governmental activities net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type activities:					
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total business-type activities net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Primary government:					
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Unrestricted	-	-	-	-	-
Total primary government net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2003. Information for fiscal years ended September 30, 1997 to 2002 is unavailable.

	2002	2003	2004	2005	2006
\$	-	\$ 33,403	\$ 31,730	\$ 34,511	\$ 39,855
	-	4,222	4,351	3,106	3,461
	-	20,907	28,986	39,288	36,252
\$	-	\$ 58,532	\$ 65,067	\$ 76,905	\$ 79,568
\$	-	\$ 10,364	\$ 9,762	\$ 11,475	\$ 18,783
	-	6,203	-	137	-
	-	14,291	23,742	24,532	20,841
\$	-	\$ 30,858	\$ 33,504	\$ 36,144	\$ 39,624
\$	-	\$ 43,767	\$ 41,492	\$ 45,986	\$ 58,638
	-	10,425	4,351	3,243	3,461
	-	35,198	52,728	63,820	57,094
\$	-	\$ 89,390	\$ 98,571	\$ 113,049	\$ 119,193

City of Hallandale Beach, Florida

Schedule 2

Changes in Net Assets

Last Ten Fiscal Years (1)

(Accrual Basis of Accounting)

(amounts expressed in thousands)

	1997	1998	1999	2000	2001
Expenses:					
Governmental activities:					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-
Physical environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic environment	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Human services	-	-	-	-	-
Interest on long-term debt	-	-	-	-	-
Total governmental activities expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities:					
Cemetery	\$ -	\$ -	\$ -	\$ -	\$ -
Sanitation	-	-	-	-	-
Sewer	-	-	-	-	-
Stormwater drainage	-	-	-	-	-
Water	-	-	-	-	-
Total business-type activities expenses	-	-	-	-	-
Total primary government expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Program Revenues:					
Governmental activities:					
Charges for services:					
General government	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	-
Transportation	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities:					
Charges for services:					
Cemetery	\$ -	\$ -	\$ -	\$ -	\$ -
Sanitation	-	-	-	-	-
Sewer	-	-	-	-	-
Stormwater drainage	-	-	-	-	-
Water	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-
Total business-type activities program revenues	-	-	-	-	-
Total primary government program revenues	\$ -	\$ -	\$ -	\$ -	\$ -

(Continued)

	2002	2003	2004	2005	2006
\$	-	\$ 7,207	\$ 7,251	\$ 8,448	\$ 13,030
-	-	19,125	20,948	22,460	25,531
-	-	3,577	3,516	3,674	3,465
-	-	1,250	1,041	893	1,324
-	-	19	-	37	1,542
-	-	2,338	2,315	2,415	2,583
-	-	903	904	1,009	1,379
-	-	-	70	67	57
\$	-	\$ 34,419	\$ 36,045	\$ 39,003	\$ 48,911

\$	-	\$ 104	\$ 95	\$ 86	\$ 95
-	-	4,276	4,562	4,538	4,661
-	-	5,660	5,783	6,418	7,528
-	-	810	1,068	1,308	1,346
-	-	5,097	5,397	5,601	5,289
-	-	15,947	16,905	17,951	18,919
\$	-	\$ 50,366	\$ 52,950	\$ 56,954	\$ 67,830

\$	-	\$ 6,676	\$ 5,502	\$ 4,312	\$ 4,018
-	-	2,110	3,114	5,886	3,392
-	-	138	313	231	160
-	-	106	153	118	132
-	-	698	785	910	4,247
-	-	1,675	2,485	3,316	392
\$	-	\$ 11,403	\$ 12,352	\$ 14,773	\$ 12,341

\$	-	\$ 78	\$ 69	\$ 227	\$ 105
-	-	4,032	4,407	4,481	4,951
-	-	6,569	6,987	6,985	7,233
-	-	923	1,012	1,112	1,299
-	-	6,447	6,895	7,062	7,473
-	-	903	577	-	-
-	-	18,952	19,947	19,867	21,061
\$	-	\$ 30,355	\$ 32,299	\$ 34,640	\$ 33,402

City of Hallandale Beach, Florida

Schedule 2 (Continued)

Changes in Net Assets

Last Ten Fiscal Years (1)

(Accrual Basis of Accounting)

(amounts expressed in thousands)

	1997	1998	1999	2000	2001
Net (expense)/revenue					
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities	-	-	-	-	-
Total primary government net expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise and utility taxes	-	-	-	-	-
Sales taxes	-	-	-	-	-
Motor fuel taxes	-	-	-	-	-
Alcoholic beverage taxes	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Interest income	-	-	-	-	-
Other revenues	-	-	-	-	-
Gain on sale of capital assets	-	-	-	-	-
Total governmental activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type activities:					
Franchise and utility taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	-	-	-	-	-
Other revenues	-	-	-	-	-
Gain on sale of capital assets	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in Net Assets					
Governmental activities	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type activities	-	-	-	-	-
Total primary government	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2003. Information for fiscal years ended September 30, 1997 to 2002 is unavailable.

	2002	2003	2004	2005	2006
\$	-	\$ (23,016)	\$ (23,693)	\$ (24,230)	\$ (36,570)
	-	3,005	3,042	1,916	2,142
\$	-	\$ (20,011)	\$ (20,651)	\$ (22,314)	\$ (34,428)

\$	-	\$ 13,062	\$ 15,353	\$ 17,945	\$ 19,605
	-	6,461	6,378	6,852	7,404
	-	1,993	2,005	2,116	2,279
	-	678	611	745	668
	-	18	25	21	24
	-	2,018	3,671	3,575	4,316
	-	484	339	1,094	1,989
	-	763	1,104	3,349	2,835
	-	-	-	24	19
\$	-	\$ 25,477	\$ 29,486	\$ 35,721	\$ 39,139

\$	-	\$ 35	\$ 32	\$ 34	\$ 67
	-	361	315	855	1,342
	-	(293)	-	1	20
	-	-	-	77	4
	-	103	347	967	1,433
\$	-	\$ 25,580	\$ 29,833	\$ 36,688	\$ 40,572

\$	-	\$ 2,461	\$ 5,793	\$ 11,491	\$ 2,663
	-	3,108	3,389	2,883	3,480
\$	-	\$ 5,569	\$ 9,182	\$ 14,374	\$ 6,143

City of Hallandale Beach, Florida

Schedule 3

Fund Balances, Governmental Funds

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(amounts expressed in thousands)

	1997	1998	1999	2000	2001
General Fund					
Reserved	\$ 263	\$ 379	\$ 543	\$ 707	\$ 1,064
Unreserved	6,228	9,304	11,582	14,405	16,888
Total general fund	\$ 6,491	\$ 9,683	\$ 12,125	\$ 15,112	\$ 17,952
All other governmental funds					
Reserved	\$ 634	\$ 1,541	\$ 599	\$ 524	\$ 948
Unreserved, reported in:					
Special revenue funds	908	906	2,004	3,262	4,297
Grant administration fund	233	(92)	(15)	127	463
Capital projects funds	1,651	1,487	1,940	1,929	3,562
Permanent fund	-	-	-	-	-
Total all other governmental funds	\$ 3,426	\$ 3,842	\$ 4,528	\$ 5,842	\$ 9,270

2002	2003	2004	2005	2006
\$ 1,040	\$ 1,325	\$ 695	\$ 156	\$ 95
18,387	18,805	21,037	24,508	24,302
<u>\$ 19,427</u>	<u>\$ 20,130</u>	<u>\$ 21,732</u>	<u>\$ 24,664</u>	<u>\$ 24,397</u>
\$ 3,756	\$ 5,386	\$ 6,609	\$ 6,579	\$ 5,449
4,188	2,392	2,279	3,143	3,445
(1,157)	(535)	965	1,862	1,629
3,118	1,700	1,587	1,282	744
-	-	-	-	11
<u>\$ 9,905</u>	<u>\$ 8,943</u>	<u>\$ 11,440</u>	<u>\$ 12,866</u>	<u>\$ 11,278</u>

City of Hallandale Beach, Florida

Schedule 4

Changes in Fund Balances of Governmental Funds

Last Ten Fiscal Years (1)

(Modified Accrual Basis of Accounting)

(amounts expressed in thousands)

	1997	1998	1999	2000	2001
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses, fees and permits	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Charges for services	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Investment earnings	-	-	-	-	-
Other revenues	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Physical environment	-	-	-	-	-
Transportation	-	-	-	-	-
Economic development	-	-	-	-	-
Human services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-	-
Other financing sources (uses)					
Proceeds from sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Net change in fund balances	\$ -	\$ -	\$ -	\$ -	\$ -

Debt service as a percentage of noncapital expenditures

0.0% 0.0% 0.0% 0.0% 0.0%

(1) The City began to report accrual information when it implemented GASB Statement No. 34 in fiscal year 2003. Information for fiscal years ended September 30, 1997 to 2002 is unavailable.

	2002	2003	2004	2005	2006
\$	-	\$ 19,523	\$ 21,731	\$ 24,075	\$ 19,791
-	-	1,217	2,246	3,733	8,828
-	-	644	596	465	419
-	-	5,745	4,386	4,853	4,706
-	-	7,098	9,581	8,239	11,907
-	-	396	339	958	1,706
-	-	1,872	2,860	3,731	3,179
-	-	36,495	41,739	46,054	50,536
-	-	5,698	6,363	8,109	10,235
-	-	17,428	20,412	21,529	24,332
-	-	2,420	2,543	2,600	2,920
-	-	1,084	905	996	1,161
-	-	19	-	37	1,542
-	-	825	873	954	1,318
-	-	2,006	1,986	2,035	2,138
-	-	5,347	3,886	4,720	7,549
-	-	628	878	878	689
-	-	90	70	57	61
-	-	35,545	37,916	41,915	51,945
-	-	950	3,823	4,139	(1,409)
-	-	22	64	43	40
-	-	1,990	1,976	2,553	3,265
-	-	(3,640)	(1,764)	(2,377)	(3,750)
-	-	(1,628)	276	219	(445)
\$	-	\$ (678)	\$ 4,099	\$ 4,358	\$ (1,854)

0.0% 2.4% 2.8% 2.5% 1.7%

City of Hallandale Beach, Florida

Schedule 5
 Tax Revenues by Source, Governmental Funds
 Last Ten Fiscal Years
 (amounts expressed in thousands)

Fiscal Year	Ad Valorem	Franchise Fees	Utility	Communications Service	Sales
1997	8,898	2,084	2,820	734	1,606
1998	9,547	1,979	2,765	798	1,652
1999	9,546	2,019	2,717	942	1,709
2000	10,143	1,953	2,593	1,079	1,795
2001	10,720	2,309	2,841	1,201	2,030
2002	11,329	1,808	2,684	1,877	1,943
2003	13,062	2,024	2,829	1,643	1,993
2004	15,353	2,120	2,811	1,479	2,005
2005	17,165	2,394	2,939	1,576	2,116
2006	19,791	2,699	2,988	1,763	2,279

Source: Broward County Property Appraiser

Note: Property in Broward County is reassessed once every year, on average. The county assesses property at approximately 85-100% of actual value for commercial and industrial property and 85-100% for residential property, as required by Florida law. Estimated actual taxable value is calculated by dividing taxable value by those percentages. Tax rates are per \$1,000 of assessed value.

Motor Fuel	Alcoholic Beverage	Total
613	13	16,768
624	19	17,384
628	17	17,578
621	19	18,203
703	17	19,821
673	18	20,332
678	17	22,246
611	25	24,404
745	21	26,956
668	24	30,212

City of Hallandale Beach, Florida

Schedule 6
 Direct and Overlapping Property Taxes Rates
 Last Ten Fiscal Years

Tax Roll Year	Fiscal Year	Direct City Rate	Overlapping Rates					
		City of Hallandale Beach	Broward County Millage	Broward County School District	South Florida Water Management District	Florida Inland Navigation District	Children's Services Council	South Broward Hospital District
1996	1997	6.9870	7.8380	9.9745	0.6970	0.0500	-	2.1132
1997	1998	6.9870	7.5710	9.7256	0.6970	0.0470	-	2.1132
1998	1999	6.9870	7.5710	9.1283	0.6970	0.0440	-	2.0831
1999	2000	6.9870	7.5250	8.9553	0.6970	0.0410	-	1.9939
2000	2001	6.9870	7.4005	8.7541	0.6970	0.0385	-	1.8694
2001	2002	6.7480	7.4005	8.7541	0.6970	0.0385	0.3055	1.8694
2002	2003	6.7480	7.3650	8.8825	0.6970	0.0385	0.3316	1.7336
2003	2004	6.7480	7.1880	8.4176	0.6970	0.0385	0.3920	1.7336
2004	2005	6.5456	7.0230	8.2695	0.6970	0.0385	0.4231	1.5761
2005	2006	6.2838	6.7830	8.0623	0.6970	0.0385	0.4231	1.4500

Note: Tax millage rates (per \$1,000 of taxable value).

Source: Broward County Department of Revenue; Broward County, Florida Property Appraiser

(1) Not included in total tax rate, as these do not apply to entire City.

Total Direct & Overlapping Rates	Golden Isles Safe Neighborhood District (1)	Three Islands Safe Neighborhood District (1)
27.6597	1.0900	1.1170
27.1408	1.0900	1.1170
26.5104	1.0900	1.1170
26.1992	1.0900	1.1170
25.7465	1.0900	1.1170
25.8130	1.0900	1.1170
25.7962	1.0900	1.1170
25.2147	1.2900	1.1170
24.5728	1.2900	1.1170
23.7377	1.2900	1.0000

City of Hallandale Beach, Florida

Schedule 7

Principal Property Taxpayers

September 30, 2006

(amounts expressed in thousands)

Taxpayer	2006		Percentage of Total Taxable Assessed Value
	Taxable Assessed Value	Rank	
Gulfstream Park Racing Assn	\$ 39,978,670	1	1.267%
Omnipoint Holdings	31,255,599	2	0.990%
Three Islands Assoc. Residential	26,992,113	3	0.855%
Diplomat Properties Ltd. Partnership	24,488,640	4	0.776%
Florida Power & Light Co.	22,572,914	5	0.715%
Hollywood Greyhound Track	22,274,280	6	0.706%
TRG-Hallandale Beach Ltd.	18,518,270	7	0.587%
17070 Collins Ave. Shopping Ctr.	17,937,960	8	0.568%
Southern Bell Tel. & Tel.	14,439,117	9	0.457%
Ocean Marine Yacht Club LLC	14,013,360	10	0.444%
Wal-Mart Stores, Inc.	12,044,709	11	0.382%
Chaves Lake Apts. Inc.	10,296,810	12	0.326%
Hasam Realty			
Florida DOT Credit Union			
E.M. Loew's Theaters, Inc.			
Acmar Engineering Co.			
Comke, Inc.			
Tanner Valley, NV			
1920 L.C.			
Total	\$ 254,812,442		8.073%

Source: Broward County, Florida, Department of Revenue

1997		
Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
\$ 21,627,180	1	1.610%
14,181,460	4	1.060%
15,796,020	2	1.180%
7,911,800	5	0.590%
14,903,780	3	1.110%
5,278,570	6	0.390%
4,483,260	7	0.330%
3,961,060	8	0.300%
3,305,080	9	0.250%
2,400,000	10	0.180%
1,550,000	11	0.120%
<u>\$ 95,398,210</u>		<u>7.120%</u>

City of Hallandale Beach Florida

Schedule 8
 Property Tax Levies and Collections
 Last Ten Fiscal Years
 (amounts expressed in thousands)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy (1)		Delinquent Tax Collections	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 9,286	\$ 9,150	98.54%	\$ 119	\$ 9,269	99.82%
1998	9,816	9,561	97.40%	243	9,804	99.88%
1999	10,174	9,807	96.39%	352	10,159	99.85%
2000	10,500	10,387	98.92%	83	10,470	99.71%
2001	11,056	10,884	98.44%	143	11,027	99.74%
2002	11,760	11,649	99.06%	99	11,748	99.90%
2003	13,569	13,436	99.02%	94	13,530	99.71%
2004	15,859	15,811	99.70%	10	15,821	99.76%
2005	17,738	17,670	99.62%	32	17,702	99.80%
2006	20,426	20,329	99.53%	-	20,329	99.53%

Source: Broward County Revenue Collection Division

- (1) This amount represents gross levy (does not include discounts).
- (2) Amounts include Golden Isles and Three Islands Safe Neighborhoods Districts which are component units of the City of Hallandale Beach, Florida.

City of Hallandale Beach, Florida

Schedule 9

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Per Capita
	Pledged Revenue Note	Revenue Note Series 2002	Revenue Note Series 1993	Notes Payable	Revenue Bonds Series 2001A	Revenue Bonds Series 2005A		
1997	\$ 3,210,682	\$ -	\$ 79,663	\$ -	\$ -	\$ -	\$ 3,290,345	104.55
1998	2,832,464	-	-	-	-	-	2,832,464	90.17
1999	2,454,802	-	-	110,679	-	-	2,565,481	81.43
2000	2,077,140	-	-	67,647	-	-	2,144,787	62.56
2001	1,699,478	-	-	22,973	-	-	1,722,451	50.24
2002	1,321,816	2,846,385	-	-	4,770,000	-	8,938,201	260.94
2003	944,154	2,596,385	-	-	4,610,000	-	8,150,539	233.49
2004	566,492	2,096,385	-	-	4,445,000	-	7,107,877	201.91
2005	188,830	1,596,385	-	-	4,295,000	8,800,000	14,880,215	416.63
2006	-	1,096,385	-	-	4,125,000	8,510,000	13,731,385	383.09

City of Hallandale Beach, Florida

Schedule 10

Direct and Overlapping Governmental Activities Debt

As of September 30, 2006

Jurisdiction	Net Debt Outstanding (1)		Percentage Applicable to City of Hallandale Beach (2)	Amount Applicable to City of Hallandale Beach
City of Hallandale Beach	\$ -	(1)	100.000%	\$ -
Broward County	575,382,288	(2)	2.391%	13,757,391
Broward School District	54,056,000	(2)	2.379%	1,285,992
Total direct and overlapping debt	<u>\$ 629,438,288</u>			<u>\$ 15,043,383</u>

(1) Gross general obligation debt outstanding, less applicable amounts reserved for debt service.

(2) Percentage of taxable value of property in Hallandale Beach, to taxable value of property in overlapping unit.

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City of Hallandale Beach, Florida

Schedule 11
 Pledged-Revenue Coverage
 Last Ten Fiscal Years

Fiscal Year	Utility Revenue Bonds, Series 2001A and 2005A						Revenue Note Series 2002			
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage	CRA Revenue	Debt Service		Coverage
				Principal	Interest			Principal	Interest	
1997	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	\$ -	\$ -	-
1998	-	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-	-	-	-
2002	12,580,744	11,174,293	1,406,451	-	106,200	13.24	-	-	-	-
2003	14,019,936	11,786,521	2,233,415	160,000	227,712	5.76	2,215,102	250,000	61,951	7.10
2004	14,894,415	12,247,145	2,647,270	155,000	222,594	7.01	3,299,820	500,000	51,382	5.98
2005	15,158,977	13,283,428	1,875,549	160,000	387,085	3.43	4,461,035	500,000	48,668	8.13
2006	15,753,547	12,819,915	2,933,632	460,000	266,186	4.04	5,827,132	500,000	56,437	10.47

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Pledged Revenue Note

	Franchise Fees	Debt Service		Coverage
		Principal	Interest	
\$	2,028,201	\$ 377,662	\$ 173,082	3.68
	1,928,229	377,662	151,478	3.64
	1,964,328	377,662	125,156	3.91
	1,899,839	377,662	119,916	3.82
	2,258,073	377,662	92,142	4.81
	3,640,334	377,662	42,665	8.66
	3,482,715	377,662	28,303	8.58
	3,567,793	377,662	18,553	9.00
	3,969,778	377,662	8,620	10.28
	4,462,284	188,831	4,331	23.10

City of Hallandale Beach, Florida

Schedule 12

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (2)	Broward County Per Capita		Median Age	Broward County Unemployment Rate (3)	Hallandale Beach Unemployment Rate	Public School Enrollment (6)
			Personal Income (2)					
1997	31,470	\$ 846,165,360	\$ 26,888	*	*	5.10%	6.90% (4)	2,601
1998	31,413	895,458,978	28,506	*	*	4.50%	7.00% (4)	2,643
1999	31,504	918,593,682	29,158	*	*	4.10%	6.20% (4)	2,578
2000	34,282 (7)	1,052,765,938	30,709	50.9	(7)	3.90%	5.60% (4)	2,635
2001	34,286	1,079,700,426	31,491	50.9		4.60%	5.40% (4)	2,712
2002	34,254	1,098,320,256	32,064	50.9		5.90%	4.60% (4)	2,817
2003	34,908	1,146,518,352	32,844	50.9		5.60%	7.10% (4)	2,835
2004	35,204	1,197,217,632	34,008	50.9		4.10%	6.14% (5)	2,735
2005	35,716	*	*	50.9		3.50%	4.70% (5)	2,895
2006	35,844	*	*	50.9		3.10%	3.90% (5)	3,010

(1) Source: University of Florida, Bureau of Economic Research for Hallandale Beach.

(2) Source: U.S. Department of Commerce, Bureau of Economic Analysis for year ended December 31.

(3) Source: Florida Department of Labor and Employment Security for Fort Lauderdale, Pompano Beach, Deerfield Beach Metropolitan Division

(4) Source: Florida Department of Labor and Employment Security for City of Hallandale Beach, Florida.

(5) Source: Agency for Workforce Innovation

(6) Source: Broward School District for City of Hallandale Beach, Florida.

(7) Source: U.S. Census

* Not available

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City of Hallandale Beach, Florida

Schedule 13

Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

	1997	1998	1999	2000	2001
Function/Program					
General Government					
Management	8.00	8.00	8.00	8.00	8.00
General services	7.00	7.00	7.00	7.00	7.00
City attorney	3.00	3.00	3.00	3.00	3.00
Finance	11.00	11.00	9.00	9.00	9.50
Information technology	2.00	2.00	2.00	2.00	2.00
Personnel	6.00	5.00	5.00	5.00	5.00
City clerk	6.00	5.00	6.00	6.00	6.00
Development services	22.00	20.00	21.00	22.00	19.75
Other	7.00	4.00	4.00	4.00	4.00
Police					
Officers	88.00	90.00	90.00	90.00	90.00
Civilians	87.00	67.00	65.00	66.00	60.75
Fire					
Paramedics, firefighters, officers	72.00	74.00	76.00	74.00	74.00
Civilians	2.00	2.00	2.00	2.00	2.00
Public Works					
Administration	4.00	4.00	4.00	4.00	4.00
Equipment maintenance	9.00	9.00	9.00	9.00	9.00
Landscape/beautification	14.00	14.00	16.00	16.00	14.00
Building maintenance	16.00	15.00	13.00	14.00	14.75
Human services	22.00	20.00	20.00	20.00	16.60
Parks and recreation	87.00	62.00	62.00	62.00	48.15
Transportation					
Streets	9.00	9.00	9.00	9.00	7.95
Minibus	5.00	5.00	4.00	4.00	4.80
Sanitation	33.00	24.00	24.00	23.00	22.75
Water	47.00	47.00	44.00	45.00	46.00
Stormwater	5.00	5.00	4.00	5.00	5.00
Sewer	15.00	14.00	15.00	14.00	14.00
Total	587.00	526.00	522.00	523.00	498.00

Source: City Budget Office

Note: A full-time employee is scheduled to work 2,088 hours per year, including holidays, vacation and sick leave. Full-time equivalent employment is calculated by dividing total labor hours by 2,088.

2002	2003	2004	2005	2006
8.00	8.00	6.50	7.00	8.00
9.00	7.00	4.00	4.00	4.00
3.00	3.00	3.00	3.00	3.00
8.50	8.50	9.00	8.50	9.50
1.00	3.50	3.50	5.00	5.00
5.00	5.00	5.00	5.00	5.75
6.00	5.00	3.00	3.00	3.00
22.75	24.87	27.50	29.00	29.00
4.00	4.50	4.00	2.00	2.00
98.00	105.00	101.00	102.00	101.00
62.75	55.00	55.00	49.25	37.00
76.00	74.00	74.00	76.00	77.00
2.00	2.00	2.00	2.00	3.00
5.00	6.00	5.00	8.75	7.75
9.00	9.00	9.00	9.00	9.00
14.00	14.00	14.00	16.00	17.25
13.50	13.50	13.50	12.50	14.25
16.60	16.60	12.20	12.20	12.20
44.25	47.25	37.50	37.50	32.80
7.95	7.95	7.20	6.75	6.75
4.80	3.20	-	-	-
21.75	21.75	21.75	21.00	21.00
45.00	47.00	45.00	44.00	43.00
5.00	5.00	5.00	2.00	2.00
14.00	12.00	12.00	12.00	12.00
506.85	508.62	479.65	477.45	465.25

City of Hallandale Beach, Florida

Schedule 14

Operating Indicators by Function/Program

Last Ten Fiscal Years

	1997	1998	1999	2000	2001
Function/Program					
General Government					
Building permits issued	2,565	2,234	2,352	2,317	2,128
Building inspections conducted	*	*	*	8,656	23,002
Police					
Physical arrests	1,561	1,802	1,324	1,365	1,333
Parking violations	3,382	4,044	3,727	3,927	5,388
Traffic violations	14,983	16,340	14,038	14,464	14,310
Fire					
EMS responses	6,619	7,074	5,487	5,136	6,130
Fire and other emergency responses	1,442	1,446	1,593	1,775	1,297
Fires	128	132	80	91	122
Inspections	3,624	3,475	3,184	3,539	2,962
Refuse Collection					
Refuse collected (tons per year)	21,081	21,354	22,064	23,307	22,903
Other Public Works					
Street resurfacing (miles)	-	-	-	-	-
Number of streets repaired	97	161	206	171	394
Asphalt used (tons)	316	503	360	361	437
Parks and Recreation					
Summer camp participants	*	*	*	*	*
Athletic teams	40	39	39	38	38
Water					
New connections	52	24	37	44	27
Average daily consumption (thousands of gallons)	5,790	5,280	5,390	5,670	5,230
Peak daily consumption (thousands of gallons)	6,300	6,560	7,000	6,900	6,580
Wastewater					
Average daily sewage transmitted (thousands of gallons)	*	*	*	4,300	5,210
Transit					
Total route miles	45,209	45,209	45,209	45,209	45,209
Passengers	57,614	56,217	54,555	59,074	52,734

* Data unavailable

2002	2003	2004	2005	2006
2,541	2,541	2,956	3,526	3,702
28,351	19,935	53,904	23,173	42,010
1,444	1,357	1,157	1,063	977
2,870	3,409	3,047	3,434	2,983
16,388	17,652	15,096	13,850	12,680
6,143	5,815	5,870	5,859	5,781
1,194	1,118	1,358	1,798	2,362
102	132	122	161	218
2,510	2,657	1,648	2,411	2,097
23,942	25,597	27,500	27,601	26,775
-	2.77	2.85	1.27	2.75
589	620	557	585	468
418	558	213	352	334
*	*	*	95	100
39	35	41	38	37
37	208	70	66	74
5,630	5,840	5,880	5,990	5,830
7,440	6,940	6,850	7,290	6,880
5,480	4,820	5,400	6,330	6,690
45,209	45,209	45,209	45,209	64,584
48,822	47,420	41,234	44,287	91,700

City of Hallandale Beach, Florida

Schedule 15

Capital Asset Statistics by Function/Program

Last Ten Fiscal Years

	1997	1998	1999	2000	2001
Function/Program					
Police					
Stations	1	1	1	1	1
Fire Stations	3	3	3	3	3
Refuse Collection					
Collection trucks	*	*	*	*	*
Other Public Works					
Streets (miles)	67	67	67	67	67
Sidewalks (miles)	36	36	38	39	39
Streetlights	*	*	*	*	*
Traffic signals	*	*	*	*	*
Parks and Recreation					
Playgrounds	7	7	7	7	8
Baseball/softball diamonds	4	4	4	4	4
Outdoor pavilions	4	4	4	4	5
Community centers	4	5	5	5	5
Pool	1	1	1	1	1
Tennis courts	14	14	14	14	14
Water					
Water mains (miles)	77	77	77	77	77
Fire hydrants	*	*	*	*	*
Storage capacity (thousands of gallons)	*	*	*	*	*
Wastewater					
Sanitary sewers (miles)	73	73	73	73	73
Storm sewers (miles)	29	29	30	31	31
Transmission capacity (thousands of gallons)	*	*	*	*	*

* Data unavailable

2002	2003	2004	2005	2006
1	1	1	1	1
3	3	3	3	3
*	*	*	*	18
67	67	67	67	67
40	40	40	41	41
*	*	*	*	1,391
42	42	42	42	42
8	8	8	8	8
4	4	4	4	4
5	5	5	5	5
5	5	5	5	5
1	1	1	1	1
14	14	14	14	14
77	77	77	78	78
*	*	545	545	545
*	*	5	5	5
73	73	73	73	73
31	31	32	35	35
*	*	*	7	7

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