

RESOLUTION NO. 90-289

A RESOLUTION SUPPLEMENTING RESOLUTION NO. 90-288 ADOPTED BY THE BOARD OF COUNTY COMMISSIONERS OF ST. JOHNS COUNTY, FLORIDA ON NOVEMBER 14, 1990, AUTHORIZING THE ISSUANCE OF THE COUNTY'S WATER AND SEWER REVENUE BONDS, SERIES 1990B-I AND SERIES 1990B-II, FOR THE PURPOSE OF RATIFYING THE COUNTY'S ACCEPTANCE OF THE INSURER'S COMMITMENT; ESTABLISHING THE PRINCIPAL AMOUNTS OF THE SERIES 1990B-I BONDS AND THE SERIES 1990B-II BONDS; FIXING THE DATE, MATURITIES, INTEREST RATES AND REDEMPTION PROVISIONS FOR THE SERIES 1990B BONDS; ACCEPTING THE DISCLOSURE STATEMENT OF THE BOND PURCHASER AND AUTHORIZING A NEGOTIATED SALE OF THE SERIES 1990B BONDS AND THE EXECUTION AND DELIVERY OF A PURCHASE CONTRACT WITH RESPECT TO THE SERIES 1990B BONDS; APPROVING A PRELIMINARY OFFICIAL STATEMENT WITH RESPECT TO THE SERIES 1990B BONDS AND AUTHORIZING A FINAL OFFICIAL STATEMENT WITH RESPECT THERETO; APPOINTING THE REGISTRAR AND PAYING AGENT FOR THE SERIES 1990B BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW DEPOSIT AGREEMENT BETWEEN THE COUNTY AND THE ESCROW HOLDER; APPOINTING THE ESCROW HOLDER UNDER SAID ESCROW DEPOSIT AGREEMENT; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF ST. JOHNS COUNTY, FLORIDA, as follows:

SECTION 1. DEFINITIONS. The terms used in this resolution shall have the respective meanings assigned to them in the the Enabling Instrument and in this Section, unless the text hereof clearly otherwise requires:

"Bond Counsel" shall mean Foley & Lardner, Jacksonville, Florida, bond counsel to the Issuer with respect to the issuance of the Series 1990B Bonds.

"Board" shall mean the Board of County Commissioners of the Issuer.

"Enabling Instrument" shall mean Resolution No. 90-208 adopted by the Board on November 14, 1990.

"Escrow Deposit Agreement" shall mean the Escrow Deposit Agreement to be executed and delivered by and between the Issuer and the Escrow Holder, which agreement shall be in substantially the form attached hereto as Exhibit D.

"Escrow Holder" shall mean the Escrow Holder appointed pursuant to Section 10 of this resolution.

"Preliminary Official Statement" shall mean the preliminary official statement relating to the Series 1990B Bonds attached hereto as Exhibit A.

"Purchase Contract" shall mean the Bond Purchase Agreement attached hereto as Exhibit B.

"Purchaser" shall mean William R. Hough & Co., the purchaser of the Series 1990B Bonds.

SECTION 2. AUTHORITY FOR THIS RESOLUTION. This resolution is adopted pursuant to the provisions of the Act and other applicable provisions of law.

SECTION 3. FINDINGS. It is hereby found and determined that:

(A) On November 14, 1990, the Board duly adopted the Enabling Instrument for the purpose of authorizing the refunding of the Bonds Refunded 1990 and the acquisition and construction of Project 1990B and the issuance of the Series 1990B Bonds to pay a part of the cost thereof.

(B) The Issuer has accepted the commitment received from Financial Guaranty Insurance Company (the "Insurer") to provide a policy of municipal bond insurance with respect to the Series 1990B Bonds, a copy of which commitment is attached hereto as Exhibit C; and it is in the best financial interest of the Issuer that the Issuer ratify its acceptance of said commitment.

(C) It is necessary, appropriate and in accordance with Sections 2.01 and 2.02 of the Enabling Instrument that the Board adopt this supplemental resolution at this time in order to establish the principal amounts of the Series 1990B-I Bonds and the Series 1990B-II Bonds, and to fix the date of the Series 1990B Bonds and their maturity dates, interest rates, redemption provisions and other terms, preparatory to the sale thereof to the Purchaser as herein authorized and provided.

(D) The Board is advised that due to the present volatility of the market for tax-exempt public obligations such as the Series 1990B Bonds, it is in the best interest of the Issuer to sell the Series 1990B Bonds by a negotiated sale, allowing the Issuer to enter such market at the most advantageous time, rather than at a specified advertised future date, thereby permitting the Issuer to obtain the best possible price, interest rate and other terms for the Series 1990B Bonds and, accordingly, the Board does hereby find and determine that it is in the best financial interest of the Issuer that a negotiated sale of the Series 1990B Bonds be authorized. The Purchaser has offered to purchase the Series 1990B Bonds and has submitted to the Issuer the Purchase Contract expressing the terms of such offer; and the Board does hereby find and determine that it is in the best financial interest of the Issuer that the terms expressed in the Purchase Contract be accepted by the Issuer and that the Chairman or the Vice-Chairman be authorized to execute its acceptance on the Purchase Contract.

(E) It is appropriate that the Issuer approve, ratify and confirm the distribution of a preliminary official statement for the purpose of acquainting potential investors with pertinent information with respect to the Issuer and the Series 1990B Bonds and that the Issuer authorize the distribution of a final official statement prior to or contemporaneously with the issuance and delivery of the Series 1990B Bonds. For this purpose, it is appropriate that the distribution of the Preliminary Official Statement be approved, ratified and confirmed and that preparation and distribution of a final official statement be authorized in substantially the form of the Preliminary Official Statement, the final form thereof to be approved by the Chairman or Vice-Chairman at any time at or prior to the issuance of the Series 1990B Bonds.

(F) It is necessary and appropriate that the Issuer appoint a registrar and a paying agent for the Series 1990B Bonds, and the institution hereinafter named is acceptable to the Issuer; and it appears to the Board that the same is qualified to serve as Registrar and Paying Agent for the Series 1990B Bonds in accordance with the terms of the Enabling Instrument.

(G) In order to carry out the refunding described in the Enabling Instrument, it is necessary and appropriate that the Issuer authorize the execution and delivery of the Escrow Deposit Agreement, between the Issuer and the Escrow Holder.

(H) It is necessary and appropriate that the Issuer appoint an escrow holder to serve as such under the Escrow Deposit Agreement, and the institution hereinafter named is acceptable to

the Issuer; and it appears to the Board that the same is qualified to serve as Escrow Holder under the Escrow Deposit Agreement in accordance with the terms of the Escrow Deposit Agreement.

SECTION 4. ACCEPTANCE OF INSURANCE COMMITMENT. The Issuer does hereby ratify the Issuer's acceptance of the Insurer's commitment to provide a policy of municipal bond insurance with respect to the Series 1990B Bonds, a copy of which commitment is attached hereto as Exhibit C. The Insurer is hereby designated as the Insurer for the Series 1990B Bonds and as the Insurer for the Series 1990B Bonds, the Insurer shall have the same rights to receive notices, grant consents and direct actions as the Insurer has as the Insurer of the Parity Obligations.

SECTION 5. SPECIFICATIONS. The Series 1990-B-I Bonds shall be issued in the aggregate principal amount of \$ 13,685,000 and the Series 1990B-II Bonds shall be issued in the aggregate principal amount of \$ 7,580,000. The Series 1990B Bonds shall be dated as of November 1, 1990, shall be in denominations of \$5,000 or integral multiples thereof, and shall bear interest at such rates, payable on such dates, mature on such dates, be redeemable prior to maturity upon such terms and conditions and have such other terms as are set forth in the Purchase Contract.

SECTION 6. SALE OF THE SERIES 1990B BONDS; AUTHORIZATION OF EXECUTION OF PURCHASE CONTRACT. The Purchaser having filed with the Board the disclosure statement required by Section 218.385(4), Florida Statutes, as amended, a copy of which is attached hereto as an attachment to the Purchase Contract, the Series 1990B Bonds are hereby sold and awarded to the Purchaser at the price and on such other terms and conditions stated in the Purchase Contract. The Chairman or Vice-Chairman are hereby authorized to execute the Issuer's acceptance of the Purchase Contract, and said officers and the other officers, agents and employees of the Issuer are hereby authorized and directed to conclude the issuance and delivery of the Series 1990B Bonds in accordance with the provisions of the Purchase Contract.

SECTION 7. APPROVAL OF PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZATION OF FINAL OFFICIAL STATEMENT. The Preliminary Official Statement is hereby deemed final within the meaning of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, as of its date, except for omissions of no more than the following information: the offering price(s), the interest rate(s), selling compensation, aggregate principal amount, amount per maturity, delivery date, ratings and other terms depending on such matters. The delivery of the Preliminary Official Statement to the Purchaser and the distribution thereof by the Purchaser is hereby approved, ratified and confirmed, and a final official statement in substantially the form of the Preliminary Official Statement, with such omissions, insertions and variations as may be necessary and/or desirable and approved by Chairman or Vice-Chairman prior to the

release thereof, is hereby authorized to be delivered by the Issuer to the Purchaser for distribution prior to or contemporaneously with the issuance and delivery of the Series 1990B Bonds. The Chairman or Vice-Chairman are hereby authorized to evidence the Issuer's approval of the final official statement by either's endorsement thereof upon one or more copies, and approval of all such omissions, insertions and variations may be presumed from such endorsement upon any copy of such final official statement. Bond Counsel is hereby directed to furnish to the Division of Bond Finance of the Department of General Services of the State of Florida a copy of the final official statement, a notice of the impending sale of the Series 1990B Bonds and the other information required by Section 218.38, Florida Statutes, as amended, within the appropriate time periods specified by such section.

SECTION 8. REGISTRAR AND PAYING AGENT. Barnett Banks Trust Company, N.A., a national banking association, Jacksonville, Florida, is hereby appointed as Registrar and Paying Agent under the Enabling Instrument, to serve as Registrar and Paying Agent for the Series 1990B Bonds; and the Chairman or Vice-Chairman and the Clerk or deputy clerk are hereby authorized to execute and deliver on behalf of the Issuer a registrar and paying agency agreement in a form which shall be approved by the Issuer's attorney, such approval to be conclusively presumed by their execution thereof.

SECTION 9. AUTHORIZATION OF EXECUTION AND DELIVERY OF ESCROW DEPOSIT AGREEMENT. The Chairman or Vice-Chairman and the Clerk or deputy clerk are hereby authorized to execute and deliver the Escrow Deposit Agreement in favor of the Escrow Holder, with such omissions, insertions and variations as may be necessary and/or desirable and approved by the Chairman or Vice-Chairman and the Clerk or deputy clerk prior to the delivery thereof, such necessity and/or desirability and approval by the Chairman or Vice-Chairman and the Clerk or deputy clerk to be presumed by their execution and delivery thereof.

SECTION 10. ESCROW HOLDER. Citizens and Southern Trust Company (Florida), National Association, a national banking association, Fort Lauderdale, Florida, is hereby appointed to serve as Escrow Holder under the Escrow Deposit Agreement.

SECTION 11. AUTHORIZATION OF EXECUTION OF OTHER CERTIFICATES AND OTHER INSTRUMENTS. The Chairman or Vice-Chairman and the Clerk or deputy clerk are hereby authorized and directed, either alone or jointly, under the official seal of the Issuer, to execute and deliver certificates of the Issuer certifying such facts as the Issuer's attorney, counsel to the Purchaser or Bond Counsel shall require in connection with the issuance, sale and delivery of the Series 1990B Bonds, and to execute and deliver

such other instruments as shall be necessary or desirable to perform the Issuer's obligations under this resolution, the Enabling Instrument and the Purchase Contract and to consummate the transactions contemplated hereby and thereby.

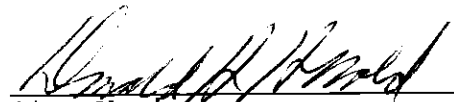
SECTION 12. ORIGINAL INSTRUMENT IN FULL FORCE AND EFFECT. Except as hereby supplemented, the Enabling Instrument shall remain in full force and effect.

SECTION 13. REPEALING CLAUSE. All resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

SECTION 14. EFFECTIVE DATE. This resolution shall take effect immediately upon its adoption.

PASSED, APPROVED AND ADOPTED this fourteenth day of November, 1990.

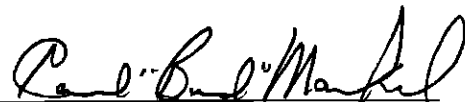
BOARD OF COUNTY COMMISSIONERS
OF ST. JOHNS COUNTY, FLORIDA



Its Chairman
VICE

(OFFICIAL SEAL)

ATTEST:



Its Clerk

I, Carl "Bud" Markel, Clerk of the Board of County Commissioners of St. Johns County, Florida, hereby certify that the foregoing is a true and correct copy of Resolution No. 90-209 of said County passed and adopted on November 14, 1990.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of said County this fourteenth day of November, 1990.

(OFFICIAL SEAL)

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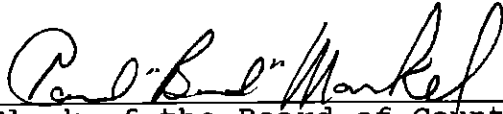

Clerk of the Board of County
Commissioners of St. Johns
County, Florida

EXHIBIT A

Preliminary Official Statement

NEW ISSUE

**Ratings: Moody's:
Standard & Poor's:
(Financial Guaranty Insured)
See "Ratings" herein**

In the opinion of Bond Counsel, under existing law, assuming compliance with certain covenants in the Resolution described herein, interest on the 1990B Bonds is excluded from gross income for federal income tax purposes, and the 1990B Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes on interest, income or profits on debt obligations owned by corporations, as defined in Chapter 220, Florida Statutes, as amended. 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 1990B Bonds.

\$20,850,000*

ST. JOHNS COUNTY, FLORIDA
Water and Sewer Revenue Bonds
Series 1990B-I and Series 1990B-II

Dated: November 1, 1990

Due: June 1, as shown below

The Water and Sewer Revenue Bonds, Series 1990B-I and Series B-II (collectively, the "1990B Bonds") are being issued by St. Johns County, Florida (the "County"), as fully registered bonds in denominations of \$5,000 and integral multiples thereof. Interest (first payment due June 1, 1991 and on each June 1 and December 1 thereafter) will be payable by check or draft of Barnett Banks Trust Company, N.A., Jacksonville, Florida, as Registrar and Paying Agent or, at the option of the Paying Agent, and at the request and expense of any registered owner, by bank wire transfer for the account of such owner. Principal of the 1990B Bonds is payable to the registered owner upon presentation, when due, at the corporate trust office of the Paying Agent.

The 1990B Bonds are subject to redemption prior to their stated maturities as described herein.

The 1990B Bonds are being issued to provide funds to (i) refund all outstanding bonds of Anastasia Sanitary District of the County (the "District") and certain other water and sewer revenue bonds of the County, (ii) finance the acquisition and construction of certain additions, extensions and improvements to the water and sewer system owned, operated and maintained by the County, including those previously owned and operated by the District (the "System"), (iii) fund a portion of the reserve account, and (iv) pay the cost of issuance with respect to the 1990B Bonds.

The 1990B Bonds are special obligations of the County payable solely from and secured by a lien upon and pledge of the Pledged Funds as described herein, including the net revenues to be derived from the operation of the System and certain lawfully available connection charges on a parity with the County's Water and Sewer Revenue Bonds, Series 1989, of which \$10,380,000 remain outstanding. **Neither the full faith and credit, nor the taxing power of the County is pledged for the payment of the 1990B Bonds. The 1990B Bonds shall not constitute a lien upon the System or any other property of or in the County, nor shall they constitute an indebtedness of the County within the meaning of any constitutional or statutory provision or limitation.**

The payment of the principal of and interest on the 1990B Bonds when due will be insured by a municipal bond insurance policy to be issued by Financial Guaranty Insurance Company simultaneously with the delivery of the 1990B Bonds.

Financial Guaranty Insurance Company



Service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. government agency.

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS*
\$5,555,000 Serial Bonds

Series 1990B-I				Series 1990B-II			
Maturity June 1,	Principal Amount	Interest Rate	Price or Yield	Maturity June 1,	Principal Amount	Interest Rate	Price or Yield
1991	\$ 75,000	%	%	1991	\$ 25,000	%	%
1992	290,000			1992	175,000		
1993	310,000			1993	180,000		
1994	330,000			1994	195,000		
1995	350,000			1995	210,000		
1996	380,000			1996	220,000		
1997	400,000			1997	235,000		
1998	430,000			1998	250,000		
1999	460,000			1999	265,000		
2000	490,000			2000	285,000		
	\$3,050,000	% Series 1990B-I	Term Bonds due June 1, 2005 — Yield			%	%
	\$1,775,000	% Series 1990B-II	Term Bonds due June 1, 2005 — Yield			%	%
	\$6,625,000	% Series 1990B-I	Term Bonds due June 1, 2011 — Yield			%	%
	\$3,845,000	% Series 1990B-II	Term Bonds due June 1, 2011 — Yield			%	%
		(Plus Accrued Interest)					

The 1990B Bonds are offered when, as and if issued and received by the Underwriter, subject to the unqualified approval of legality by Foley & Lardner, Jacksonville, Florida, Bond Counsel. Certain legal matters will be passed upon for the County by James G. Sisco, Esquire, St. Augustine, Florida, Attorney for the County and for the Underwriter by its counsel, Rogers, Towers, Bailey, Jones & Gay, Jacksonville, Florida. It is expected that the 1990B Bonds in definitive form will be available for delivery in New York, New York on or about December 1, 1990.

William R. Hough & Co.

November 1, 1990

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold nor may an offer to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities in any jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

ST. JOHNS COUNTY, FLORIDA

MEMBERS OF THE BOARD OF COUNTY COMMISSIONERS

Craig A. Maguire, Chairman
Donald H. Herold, Vice Chairman
Sarah W. Bailey
Francis N. Brubaker
Harry Waldron

COUNTY ADMINISTRATOR

R. Daniel Castle

COUNTY CLERK

Carl "Bud" Markel

COUNTY FINANCE DIRECTOR

Michael R. Givens, C.P.A.

DIRECTOR OF UTILITIES

Bobby Jones

ATTORNEY FOR THE COUNTY

James G. Sisco, Esquire

BOND COUNSEL

Foley & Lardner
Jacksonville, Florida

FINANCIAL ADVISOR

Public Financial Management, Inc.
Fort Myers, Florida

CONSULTING ENGINEER

Camp Dresser & McKee Inc.

No dealer, broker, salesman or other person has been authorized by the County to give any information or to make any representations, other than as 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 the County or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 1990B Bonds by any persons in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale in such jurisdiction. The information set forth herein has been furnished by the County and includes information obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances create the implication that there has been no change in the affairs of the County since the date hereof.

The 1990B Bonds have not been registered under the Securities Act of 1933 in reliance upon an exemption contained in such Act.

IN CONNECTION WITH THE OFFERING OF THE 1990B BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 1990B BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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SUMMARY STATEMENT

This Summary Statement, being part of the Official Statement, is subject to the more complete information contained herein and should not be considered to be a complete statement of the facts material to making an investment decision. The offering of the St. Johns County, Florida Water and Sewer Revenue Bonds, Series 1990B-I and Series 1990B-II (collectively, the "1990B Bonds") to potential investors is made only by means of the entire Official Statement. No person is authorized to detach this Summary Statement from the Official Statement or to otherwise use it without the entire Official Statement. Unless otherwise defined, all capitalized terms in this Summary Statement shall be as defined in the main text of the Official Statement.

St. Johns County

St. Johns County, Florida (the "County") encompasses approximately 608 square miles and is located in the northeast region of the State of Florida, immediately south of Duval County and Jacksonville, Florida. The largest of the County's four municipalities is St. Augustine, which is the county seat. The estimated 1989 population of the County is in excess of 84,000.

Purpose of the 1990B Bonds

The 1990B Bonds are being issued to provide funds to (i) refund the Refunded Bonds, (ii) finance the acquisition and construction of certain additions, extensions and improvements to the water and sewer system owned, operated and maintained by the County, including those previously owned and operated by the Anastasia Sanitary District of the County (the "System"), (iii) fund a portion of the Reserve Account established by the Resolution, and (iv) pay the cost of issuance with respect to the 1990B Bonds.

Authority and Security for the 1990B Bonds

Authority for the 1990B Bonds. The 1990B Bonds are being issued pursuant to the Constitution and laws of the State of Florida, particularly Chapter 125, Part I, Florida Statutes, as amended, the Resolution and other applicable provisions of law.

Source of Payment. The 1990B Bonds are special obligations of the County payable solely from and secured by a lien upon and pledge of the Pledged Funds on a parity with the County's Water and Sewer Revenue Bonds, Series 1989 (the "1989 Bonds"), of which \$10,380,000 remain outstanding. Pledged Funds in general include net revenues of the System, certain connection charges and other funds described in the Resolution.

Additional Bonds. The County may issue Additional Bonds payable from the Pledged Funds on a parity with the 1990B Bonds and the 1989 Bonds if the County first complies with certain requirements set out in the Resolution

No Pledge of Credit or Taxing Power. The 1990B Bonds shall not be or constitute general obligations or indebtedness of the County as "bonds" within the meaning of Article VII, Section 12 of the Constitution of the State of Florida, but shall be payable solely from and secured by a prior lien upon and a pledge of the Pledged Funds on a parity with the Parity Bonds in accordance with the terms of the Resolution. No owner of any 1990B Bond shall ever have the right to compel the exercise of any ad valorem taxing power of the County, the State of Florida or any political subdivision thereof to pay the principal of or the interest on any 1990B Bond or be entitled to payment of such 1990B Bond from any monies of the County except from the Pledged Funds in the manner provided in the Resolution.

Municipal Bond Insurance. The payment of the principal of and interest on the 1990B Bonds when due will be insured by a municipal bond insurance policy to be issued by Financial Guaranty Insurance Company simultaneously with the delivery of the 1990B Bonds.

Financial Information

The following table shows projected revenues, expenses and debt service coverage for the System. These projections are derived from the Consulting Engineer's Report which appears as Appendix A to the Official Statement. More detailed information, which is also derived from the Consulting Engineer's Report, is included in the Official Statement under the caption "HISTORICAL AND PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE."

	<u>1991¹</u>	<u>1992²</u>	<u>Projected</u> <u>1993²</u>	<u>1994²</u>	<u>1995²</u>
Total Water and Sewer Operating Revenues	\$5,413,756	\$6,240,132	\$6,674,110	\$7,128,984	\$7,605,198
Total Operating Expenses	<u>3,140,472</u>	<u>3,242,802</u>	<u>3,441,576</u>	<u>3,653,499</u>	<u>3,879,265</u>
Net Operating Revenue	\$2,273,284	\$2,997,330	\$3,232,534	\$3,475,485	\$3,725,933
Non-Operating Revenue	<u>566,500</u>	<u>280,000</u>	<u>280,000</u>	<u>280,000</u>	<u>280,000</u>
Total Net Revenue	\$2,839,784	\$3,277,330	\$3,512,534	\$3,755,485	\$4,005,933
Pledged Unit Connection Fees ("UCF")	<u>762,250</u>	<u>1,227,048</u>	<u>368,485</u>	<u>398,515</u>	<u>430,995</u>
Total Net Revenue + UCF	\$3,602,034	\$4,504,378	\$3,881,019	\$4,154,000	\$4,436,928
Estimated Debt Service Requirement ³	\$1,628,028	\$2,874,688	\$2,870,526	\$2,873,111	\$2,871,373
Estimated Debt Service Coverage Factor (Net)	1.744x	1.140x	1.224x	1.307x	1.395x
Estimated Debt Service Coverage (Net + Pledged UCF)	2.213x	1.567x	1.352x	1.446x	1.545x

- ¹ Fiscal Year 1991 Operating Expenses reflect the proposed budget. Fiscal Year 1991 Operating Revenues and Pledged Unit Connection Fees are taken from the October 1990 Combined Water and Sewer Rate Study.
- ² Fiscal Year 1992 through 1995 figures are taken from the October 1990 Combined System Rate Study.
- ³ Includes debt service on the 1989 Bonds and the 1990B Bonds. Debt service on the 1990B Bonds is based upon maturities from 1991 through 2011 at interest rates ranging from 6.15% to 7.45%.

OFFICIAL STATEMENT
Relating to
\$20,850,000*
ST. JOHNS COUNTY, FLORIDA
Water and Sewer Revenue Bonds
Series 1990B-I and Series 1990B-II

November __, 1990

INTRODUCTION

The purpose of this Official Statement, including the cover page, summary statement, and appendices, is to provide information concerning the proposed issuance by St. Johns County, Florida (the "County") of \$13,190,000* aggregate principal amount of the County's Water and Sewer Revenue Bonds, Series 1990B-I (the "1990B-I Bonds") and \$7,660,000* aggregate principal amount of the County's Water and Sewer Revenue Bonds, Series 1990B-II (the "1990B-II Bonds," together with the 1990B-I Bonds, collectively, the "1990B Bonds"). The 1990B Bonds are issued under the authority of and in full compliance with the Constitution and the laws of the State of Florida (the "State"), particularly Chapter 125, Part I, Florida Statutes, as amended, County Ordinance 86-89, duly enacted on December 9, 1986, as amended and supplemented, Resolution 89-84 of the County duly adopted on April 25, 1989, as amended and supplemented (the "Resolution") and other applicable provisions of law. See Appendix D hereto for the Resolution.

The County encompasses approximately 608 square miles and is located in the northeast region of the State, immediately south of Duval County and Jacksonville, Florida. The largest of the County's four municipalities is St. Augustine (the "City"), which is the county seat. The estimated 1989 population of the County is in excess of 84,000.

For a complete description of the terms and conditions of the 1990B Bonds, reference is made to the Resolution. Capitalized terms used herein and not defined are used as defined in the Resolution; such definitions may be found in Appendix D hereto. The description of the 1990B Bonds and of the documents authorizing and securing the same and the description of other debt of the County do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each. All information included herein has been provided by the County except where attributed to other sources. Copies of documents not contained in this Official Statement and further information which may be desired may be obtained from the County's finance director, Mr. Michael R. Givens, C.P.A., St. Johns County Administration Building, St. Augustine, Florida 32085, telephone (904) 823-2415, or from Public Financial Management, Inc., 5900 Enterprise Parkway, Ft. Myers, Florida 33905, telephone (813) 693-7117.

*Preliminary; subject to change.

PURPOSE OF THE 1990B BONDS

The 1990B Bonds are being issued to provide funds to (i) refund all outstanding bonds of Anastasia Sanitary District of St. Johns County, Florida (the "District") and the County's \$7,455,000 Water and Sewer Revenue Bonds, Series 1990A (the "1990A Bonds"), (ii) finance the acquisition and construction of certain additions, extensions and improvements (the "Project") to the water and sewer system owned, operated and maintained by the County, including those previously owned and operated by the District (the "System"), (iii) fund a portion of the Reserve Account established by the Resolution, and (iv) pay the cost of issuance with respect to the 1990B Bonds.

REFUNDING PLAN

A portion of the proceeds of the 1990B Bonds will be used to provide the moneys needed to effect the defeasance of the District's \$5,250,000 outstanding Water and Sewer Revenue Bonds, Series 1989 and the District's \$5,020,000 outstanding Water and Sewer Refunding Revenue Bonds, Series 1986 and the 1990A Bonds (all three of such bond issues, collectively, the "Refunded Bonds").

The County has determined that it is necessary and advantageous to provide for the refunding of the bonds of the District because such refunding will permit the County to achieve certain economies of scale and other benefits. Effective June 30, 1990 pursuant to Chapter 90-498, Laws of Florida, Special Acts of 1990, the merging and consolidating of the water and sewer system of the District with the System to be operated by the County as a single system was approved. The County has also determined that it is necessary and advantageous to provide for the refunding of the 1990A Bonds in order to withdraw and repeal certain non-ad valorem special assessments pledged to the payment of the 1990A Bonds.

Upon issuance of the 1990B Bonds, the County will enter into an Escrow Deposit Agreement with Citizens and Southern Trust Company (Florida), National Association, as escrow agent (the "Escrow Agent") providing, among other things, for the deposit of a portion of the proceeds from the sale of the 1990B Bonds and other moneys specified therein with the Escrow Agent. The County shall deposit with the Escrow Agent direct obligations of the United States of America and obligations the principal of and interest on which are fully guaranteed by the United States of America, none of which permit redemption prior to maturity at the option of the Obligor (collectively, the "Federal Securities"), in an amount which will be sufficient to pay the principal (including mandatory sinking fund installments) or redemption price of and

interest on the Refunded Bonds as the same shall become due or called for redemption. Upon issuance of the 1990B Bonds, irrevocable instructions will be given to the Escrow Agent to publish a timely notice of redemption of the Refunded Bonds. The County will call the Refunded Bonds for redemption at maturity.

By deposit of the Federal Securities with the Escrow Agent pursuant to the Escrow Deposit Agreement, the County (in the opinion of Bond Counsel based upon schedules prepared by William R. Hough & Co. and rendered in reliance upon the report of Ernst & Young described under the heading VERIFICATION OF MATHEMATICAL COMPUTATIONS) will have effected the defeasance of the Refunded Bonds. As a result of such refunding, it is the opinion of Bond Counsel that the lien of the Refunded Bonds on the funds pledged therefor, together with all other obligations of the County and the District to the holders of the Refunded Bonds under the respective resolutions pursuant to which the Refunded Bonds were issued, will be defeased.

The maturing principal of and interest on the Federal Securities held under the Escrow Deposit Agreement will not be available to pay debt service on the 1990B Bonds.

DESCRIPTION OF THE 1990B BONDS

General

The 1990B Bonds shall be dated November 1, 1990 and are being issued as fully registered bonds without coupons in denominations of \$5,000 and integral multiples thereof. Interest on the 1990B Bonds (first payment due June 1, 1991 and semiannually on each June 1 and December 1 thereafter) will be payable by check or draft of Barnett Banks Trust Company, N.A., Jacksonville, Florida, as Registrar and Paying Agent, mailed or, at the option of the Paying Agent, and at the request and expense of any registered owner, by bank wire transfer, to the registered owner, as shown on the registration books of the Registrar on the 15th day of the month prior to each interest payment date (the "Record Date"). Interest on the 1990B Bonds shall be calculated on the basis of a 360-day year of twelve 30-day months. Principal of and premium, if any, on the 1990B Bonds is payable at maturity or redemption to the registered owner upon presentation, when due or when called for redemption, at the corporate trust office of the Paying Agent in Jacksonville, Florida.

Optional Redemption

The 1990B Bonds maturing June 1 of the years ____ through ____, inclusive, are not subject to redemption prior to maturity. The 1990B Bonds maturing June 1, 199_, through June 1, ____, are redeemable, at the option of the County, in part, by such method

as the Registrar shall deem fair and appropriate, within a maturity if less than an entire maturity is to be redeemed, on June 1, _____ or on any interest payment date thereafter, or as a whole on June 1, _____ or at any time thereafter, at the following redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus accrued interest to the redemption date:

<u>Redemption Periods</u> <u>(both dates inclusive)</u>		<u>Redemption Prices</u>
June 1, _____	to May 31, _____	%
June 1, _____	to May 31, _____	
June 1, _____	to May 31, _____	
June 1, _____	and thereafter	100

Mandatory Redemption

The 1990B Bonds maturing June 1, 2005*, are subject to mandatory redemption prior to maturity by such method as the Registrar shall deem fair and appropriate at a redemption price equal to the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, from amounts on deposit in the Bond Amortization Account as follows:

<u>June 1,</u>	<u>1990B-I Bonds</u> <u>Principal Amount</u>	<u>1990B-II Bonds</u> <u>Principal Amount</u>
2001	\$	\$
2002		
2003		
2004		
2005**		

The 1990B Bonds maturing June 1, 2011*, are subject to mandatory redemption prior to maturity by such method as the Registrar shall deem fair and appropriate at a redemption price equal to the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, from amounts on deposit in the Bond Amortization Account as follows:

* Preliminary; subject to change.

** Maturity

<u>June 1,</u>	<u>1990B-I Bonds Principal Amount</u>	<u>1990B-II Bonds Principal Amount</u>
2006	\$	\$
2007		
2008		
2009		
2010		
2011*		

* Maturity

Notice of Redemption

Notice of Redemption of the 1990B Bonds shall be mailed, postage prepaid, by registered or certified mail by the Registrar not less than thirty (30) days nor more than sixty (60) days before the date fixed for redemption to the registered owners of any 1990B Bonds or portions of 1990B Bonds which are to be redeemed, at their addresses as they appear on the registration books kept by the Registrar or at such other address as such owner shall have furnished in writing to the Registrar. No defect in any notice of redemption or failure to give such notice to any owner of 1990B Bonds shall in any manner defeat the effectiveness of a call for redemption as to all other owners of bonds to be redeemed.

AUTHORITY AND SECURITY FOR THE 1990B BONDS

The 1990B Bonds are being issued pursuant to the Constitution and laws of the State, particularly Chapter 125, Part I, Florida Statutes, as amended, the Resolution, and other applicable provisions of law. Bond Counsel has advised that under current federal income tax law, the 1990B-I Bonds cannot be advance refunded.

Source of Payment

The 1990B Bonds are special obligations of the County payable solely from and secured by a lien upon and pledge of the Pledged Funds on a parity with the County's Water and Sewer Revenue Bonds, Series 1989, of which \$10,380,000 remain outstanding (the "1989 Bonds" which, together with the 1990B Bonds and any Additional Bonds issued pursuant to the Resolution are referred to herein as the "Bonds"). Pledged Funds is defined in the Resolution to mean the Net Revenues, any Connection Charges on deposit in the Current Account and, until applied in accordance with the provisions of the Resolution, the proceeds of the Bonds and all moneys, including investments thereof, in the Revenue Fund and the Debt Service Fund. Pledged Funds do not include Net Revenues on deposit in the Rebate

Fund or Connection Charges on deposit in the Stabilization Account. The 1990B-I Bonds and the 1990B-II Bonds have the benefit of a parity lien upon and pledge of the Pledged Funds.

Net Revenues. Net Revenues include all income and moneys received by the County from the fees and charges made and collected by the County (excluding Connection Charges and non-ad valorem special assessments) for the use of the services or facilities of the System (such fees and charges, "Rates"), together with all earnings and income derived from the investment of the moneys under the provisions of the Resolution which are transferred to the Revenue Fund or the Interest Account as provided in the Resolution, less the expenses for operation, maintenance, repairs and replacements with respect to the System, as further provided in the Resolution.

Connection Charges. The Connection Charges include all non-refundable (except at the option of the County) "water unit connection fees," "sewer unit connection fees," impact fees, capital expansion fees, utility improvement fees or other similar fees and charges, separately imposed from time to time by the County upon new customers of the System as a nonuser capacity charge for a proportionate share of the costs of the acquisition or construction of Expansion Facilities, which are imposed by the County for the purpose of allocating to each such customer a proportionate share of the costs of the additional System capacity made necessary by the inclusion or expected inclusion of System services to such new customers, but only to the extent that any such fee or charge has been lawfully levied and collected by the County and may under applicable law be used for the acquisition or construction of the Expansion Facilities or for debt service thereon as more particularly provided in the Resolution, and any income from the investment of moneys on deposit in the Connection Charges Fund or any other moneys transferred to such Fund pursuant to the provisions of the Resolution. Connection Charges shall not include Assessments.

Assessments. Assessments are the proceeds to be derived by the County from any non-ad valorem special assessments which are levied by the County, on its own behalf or as the governing body of a municipal service benefit unit, against some or all of the parcels of real property to be specially benefitted by the services and facilities of any Additional Project or by any portion thereof, and which are expressly declared by resolution of the governing body of the County to be Assessments, and which are expressly pledged by such Resolution to the payment of principal of and premium, if any, and interest on the Bonds or one or more Series of Bonds. The County has the right to provide for the application of assessments (which are not expressly declared by resolution of the County to be Assessments) to the payment of the principal and premium, if any, of and interest on any particular Series of Bonds or Subordinated Indebtedness or any other obligations of the County.

While certain Assessments have been levied by the County, all of these Assessments will be rescinded soon after the issuance of the 1990B Bonds and the concomitant defeasance of the 1990A Bonds, with the result that no Assessments will then be levied.

Rate Covenant

The County covenants in the Resolution to fix, maintain and collect Rates to provide:

(A) if no Assessments are pledged to the Bonds,

(i) Net Revenues in any one year period from October 1 to September 30 or such other period as prescribed by law (the "Fiscal Year"), together with any Connection Charges actually on deposit in the Current Account at the beginning of such Fiscal Year, equal to at least 120% of the Debt Service Requirement for the Bond Year ending in such Fiscal Year and at least 100% of any amounts required by the terms of the Resolution to be deposited in the Reserve Account or the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, and

(ii) Net Revenues in such Fiscal Year, not taking into account Connection Charges, equal to at least 110% of the Debt Service Requirement for the Bond Year ending in such Fiscal Year and at least 100% of any amounts required by the terms of the Resolution to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, or

(B) if Assessments are pledged to the Bonds,

(i) Net Revenues in such Fiscal Year, together with the dollar amount of any Assessments to be collected in such Fiscal Year as further provided in the Resolution and any Connection Charges actually on deposit in the Current Account at the beginning of such Fiscal Year, equal to at least 120% of the Debt Service Requirement for the Bond Year ending in such Fiscal Year and at least 100% of any amounts required by the terms of the Resolution to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year,

(ii) Net Revenues in such Fiscal Year, together with the dollar amount of any Assessments to be collected in such Fiscal Year as further provided in the Resolution, without taking into account Connection Charges, equal to at least 110% of the Debt Service Requirement for the Bond Year ending in

such Fiscal Year and at least 100% of any amounts required by the terms of the Resolution to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year,

(iii) Net Revenues in such Fiscal Year, together with any Connection Charges actually on deposit in the Current Account at the beginning of such Fiscal Year, without taking into account Assessments, equal to at least 120% of the amount obtained by reducing the Debt Service Requirement for the Bond Year ending in such Fiscal Year by the amount of the debt service for any Assessment Redemption Bonds, and at least 100% of any amounts required by the terms of the Resolution to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, and

(iv) Net Revenues in such Fiscal Year, not taking into account any Assessments or Connection Charges, equal to at least 110% of the amount obtained by reducing the Debt Service Requirement for the Bond Year ending in such Fiscal Year by the amount of the debt service for any Assessment Redemption Bonds, and at least 100% of any amounts required by the terms of the Resolution to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year.

Rates are not to be reduced so that they will be insufficient to provide Net Revenues in each Fiscal Year fully adequate for the purposes provided therefor by the Resolution, provided that the Resolution is not to be construed to obligate the County to impose or continue Connection Charges; but at any time and while Connection Charges shall be in effect and imposed by the County, the Connection Charges shall be pledged to the extent provided in the Resolution.

Reserve Account

The Resolution requires the establishment and maintenance of a Reserve Account. Upon delivery of the 1990B Bonds, there will be on deposit in the Reserve Account a sum equal to the Reserve Account Requirement for the Bonds, which sum is required to be maintained for the benefit of the owners of the Bonds. No further payments are required to be made into the Reserve Account as long as the amount on deposit therein shall equal the Reserve Account Requirement for the Bonds outstanding. The Resolution requires the Reserve Account Requirement to be funded upon the issuance of Additional Bonds. The Reserve Account Requirement means, as of any date of calculation, an amount equal to the lesser of (i) the

Maximum Debt Service Requirement, (ii) 125% of the average annual Debt Service Requirement, or (iii) 10% of the initial proceeds of all Bonds.

The County may, in lieu of the required deposits into the Reserve Account, cause to be deposited a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit into the Reserve Account as further provided in the Resolution.

Other Covenants

The County has covenanted in the Resolution to maintain the System in good condition and to operate the System in an efficient and economical manner. The County is required to adopt an annual budget and not to incur expenditures in excess of the amount provided in the budget without appropriate authorization from the governing body of the County. The County must keep books and records of the receipt of the Pledged Funds in accordance with generally accepted accounting principles. Within 180 days of the close of each Fiscal Year it must file a statement concerning the amount of the Pledged Funds received, the total amounts deposited to the credit of each fund and account created under the Resolution and the amounts on deposit in such funds and accounts, and other matters as provided in the Resolution. An annual audit by an independent firm of certified public accountants is required of the financial statements of the County.

The County also irrevocably covenants not to sell, lease, encumber or in any manner dispose of any facilities of the System except as provided in the Resolution, until all of the Bonds and all interest thereon shall have been paid in full or provision for payment shall have been made. The County is also required to carry such insurance as is ordinarily carried by private or public corporations owning and operating water and sewer facilities similar to the System in such amounts as the County shall determine to be sufficient. The property loss or damage insurance is required at all times to be equal to the fair appraisal value of the buildings, furniture, fixtures and equipment of the System.

Additional Bonds

Additional Bonds, payable from the Pledged Funds on a parity with the 1990B Bonds and the 1989 Bonds and all other Bonds may be issued for the purpose of financing the Cost of an Additional Project, or the completion thereof of the Initial Project, or refunding any or all Outstanding Bonds or of any Subordinated Indebtedness of the County. No Additional Bonds may be issued unless the requirements of the Resolution have been met. See Section 5.02 of the Resolution in Appendix D hereof.

No Pledge of Credit or Taxing Power

The 1990B Bonds shall not be or constitute general obligations or indebtedness of the County as "bonds" within the meaning of any constitutional or statutory provision, but shall be special obligations of the County, payable solely from and secured by a lien upon and pledge of the Pledged Funds in accordance with the terms of the Resolution. No owner of any 1990B Bond shall ever have the right to compel the exercise of the ad valorem taxing power of the County to pay such 1990B Bond or be entitled to payment of such 1990B Bond from any moneys of the County except the Pledged Funds, in the manner provided in the Resolution.

MUNICIPAL BOND INSURANCE

Concurrently with the issuance of the 1990B Bonds, Financial Guaranty Insurance Company (the "Insurer") will issue its Municipal Bond New Issue Insurance Policy for the 1990B Bonds (the "Policy"). A specimen of the Policy is contained herein as Appendix F. The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the 1990B Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the County. The Insurer will make such payments to Citibank, N.A., or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal and interest is due or on the business day next following the day on which the Insurer shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of 1990B Bonds or the Paying Agent of the nonpayment of such amount by the County. The Fiscal Agent will disburse such amount due on any 1990B Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal and interest shall be vested in the Insurer. The term "nonpayment" in respect of a 1990B Bond includes any payment of principal or interest made to an owner of a 1990B Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the 1990B Bonds. The Policy covers failure to pay principal of the 1990B Bonds on their respective stated maturity dates, or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the 1990B Bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment.

The Insurer is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a wholly-owned subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against the Insurer. The Insurer is domiciled in the State of New York and is subject to regulation by the State of New York Insurance Department. As of June 30, 1990, the total capital and surplus of the Insurer was approximately \$458,300,000. Copies of the Insurer's financial statements, prepared on the basis of statutory accounting principles, and the Corporation's financial statements, prepared on the basis of generally accepted accounting principles, may be obtained by writing to the Insurer at 175 Water Street, New York, New York 10038, Attention: Communications Department. The Insurer's telephone number is (212) 607-3000.

SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the 1990B Bonds, together with other moneys of the County, are expected to be applied as described below:

Sources:

Principal Amount of 1990B Bonds	\$
Reserve Account for Refunded Bonds	
Sinking Fund for Refunded Bonds	
Accrued Interest on the 1990B Bonds	

Total Sources:

\$

Uses:

Deposit Under Escrow Deposit Agreement	\$
Deposit to Construction Fund	
Deposit to Interest Account	
Deposit to Reserve Account	
Underwriter's Discount	
Cost of Issuance (including bond insurance premium)	

Total Uses:

\$

DEBT SERVICE SCHEDULE

The following table sets forth the debt service schedule for the 1990B Bonds and the 1989 Bonds.

Bond Year Ending June 1,	1990B Bonds			1989 Bonds	Aggregate Debt Service
	Principal	Interest	Total Debt Service		
1991	\$	\$	\$	\$ 650,313	\$
1992				911,183	
1993				911,083	
1994				909,783	
1995				906,908	
1996				907,418	
1997				910,958	
1998				907,158	
1999				911,283	
2000				907,878	
2001				907,238	
2002				909,000	
2003				908,250	
2004				911,000	
2005				912,000	
2006				911,250	
2007				908,750	
2008				909,500	
2009				908,250	
2010					
2011					
Totals	\$	\$	\$	\$17,019,198	\$

HISTORICAL AND PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE

The following table shows projected revenues, expenses and debt service coverage for the System. The information is derived from the Consulting Engineer's Report which appears as Appendix A hereto.

**St. Johns County
Mainland Utility System
Summary of Revenues and Expenses**

	Historical				1990 ¹
	1986	1987	1988	1989	
Operating Revenues					
Water Sales					
Retail	\$257,720	\$305,222	\$333,089	\$419,149	\$419,146
Bulk to ASD	<u>623,803</u>	<u>495,087</u>	<u>408,977</u>	<u>458,630</u>	<u>581,535</u>
TOTAL	\$881,523	\$800,309	\$742,066	\$877,779	\$1,000,681
Sewer Service Charges	0	0	0	627	20,704
Meter Installations					
(Tapping Fees)	<u>37,545</u>	<u>43,075</u>	<u>29,950</u>	<u>62,975</u>	<u>50,000</u>
TOTAL	\$919,068	\$843,384	\$772,016	\$941,381	\$1,071,385
Total Operating Expenses	\$328,317	\$307,127	\$354,548	\$433,069	\$428,937
Net Operating Revenue	\$590,751	\$536,257	\$417,468	\$508,312	\$642,448
Non-Operating Revenue	<u>35,367</u>	<u>62,007</u>	<u>111,228</u>	<u>203,141</u>	<u>294,018</u>
Total Net Revenue	\$626,118	\$598,264	\$528,696	\$ 711,453	\$ 936,466
Pledged Unit Connection					
Fees ("UCF")	<u>0</u>	<u>0</u>	<u>0</u>	<u>381,082</u>	<u>382,217</u>
Total Net Revenue + UCF	\$626,118	\$598,264	\$528,696	\$1,092,535	\$1,318,683
Total Debt Service					
Requirement ²	\$143,600	\$144,300	\$142,900	\$144,500	\$536,010
Debt Service Coverage					
Factor (Net)	4.360x	4.146x	3.700x	4.924x	1.747x
Debt Service Coverage					
(Net + Pledged UCF)	n.a.	n.a.	n.a.	7.561x	2.460x
Excess, Available for R&R	\$482,518	\$453,964	\$385,796	\$566,953	\$400,456
Reqd. R&R - 5% of Gross					
Oper. Revenue ³	\$45,953	\$42,169	\$38,601	\$47,069	\$53,569

¹ Fiscal Year 1990 is based on actual unaudited figures through August 1990, pro-rated through September.

² Debt service is based on the amortization schedule for the outstanding issues.

³ The Renewal and Replacement (R&R) requirement is 5% of the gross operating revenues.

**St. Johns County
Anastasia Sanitary District
Summary of Revenues and Expenses**

	Historical				1990 ¹
	1986	1987	1988	1989	
Operating Revenues					
Water Sales	\$1,245,110	\$1,295,519	\$1,387,598	\$1,559,074	\$1,559,053
Sewer Service Charges	771,741	846,146	900,198	1,015,120	1,350,319
Meter Installations (Tapping Fees)	<u>72,218</u>	<u>71,502</u>	<u>51,277</u>	<u>78,492</u>	<u>51,257</u>
TOTAL	\$2,089,069	\$2,213,167	\$2,339,073	\$2,652,686	\$2,960,629
Total Operating Expenses	\$1,843,923	\$1,802,250	\$1,830,807	\$2,145,428	\$1,896,286
Net Operating Revenue	\$245,146	\$410,917	\$508,266	\$507,258	\$1,064,343
Non-Operating Revenue	<u>214,792</u>	<u>171,783</u>	<u>181,547</u>	<u>302,418</u>	<u>301,884</u>
Total Net Revenue	\$459,938	\$582,700	\$689,813	\$809,676	\$1,366,227
Pledged UCF	<u>0</u>	<u>0</u>	<u>0</u>	<u>510,310</u>	<u>239,184</u>
Total Net Revenue + UCF	\$459,938	\$582,700	\$689,813	\$1,319,986	\$1,605,411
Total Debt Service Requirement ²	\$0	\$413,552	\$474,438	\$480,163	\$886,780
Debt Service Coverage Factor (Net)		1.409x	1.454x	1.686x	1.541x
Debt Service Coverage (Net + Pledged UCF)		n.a.	n.a.	2.749x	1.810x
Excess, Available for R&R	\$459,938	\$169,148	\$215,375	\$295,816	\$479,447
Reqd. R&R - 5% of Gross Oper. Revenue ³	\$104,453	\$110,658	\$116,954	\$132,634	\$148,031

¹ Fiscal Year 1990 is based on actual unaudited figures through August 1990, pro-rated through September.

² Debt service is based on the amortization schedule for the outstanding issues.

³ The Renewal and Replacement (R&R) requirement is 5% of the gross operating revenues.

**St. Johns County
Combined St. Johns Utility System
Summary of Revenues and Expenses**

	<u>1991¹</u>	<u>1992²</u>	<u>Projected 1993²</u>	<u>1994²</u>	<u>1995²</u>
Operating Revenues					
Water Sales	\$3,455,540	\$3,940,689	\$4,218,660	\$4,509,767	\$4,814,548
Sewer Service Charges	1,794,866	2,179,215	2,333,666	2,495,422	2,664,783
Meter Installations (Tapping Fees)	108,600	65,478	67,034	69,045	71,117
Irrigation Water Sales	<u>54,750</u>	<u>54,750</u>	<u>54,750</u>	<u>54,750</u>	<u>54,750</u>
TOTAL	\$5,413,756	\$6,240,132	\$6,674,110	\$7,128,984	\$7,605,198
Operating Expenses					
Water System	\$1,599,906	\$1,621,081	\$1,722,132	\$1,830,089	\$1,945,225
Sewage System	<u>1,540,566</u>	<u>1,621,721</u>	<u>1,719,444</u>	<u>1,823,410</u>	<u>1,934,040</u>
TOTAL	\$3,140,472	\$3,242,802	\$3,441,576	\$3,653,499	\$3,879,265
Net Operating Revenue	\$2,273,284	\$2,997,330	\$3,232,534	\$3,475,485	\$3,725,933
Non-Operating Revenue	<u>566,500</u>	<u>280,000</u>	<u>280,000</u>	<u>280,000</u>	<u>280,000</u>
Total Net Revenue	\$2,839,784	\$3,277,330	\$3,512,534	\$3,755,485	\$4,005,933
Pledged UCF	<u>762,250</u>	<u>1,227,048</u>	<u>368,485</u>	<u>398,515</u>	<u>430,995</u>
Total Net Revenue + UCF	\$3,602,034	\$4,504,378	\$3,881,019	\$4,154,000	\$4,436,928
Estimated Total Debt Service Requirement ³	\$1,628,028	\$2,874,688	\$2,870,526	\$2,873,111	\$2,871,373
Estimated Debt Service Coverage Factor (Net)	1.744x	1.140x	1.224x	1.307x	1.395x
Estimated Debt Service Coverage (Net + Pledged UCF)	2.213x	1.567x	1.352x	1.446x	1.545x
Excess, Available for R&R	\$1,211,756	\$402,642	\$642,008	\$882,374	\$1,134,560
Reqd. R&R - 5% of Gross Oper. Revenue ⁴	\$270,688	\$312,007	\$333,706	\$356,449	\$380,260

¹ Fiscal Year 1991 Operating Expenses reflect the proposed budget. Fiscal Year 1991 Operating Revenues and Pledged Unit Connection Fees are taken from the October 1990 Combined Water and Sewer Rate Study.

² Fiscal Year 1992 through 1995 figures are taken from the October 1990 Combined System Rate Study.

³ Includes debt service on the 1989 Bonds and the 1990B Bonds. Debt service on the 1990B Bonds is based upon maturities from 1991 through 2011 at interest rates from 6.15% to 7.45%.

⁴ The Renewal and Replacement (R&R) requirement is 5% of the gross operating revenues.

THE SYSTEM

The System includes the complete water and sewer facilities now owned, operated and maintained by the County and all other water and sewer facilities hereafter acquired and operated by the County which are expressly declared by a resolution of the governing body of the County to be part of the System. The formerly separate system of the District was merged and consolidated into the System with the result that upon the issuance of the 1990B Bonds, the separate accounting for water and sewer service provided in the District will no longer take place, and the System will be managed and accounted for as a combined water and sewer utility. In addition to water and sewer service provided by the County, under an agreement with the County, the City provides some water and sewer services in portions of the unincorporated area of the County located near the City.

Service Area

The various stages of development of the System have resulted in three distinct service areas. The "Mainland Utilities System" service area is located generally southeast of the City, on the western side of the Intracoastal Waterway (Matanzas River), and largely east of Interstate 95. The I-95/State Road 16 service area is located at the intersection of those two roadways and extends easterly on State Road 16 3.8 miles past that intersection. The "ASD" service area is the portion of the System formerly operated by the District and is located on Anastasia Island, an Atlantic coastal barrier island situated east of the Intracoastal Waterway, including 7.7 square miles which are developed or developable. The ASD service area also includes a portion of Rattlesnake Island, approximately 2-1/2 miles in length, south of Matanzas Inlet. Figures 2 and 3 of the Consulting Engineer's Report provide more detailed descriptions of the service area.

Water System

Water Supply. The Mainland Utilities System service area contains seven shallow wells in one well field each with a capacity of 400 gallons per minute ("gpm") or .576 million gallons per day ("mgd"). That well field has a safe yield withdrawal capacity of 5 mgd. An additional well field, also with seven shallow wells, yields in the aggregate 993 gpm or 1.43 mgd. The ASD service area has five shallow wells with a combined average output of 695 gpm (1.0 mgd). The County has recently completed the construction of two deep wells located at the Tillman Ridge water treatment plant area which

will draw from the Floridan aquifer at a combined rate of 2,100 gpm or 3.0 mgd. Two additional deep wells are located in the ASD service area which have a combined capacity of 300 gpm or 0.43 mgd.

Water Treatment. There is an existing Mainland Utilities System treatment plant, located on Shore Drive, which has a capacity of 1.0 mgd and includes softening. This facility will be abandoned upon completion of the new water treatment plant at the Tillman Ridge site. The initial rated capacity of the Tillman Ridge water treatment plant will be 4.6 mgd and will provide potable water service to the same distribution system formerly provided by the Shore Drive water treatment plant as well as the I-95/State Road 16 and ASD service areas. The existing ASD water treatment plant is a Class B facility which utilizes the lime softening process followed by clarification, recarbonation, and filtration to produce 2.5 mgd of treated water. Once the new Tillman Ridge plant is on line, the ASD water treatment plant will be abandoned and the filters re-installed at the Tillman Ridge facility, increasing the Tillman Ridge plant capacity to 7.0 mgd by approximately 1992. Also, upon completion of the Tillman Ridge water plant, the high service pumps will be upgraded in order to increase their pumping capacity. The Tillman Ridge water plant is expected to be completed by May, 1991.

A temporary water treatment system is currently in operation to service the I-95/State Road 16 service area until the Tillman Ridge facility is completed. The temporary system consists of raw water supplied by wells which is chlorinated prior to entering a hydropneumatic tank for pressurization followed by distribution to the I-95/State Road 16 service area via a recently constructed 12-inch finished water main.

Transmission and Distribution. The finished water transmission system serves only the existing three service areas of the System. The transmission system which serves the I-95/State Road 16 service area is expected to be completed by December 31, 1990. A 20-inch raw water transmission main to the ASD service area is under construction and scheduled to be completed in December, 1990. There are plans to extend the transmission system and also provide for more looped lines, which will create a more efficient transmission system. These plans are not part of the Project.

The finished water distribution system for the Mainland Utilities System service area consists of 8-inch pipeline and smaller and the ASD and the I-95/State Road 16 service areas consists of 16-inch and 12-inch pipeline, respectively, and smaller, in all cases with related valves and hydrants. There is sufficient pressure in the System to meet demand.

Storage. There is a 1.0 million gallon ground storage tank at the Shore Drive facility and a 1.5 million gallon storage reservoir at

the Tillman Ridge facility. The ASD service area has three ground storage tanks with capacities of 1.5 million gallons, 0.5 million gallons, and 1.0 million gallons located in three separate areas of the service area. A 300,000 gallon elevated storage tank is under construction in the I-95/State Road 16 service area.

Interconnection. There is currently a 10-inch pipeline from the Shore Drive plant to a location on State Road 312, which connects the Mainland Utilities System service area with the ASD service area. Once the new Tillman Ridge plant goes on line, the Mainland Utilities System service area will utilize the existing raw water transmission line to transport finished water to the ASD service area.

Wastewater System

The Mainland Water System service area as of October, 1990 began to be served by a 0.250 mgd extended aeration wastewater treatment facility which includes flow equalization, post-secondary biological treatment, fine-media filtration, and chlorination. Effluent disposal is by spray irrigation to a County-owned golf course. Wet weather storage is met with a 1.15 million gallon concrete effluent storage tank. Transmission facilities have recently been completed which extend from the treatment plant site to a service area on State Road 207. Approximately 15,800 linear feet of 16-inch pipe and 11,700 linear feet of 10-inch pipe and a wastewater pump station were constructed. Additionally, 5,000 linear feet of 10-inch force main was also installed.

The ASD service area has a 2.0 mgd wastewater treatment plant consisting of secondary treatment with a fine-bubble diffused air activated sludge system, chlorination, aerobic digestion and dewatering of waste via an artificial media bed. The plant is being improved to increase its treatment capacity to 4.0 mgd and to expand the sludge treatment process with the addition of gravity thickeners and a belt filter press. A new effluent pump station is included among the improvements currently under construction. Effluent is disposed by surface water discharge to the Matanzas River through a 27-inch gravity outfall pipeline. Effluent disposal facilities are also being constructed which will serve to provide for spray irrigation disposal at a private golf course. A chemical feed system for dechlorination is under construction in order to enable the County to meet new regulatory requirements.

The ASD collection system consists primarily of pump stations and transmission force mains, in addition to approximately 3,000 linear feet of 27-inch gravity trunk main now under construction.

The I-95/State Road 16 service area wastewater collection and treatment system is presently under construction. The wastewater collection system, including pumping stations and force mains, was

designed to collect wastewater generated in the interchange area of I-95 and State Road 16. Gravity collection lines are in the process of being installed in the area of the interchange. The pipe sizes range in diameter from 8 to 15 inches, with an estimated 7,340 linear feet of pipeline. The pumping and transmission system for this service area consists of two pumping stations and force mains to deliver the raw wastewater to the treatment plant. Pump Station No. 1 will be furnished with two pumps with a combined capacity of 600 gpm. Pump Station No. 2 is the master pumping station for this service area and is furnished with two pumps with a combined capacity of 740 gpm. Pump Station No. 2 will deliver wastewater flow directly to the wastewater treatment plant from the interchange area. The transmission system designed to accommodate the flow from this service area requires approximately 26,150 linear feet of pipeline ranging from 4 inches to 12 inches.

The wastewater treatment plant to be constructed is a 500,000 gallons per day facility with advanced wastewater treatment. The project was recently bid. Effluent will be discharged into isolated wetlands on County-owned property following tertiary treatment.

Largest Retail Water Customers

	<u>Water Usage Gallons October, 1990 Billing</u>
Ocean Gallery	1,360,000
St. Augustine Ocean/Raquet Club	590,000
Ocean Village Club	520,000
Colony Reef Club	380,000
Anastasia Inn (St. Augustine Hotel Association)	800,000
Quail Hollow Condominiums	610,000
Summerhouse Condominiums	500,000
St. Augustine Beach Holiday Inn	670,000
St. Augustine Beach & Tennis Club	540,000
Four Winds Condominiums	500,000

Mandatory Connection

In 1989, the County enacted an ordinance requiring mandatory connection to the System's water and sewer facilities. A property owner is notified when sewer or water service is available and has 90 days to connect to the System. No connection is required for

water or sewer where the System's connection line for such service is more than 200 feet from the structure or improvement.

Rates, Fees and Charges

The rates, fees and charges for the County, taking into account rate increases adopted by the County on October 30, 1990 that will become effective on January 1, 1991 are as shown below.

St. Johns County Utility System Schedule of Fees and Charges

<u>User Charges</u>	<u>Existing Service Areas (Effective 10/1/90)</u>			<u>Rates (Effective 1/1/91)</u>
	MUS	I-95/SR16 ¹	ASD	
Water Rates - Monthly				
Minimum (4,000 gallons allowed)	\$ 13.73	\$15.40	\$13.47	\$15.39
Overage (per 1,000 gallons)	3.56	3.85	3.51	4.07
Sewer User Fees (Monthly)				
Minimum (4,000 gallons allowed)	\$ 13.99	\$35.00	\$13.68	\$15.87
Overage (per 1,000 gallons)	3.30	8.75	3.20	3.70

Tapping Fees

<u>Water Meter Size</u>	<u>System-Wide (Effective 6/86)</u>	<u>System-Wide (Effective 1/1/91)</u>
3/4 - inch	\$ 300.00	\$ 300.00
1 - inch	412.50	412.50
1 1/2 - inch	1,200.00	1,200.00
2 - inch	1,800.00	1,800.00
3 - inch	3,750.00	3,750.00
4 - inch	6,000.00	6,000.00
6 - inch	9,750.00	9,750.00

Bulk Water Sales (per 1,000 gallons)

October 1, 1989 - September 30, 1990 \$1.35 Raw
October 1, 1990 - September 30, 1992 2.90 Finished²

<u>Unit Connection Fees³</u>	MUS	I-95/SR16 ¹ (at constr. completion)	ASD	<u>System-Wide (Effective 1/1/91)</u>
Water (per gpd)	\$3.15	-0-	3.15	\$ 3.15
Sewer (per gpd)	3.99	-0-	3.80	3.99

¹ Subsequent to January 1, 1991 customers in the I-95/SR16 service area who have signed a Capacity Agreement (temporary permit) and who do not accept the County's offer to voluntarily

(footnote continued on next succeeding page)

(footnote continued from preceding page)

terminate said agreement, shall continue to pay the rates adopted for that service area in March 1990. Any potential customers in the I-95/SR16 service area not being serviced pursuant to the capacity agreement shall pay the System-wide user charges plus unit connection fees.

- ² With the issuance of the 1990B Bonds and the resulting accounting combination of the ASD service area into the System, there will be no bulk water sales to the ASD service area.
- ³ Based on Schedule of typical volume usages per dwelling unit type or commercial establishment type; a schedule is incorporated in the Rate Ordinance. The single family unit (2 bedroom) connection fee equates to \$945 for water and \$1,197 for sewer.

Billing and Collection

The Utilities Department of the County is responsible for customer billings and collection. Meters are read and billed on a monthly basis. Automated meter reading devices are currently operational for 20% of the meter inventory. It is estimated that it will take 5 years to fully implement a metered change-out procedure to convert all meters to be equipped for automated readings. The automated meter reading service has helped keep the annual write-off percentage to below .2 percent, by providing a quicker turnaround in the billing and collection process.

The delinquency collection procedure begins with the formal notification 10 days after a second monthly bill has become due and payable. If payment is not received at that time, the meter is pulled, with the account being closed 30 days thereafter, and within another 30 days turned over for collection.

Regulation

The United States Environmental Protection Agency ("EPA") and the State Department of Environmental Regulation ("DER") promulgate various regulations governing operation of the system. Associated with the regulations are various monitoring and reporting requirements. The System is not facing any EPA or DER mandated schedule for elimination of discharges, or any wastewater related administrative orders or consent decree decisions. The System is currently in compliance with all applicable regulations relating to water quality. Construction permits for certain new improvements and operating permits for such new improvements and for certain components of the System which are planned or now under construction have not yet been obtained, but the County expects that it will be able to obtain such permits.

Conclusions of the Consulting Engineer

The Consulting Engineer reached the following conclusions in its report:

- a. The proposed improvement program is both necessary and sound and is designed in accordance with accepted engineering standards using proven technology.
- b. The existing County utilities department management and staff are well qualified to operate the System.
- c. The System has been well operated and maintained.
- d. Upon completion of the construction, it reasonable to expect that operating permits will be obtained.
- e. The projection of revenues and expenses has been analyzed in detail and is reasonable for the System. Adequate coverage is provided by System-wide revenues for the 1990B Bond requirements through 1995 based on the rate schedule provided in the Consulting Engineer's Report in Table 10 as well as the continuance of an annual consumer price index increase.

THE PROJECT

The Project consists of \$2.5 million of expenditures for projects in each of the three service areas. Completion of System improvements in the I-95/State Road 16 service area will cost \$500,000. Additional improvements to the Mainland Utilities System service area including relocating the filters from the ASD Water Treatment Plant to the Tillman Ridge Water Treatment Plant, and construction of an administration building will total \$1 million. A total of \$1 million will also be spent in the ASD service area including extending a 10-inch water main and relocating water and sewer lines near the Matanzas Inlet Bridge. A more detailed description of these expenditures with respect to the Mainland Utilities System and ASD service areas may be found in Tables 4 and 5 of the Consulting Engineer's Report.

LEGAL MATTERS

Certain legal matters in connection with the authorization, issuance and sale of the 1990B Bonds are subject to the approval of Foley & Lardner, Jacksonville, Florida, Bond Counsel, the form of whose approving opinion is attached hereto as Appendix E. Certain legal matters will be passed upon for the County by James G. Sisco, Esquire, St. Augustine, Florida, Attorney for the County, and for the Underwriter by its counsel, Rogers, Towers, Bailey, Jones & Gay, Jacksonville, Florida.

LITIGATION

It is the opinion of the County Attorney, that no legal proceedings are pending or threatened which materially affect the County's ability to perform its obligations to the owners of the 1990B Bonds. Further, in his opinion, other than as discussed below, there is no litigation or controversy of any nature now pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the 1990B Bonds or in any way contesting the validity of the 1990B Bonds or any proceedings of the County taken with respect to the authorization, sale or issuance of the 1990B Bonds or the pledge or application of any moneys provided for the payment of the 1990B Bonds.

Under the Florida Constitution, in every county there is a county seat at which shall be located the principal offices and permanent records of all county officers. Florida law requires that official actions of the Board of County Commissioners of the County (the "Board") take place within the county seat. The historical county seat of the County has been the City. However, in 1985 the Board adopted a resolution expanding the geographical area of the county seat beyond the corporate limits of the City, as provided by Florida Statutes §138.12. Since 1985 the offices of the County Commissioners of the County and the place where official actions of the Board have been taken, including the actions taken with respect to the 1990B Bonds were not located within the corporate boundaries of the City, but were and still are located within the expanded boundaries of the county seat. In connection with a matter not related to the 1990B Bonds, a suit was filed against the County alleging that the County is not in compliance with the constitutional provision regarding the location of the county seat inasmuch as the offices of the Board and the location of the place where the Board takes its official actions are not located within the corporate boundaries of the City. A Circuit Court judgment confirming the validity of the expansion of the county seat to include the location at which the Board adopted the ordinances and resolutions pertaining to the 1990B Bonds has been rendered. However, such judgment has been appealed to and is under consideration by the Fifth District Court of Appeals of the State of Florida. If it is ultimately determined that the expansion of the county seat was improper or that the Board can not conduct business in the expanded area of the County Seat, such determination could have an adverse effect upon the validity of the proceedings relative to the issuance of the 1990B Bonds and upon other actions taken by the Board since 1985. It is the opinion of the County Attorney that the County will continue to prevail in the county seat litigation. In the opinion of Bond Counsel, if it is ultimately determined in the county seat litigation that the expansion of the county seat of the County was improper, such

determination will not cause the 1990B Bonds to be or become invalid or unenforceable or invalidate the pledge of the Pledged Funds for their payment.

TAX MATTERS

Federal Tax Matters

The Internal Revenue Code of 1986, as amended (the "Code"), contains a number of requirements and restrictions which apply to the 1990B Bonds, including investment restrictions, a requirement of periodic payments of arbitrage profits to the United States, requirements regarding the use of bond proceeds and the facilities financed therewith, and certain other matters. The County has covenanted to use its best efforts to comply with all requirements of the Code that must be satisfied in order for the interest on the 1990B Bonds to be excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the 1990B Bonds to be included in gross income retroactive to the date of issuance of the 1990B Bonds.

Subject to the condition that the County comply with the pertinent requirements of the Code, under existing law, in the opinion of Bond Counsel, interest on the 1990B Bonds will be excluded from the gross income of the owners thereof for federal income tax purposes and will not be treated as an item of tax preference in computing the alternative minimum tax for individuals and corporations. Reference is made to a proposed form of the Bond Counsel opinion attached hereto as Appendix E for the complete text thereof.

In rendering the opinion, Bond Counsel will rely upon certificates of the County with respect to certain material facts relating to the property financed with the proceeds of the 1990B Bonds and the application of the proceeds of the 1990B Bonds.

The Code contains numerous provisions which could affect the economic value of the 1990B Bonds to certain owners of the 1990B Bonds. The following is a brief summary of some of the significant provisions that may be applicable to particular owners of the 1990B Bonds. Prospective owners of the 1990B Bonds, however, should consult their own tax advisors with respect to the impact of such provision on their own tax situations.

The 1990B Bonds will not be "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. Interest on indebtedness incurred or continued to purchase or carry the 1990B Bonds or, in the case of banks and certain other financial institutions, interest expense allocable to interest on the 1990B Bonds, will not be deductible for federal income tax purposes.

Insurance companies (other than life insurance companies) are required for taxable years beginning after 1986 to reduce the amount of their deductible underwriting losses by 15% of the amount of tax-exempt interest received or accrued on certain obligations, including the 1990B Bonds, acquired after August 7, 1986. If the amount of this reduction exceeds the amount otherwise deductible as losses incurred, such excess may be includable in income. Life insurance companies are subject to similar provisions under which taxable income is increased by reason of receipt or accrual of tax-exempt interest, such as interest on the 1990B Bonds.

Interest on the 1990B Bonds must be included in the adjusted net book income of corporations (other than S corporations, regulated investment companies, real estate investment trusts, and REMICs) for taxable years beginning in 1987, 1988 and 1989, and such corporations are required to include in their calculation of alternative minimum taxable income 50% of the excess of adjusted net book income over alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses). For taxable years beginning after 1989, the use of "adjusted net book income" is to be replaced with "adjusted current earnings." Interest on the 1990B Bonds will be included in "adjusted current earnings." For such taxable years, the alternative minimum taxable income of corporations must be increased by 75% of the excess of adjusted current earnings over alternative minimum taxable income (determined with regard to this adjustment and prior to reduction of certain net operating losses).

An environmental tax is imposed on corporations (other than S corporations, regulated investment companies, real estate investment trusts, and REMICs) by Section 59A of the Code. The environmental tax is effective for taxable years beginning after 1988, and before 1992. The amount of the environmental tax is equal to 0.12% of the excess of the alternative minimum taxable income (determined with regard to net operating losses and the deduction for the environmental tax) over \$2 million. The environmental tax may be imposed even if the corporation pays no alternative minimum tax because the corporation's regular income tax liability exceeds its alternative minimum tax liability. For purposes of the environmental tax, alternative minimum taxable income includes interest on tax-exempt obligations, such as the 1990B Bonds, to the same extent and in the same manner as such interest is included in alternative minimum taxable income as described in the preceding paragraph.

Certain recipients of social security benefits and railroad retirement benefits are required to include a portion of such benefits in gross income by reason of the receipt or accrual of interest on tax-exempt obligations, such as the 1990B Bonds.

For foreign corporations that operate branches in the United States, Section 884 of the Code imposes a branch level tax on

certain earnings and profits in the tax years beginning after 1986. Interest on tax-exempt obligations, such as the 1990B Bonds, may be included in the determination of such domestic branches' taxable base on which this tax is imposed.

Passive investment income, including interest on the 1990B Bonds, may be subject to federal income taxation under Section 1375 of the Code for S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of the S corporation consists of passive investment income.

Florida Tax Matters

It is also the opinion of Bond Counsel that, under existing law, the 1990B Bonds and the interest thereon are exempt from taxation under the laws of the State, except as to estate taxes and taxes on interest, income or profits on debt obligations owned by corporations, as defined by Chapter 220, Florida Statutes, as amended.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The accuracy of (i) the mathematical computation of the adequacy of the Federal Securities to be held under the Escrow Deposit Agreement to pay, when due or when called for redemption, the principal of, redemption price, premium and interest on the Refunded Bonds and (ii) the mathematical computations supporting the conclusion that the 1990B Bonds are not "arbitrage bonds" under Section 148 of the Code will be verified for the County by Ernst & Young. Such verification of mathematical accuracy and mathematical computations will be based upon information supplied by William R. Hough & Co., the County and on interpretations of Section 148 of the Code provided by Bond Counsel.

RATINGS

Moody's Investors Service and Standard & Poor's Corporation have assigned their municipal bond ratings of "___" and "___," respectively, to the 1990B Bonds with the understanding that upon delivery of the 1990B Bonds, a policy insuring the payment when due of the principal of and interest on the 1990B Bonds will be issued by the Insurer. Such ratings reflect the views of the respective rating agencies, and an explanation of the significance of such ratings may be obtained only from the rating agencies. There is no assurance that such ratings will be in effect for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies, if, in the judgment of the agencies, circumstances so warrant. Any such downward revision

or withdrawal of such ratings may have an adverse effect upon the market price of the 1990B Bonds.

UNDERWRITING

William R. Hough & Co. (the "Underwriter") has agreed, subject to certain customary conditions to closing, to purchase the 1990B Bonds from the County at par less an aggregate underwriting discount of \$_____. The Underwriter will be obligated to purchase all of the 1990B Bonds if any such 1990B Bonds are purchased. The public offering prices may be changed, from time to time, by the Underwriter.

FINANCIAL ADVISOR

The County has retained Public Financial Management, Inc., Fort Myers, Florida, as financial advisor with respect to the sale of the 1990B Bonds. The financial advisor assisted in the preparation of this Official Statement and other matters relating to the planning, structuring and issuance of the 1990B Bonds and provided other advice. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal or other public securities. Public Financial Management, Inc. is a wholly-owned subsidiary of Marine Midland Bank, N.A.

ANNUAL FINANCIAL REPORT

The Component Unit Financial Statements of the Board of County Commissioners of the County for the Fiscal year ended September 30, 1989, reproduced herein as Appendix C, are integral parts of this Official Statement. Copies of the Financial Statements and the report of the auditors are available from the Finance Director upon request. The security for the 1990B Bonds is limited to the Pledged Funds as described under "AUTHORITY AND SECURITY FOR THE 1990B BONDS."

MISCELLANEOUS

All information included herein has been provided by the County, except where attributed to other sources. 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. The information herein has been compiled from official and other sources and, while not guaranteed by the County, is believed to be correct. So far as any

statements made in the Official Statement and the Appendices attached hereto involve matters of opinion or of 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 law provides for the exemption from registration of certain government securities (including the 1990B Bonds), provided that, if the issuer thereof has been in default at any time after December 31, 1975 as to principal or interest on any obligation, its securities may not be offered or sold in Florida pursuant to this exemption except by means of an offering circular containing a full and fair disclosure of such defaults, as prescribed by rules of the Florida Department of Banking and Finance (the "Department"). Under the rules of the Department, the prescribed disclosure is not required if the information is not an appropriate disclosure because such information would not be considered material by a reasonable investor. The County is not and has not been in default as to principal and interest on non-conduit bonds or other non-conduit debt obligations which it has issued or guaranteed. Although the County is not aware of any other defaults, it is not undertaking an independent review of bonds or other debt obligations for which it served only as a conduit issuer, if any. Because the source of payment for any such defaulted bonds would be separate and distinct from the source of payment for the 1990B Bonds and would not be an obligation of the County other than to the extent the County receives funds from the party borrowing the proceeds of such bonds, any default on such bonds is not considered a material fact with respect to the 1990B Bonds.

AUTHORIZATION OF AND CERTIFICATION CONCERNING OFFICIAL STATEMENT

The delivery of this Official Statement has been duly authorized by the Board of County Commissioners of the County. Concurrently with the delivery of the 1990B Bonds, the undersigned or the then Chairman or Vice Chairman of the Board will furnish his certificate to the effect that, to the best of his knowledge, this Official Statement did not as of its date and does not as of the date of the delivery of the 1990B Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purposes for which this Official

Statement is to be used, or which is necessary in order to make the statements made herein, in light of the circumstances in which they were made, not misleading.

**ST. JOHNS COUNTY, FLORIDA BOARD
OF COUNTY COMMISSIONERS**

By: _____
Chairman

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environmental engineers, scientists,
planners, & management consultants

CAMP DRESSER & McKEE INC.

6650 Southpoint Parkway, Suite 330
Jacksonville, Florida 32216

November 5, 1990

Honorable Chairman and Members
Board of Commissioners of St. Johns County
County Administration Building
4020 Lewis Speedway
St. Augustine, Florida 32084

Attn: Mr. R. Daniel Castle
St. Johns County Administrator

Re: St. Johns County Water and Sewer
Revenue Bond Issue - Series 1990B-I and Series 1990B-II
Consulting Engineers' Report

Dear Mr. Castle:

We have prepared this report to provide pertinent engineering information for inclusion in the official statement pertaining to the issuance of \$20,800,000 for the St. Johns County, Florida Water and Sewer Revenue Bonds, Series 1990B-I and Series 1990B-II (collectively, the Series 1990B Bonds).

1.0 INTRODUCTION

The Series 1990B Bonds are being issued to provide funds to refund the Anastasia Sanitary District Series 1986, Anastasia Sanitary District Series 1989, and Mainland Utility System Series 1990A Water and Sewer Revenue Bonds which relate to the construction of water and sewer facilities in the Anastasia Sanitary District (ASD) and the Mainland Utilities System (MUS) service areas. Additional funds are being requested in the Series 1990B issue in order to provide for the immediate Capital Improvement Program requirements of the combined service area, and to supplement current construction projects. The current construction projects were financed by a combination of the Anastasia Sanitary District Series 1989, the Mainland Utility System Series 1989, and the Mainland Utility System Series 1990A. The purpose of the projects was to extend service to two additional areas in the Mainland Utility System, the I-95/207 interchange area and the I-95/SR16 corridor, and to upgrade or expand certain facilities as described in the sections below.

Anastasia Sanitary District Series 1989 Bonds

The facilities included as part of the Series 1989 Bonds include:

- o Construction of a 20-inch raw water transmission line; 10,250 linear feet.
- o Removal of 16th Street Pump Station.
- o Installation of approximately 3,000 feet of 27-inch gravity sewer line to replace the existing 16th Street Pump Station.
- o Expand the existing ASD Wastewater Treatment Plant (WWTP) from 2.0 to 4.0 mgd.
- o Construction of a new influent pump station to the ASD WWTP.
- o Doubling the capacity of the wastewater sludge dewatering system.
- o Construction of a 1.0 mgd capacity effluent reuse system consisting of filtration, pumping, and a delivery system for a private golf course.
- o Construction of dechlorination facilities for ASD WWTP.
- o Expansion of the existing County laboratory and renovation of the operator's office space.
- o Construction of a maintenance facility for all ASD equipment for vehicles and equipment repair.

Mainland Utility System Series 1989 Bonds

The extension of water and wastewater facilities to the I-95/SR-207 interchange, services an existing commercial and residential area, with a design flow of approximately 250,000 gallons per day. In addition to the new service area, certain other water and wastewater facilities are being constructed. The facilities currently under construction are as follows:

- o A 250,000 gallon per day wastewater treatment plant providing secondary treatment with extended aeration. Treated effluent is to be disposed of by spray irrigation at the County-owned Cypress Lakes golf course. Wet weather storage consists of a 1.15 million gallon concrete effluent storage tank. The plant projects also includes effluent pump facilities as well as the pipeline to the golf course irrigation pumps.
- o A new water treatment plant utilizing lime softening, with filtration, clarification, aeration, recarbonation, and a chemical feed system serving to process the water. Finished water storage of 1.5 million gallons and high service pumping facilities are also being constructed.

- o New shallow wells (2), with a yield of 400 gallons per minute each. New deep (Floridan aquifer) wells (2), with a yield of 2,100 gallons per minute each. In addition to the wells, pumps, piping and an emergency generator have been provided.
- o A new finished water transmission main going southward from SR207 and westward from Old Moultrie Road. A total of approximately 30,000 linear feet of pipeline have been installed along Wildwood Drive, Dobbs Road, and Kings Estate Road and St. Augustine Boulevard.
- o A new wastewater transmission main extending from the treatment plant to the SR207 service area, with a total of approximately 27,500 linear feet of 10" and 16" pipeline, and a booster pump station.
- o A wastewater force main from Old Moultrie Road to Dobbs Road.

Mainland Utility System Series 1990A Bonds

The extension of water and wastewater facilities to the I-95/SR-16 interchange will service an existing primarily commercial area which has an approximate water demand of 200,000 gallons per day. The facilities under construction for the extension will have capacity to meet an additional demand of 300,000 gallons per day. The facilities included in the ongoing construction for the extension include:

- o A potable water transmission and distribution system to supply the average daily flow and fire protection for the area surrounding the I-95/SR-16 interchange. The transmission line will extend north from the proposed Tillman Ridge Water Plant to CR 208. The distribution system will provide average daily potable water demands and fire flow requirements for the existing establishments in the I-95/SR-16 interchange. The distribution system will also extend east of I-95 to serve the area adjacent to Inman Farms Road and east from Inman Farms Road to the proposed Fountains development. The transmission and distribution system consists of approximately 66,950 feet of pipe ranging in diameter from 8 to 16 inches.
- o A gravity wastewater collection system consisting of approximately 12,000 feet of piping ranging in size from 8 to 15 inches in diameter. This gravity system will, at a minimum, be capable of transporting the wastewater from the existing establishments and the proposed near term development in the interchange of I-95/SR-16 to one of the two pumping stations. A force main system will also be provided to serve the Inman Farms area and the immediate area north of Ag Center Road on CR 208.

- o Two wastewater pumping stations that will collect raw wastewater from the west and east side of the I-95/SR-16 interchange and transport the wastewater to the proposed wastewater treatment plant. Pump Station No. 1 will collect the wastewater from the area west of I-95 and Pump Station No. 2 will collect the flow from Pump Station No. 1 and the wastewater generated from the east side of the interchange and also acts as the master pumping station for the treatment facility.
- o A 500,000 gallon per day advanced wastewater treatment facility providing tertiary treatment. An effluent reuse system utilizing existing wetlands with an initial capacity of approximately 350,000 gallons per day is also provided. The effluent system will also include an effluent pumping station and transmission line to deliver the treated wastewater to the wetlands.
- o A wastewater transmission system that transports raw wastewater from the two pumping stations to the treatment facility. This system consists of approximately 26,150 feet of pipe ranging in diameter size from 4 to 12 inches.
- o A 300,000 gallon elevated water storage tank that will assist in maintaining the required water pressure in the service area and provide the necessary storage to meet the fire flow demands.

Camp Dresser & McKee Inc. (CDM), has been the engineering firm responsible for the financial planning as well as the engineering design for the 1990A Series extension project and is the Continuing Consultant for ASD. A substantial amount of data was obtained from the St. Johns County Utility and Administrative staff. We address the following aspects of the combined ASD and MUS in this report:

- o General information and administration.
- o Description of the Mainland and Anastasia Island service areas.
- o Capital improvements to the combined Mainland and Anastasia Island Utility Systems.
- o The numbers and types of customers and their usage for each system.
- o Projections of revenues, expenses, debt service coverage, and necessary rates for the combined system.
- o Summary of conclusions.

2.0 GENERAL INFORMATION AND ADMINISTRATION

2.1 Organization

The St. Johns County Utility Department is responsible for providing water and sewer services within the County's service areas. There were recently two separate water service areas, Anastasia Sanitary District (ASD) and the Mainland Utility System (MUS), which have been combined into one utility structure under the title of St. Johns County Utilities. Both ASD and MUS currently have functioning water and wastewater systems, with MUS recently putting into operation a separate wastewater treatment plant with the opening of Mainland Wastewater Plant.

There are presently 40 permanent, full-time authorized positions in the department. These employees serve in the following areas: 23 - operations; 3 - engineering; and 14 - administration. Figure 1 provides an organizational chart of the department.

Mr. Bobby Jones is the Director of St. Johns County Utilities Department and has been employed with the department since November, 1981. Mr. Jones has an "A" wastewater operator's license and a "B" water operator's license. Prior to joining St. Johns County, Mr. Jones was utility director for the City of St. Augustine.

Mr. Herbert Van Der Mark is the Construction Manager for St. Johns County Utilities Department and has been with the department since October, 1988.

2.2 Billing and Collection

The St. Johns Utilities Department is responsible for customer billings and collections. Meters are read and billed on a monthly basis. Automated meter reading devices are currently operational for 20 percent of the meter inventory. A recently hired meter reader will enable the implementation of the phased installation of meters equipped for automated readings. It is estimated that it will take 5 years to fully implement this meter change-out procedure. The automated meter reading service has helped keep the annual write-off percentage to below .2 percent, by providing a quicker turn around in the billing and collection process.

The delinquency collection procedure begins with a formal notification 10 days after a second monthly bill has become due and payable. If payment is not received at this time, the meter is pulled, with the account being closed 30 days thereafter, and within another 30 days turned over for collection.

2.3 Regulations Requirements

2.3.1. WATER

The Federal government has set forth water quality standards for the protection of water for public uses including operation standards and quality controls for public water systems. The important Federal regulations affecting future operations of the water treatment plant are provided in the Safe Drinking Water Act. In December 1974, Congress passed the Safe Drinking Water Act (SDWA), Public Law 93-523. This law directed the EPA to establish minimum drinking water standards. The standards are divided into primary (those required for public health) and secondary (those recommended for aesthetic quality) regulations. The National Primary Drinking Water Regulations have been effective since June 24, 1977. Chapter 17-550, 17-555, and 17-560 of the Florida Administrative Code classify and define water supplies and establish regulations for the use thereof. In Florida, the primary and secondary standards set forth by the SDWA are mandatory. Enforcement of the standards is the responsibility of the FDER. The FDER issued changes effective January 1989, in the Florida Administrative Code, Chapter 17-550, which include maximum contaminant levels (MCLs) for several volatile organics and synthetic organic contaminants. The rule requires sampling and analyses of these 126 compounds by February 1989 for all community systems serving more than 3,300 persons and by February 1, 1991 for all community systems serving less than 3,300 persons. The Water Department has sampled and analyzed for these compounds and the results were all negative.

EPA issued further amendments to the Safe Drinking Water Act in 1986. The major aspects of the 1986 Amendments include:

- o Compulsory revisions to the Drinking Water Regulations in a timely fashion for new contaminants.
- o Definition of a treatment technique for each contaminant regulated (there are 83 regulated contaminants).
- o Requirement of a treatment technique where it is infeasible to ascertain the level of a regulated contaminant.
- o Filtration requirement for surface water supplies, with states establishing implementation criteria.
- o Disinfection of all water supplies.
- o Prohibition of use of lead products in all conveyances for drinking water.
- o Requirement for protection of groundwater sources.

The County has monitored its water for the presence of contaminants, with negative results, and has already implemented filtration and disinfection.

The St. Johns River Water Management District manages water supplies to meet demands from existing and projected consumers. Regulation of consumptive use is achieved through a permitting system, through which water resources are divided among the permitted consumers.

On August 24, 1989, the County received a modification to use permit No. 2-109-0128ANGM which authorizes annual withdrawal limits with varying amounts of gallons of water per day and a maximum combined withdrawal rate. The permit was issued on September 12, 1989 and is valid for seven years.

The withdrawal limits are permitted as follows:

Year	Maximum Annual withdrawal (million gal.)	Maximum Daily withdrawal (million gal.)
1989	762.9	2.61
1990	810.3	2.78
1991	857.8	2.94
1992	901.6	3.08
1993	949.0	3.25
1994	996.5	3.41
1995	1040.3	3.58
1996	1088.4	3.73

2.3.2 WASTEWATER

The federal government, through the U.S. Environmental Protection Agency (EPA), and the State of Florida, through the Department of Environmental Regulation (FDER), promulgate various regulations governing operations of wastewater systems in St. Johns County. Regulations address primarily the quality of effluent discharge from County wastewater treatment facilities, the disposal of sludge generated by the wastewater treatment plants, the discharge of pollutants into the groundwater, and the nature of waste material discharged into the collection system. Associated with the regulations are various monitoring and reporting requirements.

Under applicable federal and state regulations, the County is required to operate wastewater treatment facilities according to the discharge limitations and reporting requirements set forth in the discharge permits. At the present time, St. Johns County operates its existing Anastasia Sanitary District Wastewater Treatment Plant (ASDWWTTP) under permit (no. D055-135084 from the FDER and a NPDES permit (No. FL0038831) from the EPA. The Mainland Utility System Wastewater Treatment Plant is currently operating under permit No. DC55-149739.

The existing treatment plant has been operated successfully and does not have a history of permit violations. St. Johns County is not facing any FDER or EPA mandated schedules for elimination of discharges, or any wastewater related administrative orders or consent decree decisions.

2.4 Planning

The service areas for the combined St. Johns County Utility System for water and wastewater are shown in Figures 2 and 3 and consist of three sections:

- o I-95/SR-16 Service Area;
- o Mainland Water Service Area; and
- o Anastasia Sanitary District Service Area.

The most recent service area is in the vicinity of the intersection of Interstate 95 and State Road 16 and along the State Road 16 corridor east to the City of St. Augustine service area.

CDM evaluated the immediate needs in this I-95/SR-16 service area for a planning horizon of only 3-5 years. This was done in order to accommodate present and near term developments with a financially feasible project. The 3-5 year planning horizon identified a need for 500,000 gallon/day facilities, both water and wastewater.

2.5 Service Areas

MUS Area

The western portion of the existing Mainland Utility System service area (old MUS service area) is bounded generally by the existing City of St. Augustine system service area on the northeast, Matanzas River on the east, the State Road 206 corridor on the south, the Interstate 95 corridor on the west, and the FEC railway on the north. Figures 2 and 3 present the service areas of the Mainland Utility System for water and wastewater, respectively.

The latest service area for the Mainland Utility System is located in the I-95/SR16 interchange area, extending eastward to the proposed Fountains development. Figures 2 and 3 present the new Mainland Utility System service areas for water and wastewater, respectively.

ASD Area

The eastern portion of the combined service area is Anastasia Island (formerly ASD), an Atlantic coastal barrier island situated east of the Intracoastal Waterway along the coast of St. Johns County, Florida. This service area includes an area of approximately 11.8 square miles, of which 7.7 square miles are or will be developed. The remaining 4.1 square mile area is zoned "Conservation or Preservation" due to the natural characteristics and environmental concerns.

This eastern area of the former ASD service area also includes a segment of Rattlesnake Island, which is approximately two and one-half (2-1/2) miles in length, south of Matanzas Inlet, and along Florida State Road A-1-A extending to the Flagler County line. This service area also includes the City of St. Augustine Beach, but excludes a small portion of the incorporated City of St. Augustine at the northern end of Anastasia Island.

3.0 EXISTING FACILITIES

The existing facilities and those currently under construction are

located in the three specific service areas described in Section 2.5. The facilities for each service area will be described in detail as follows.

3.1 Water System Facilities - ASD

The water system facilities currently operational in the ASD service area consists of a water treatment plant, a wellfield, raw water transmission, finished water transmission and a distribution system.

The existing ASD water treatment plant is a Class B facility which utilizes a lime softening process followed by clarification, recarbonation, and filtration to produce 2.5 mgd of treated water. Once the new Tillman Ridge (MUS) water treatment plant is on line, the Anastasia water treatment plant will be abandoned and the filters re-installed at the Tillman Ridge facility, increasing the Tillman Ridge plant capacity to 7.0 mgd by approximately 1992. Also, upon completion of the Tillman Ridge water plant, the high service pumps will be upgraded in order to increase their pumping capacity. The Tillman Ridge water plant is expected to be completed by May 1991.

The raw water transmission system currently consists of a 10-inch pipeline from the Shore Drive (current MUS) water treatment plant to SR 312, which connects the former ASD and MUS systems. A raw booster pump station serves to increase the main's hydraulic capacity. The ASD water system has been dependent on raw water supplied by the MUS wellfields. Upon completion of the new Tillman Ridge Water Plant, the raw water main will be converted to transport finished water to the ASD system. There is currently under construction, a 20-inch raw water transmission main from the existing Mainland Water Treatment Plant on Shore Drive, to yard piping at the ASD Water Treatment Plant on 16th Street. The pipeline consists of a subaqueous crossing (approximately 4,700 linear feet) and buried pipeline at either end of the crossing (approximately 5,550 linear feet). The project is scheduled for final completion in December 1990. Upon completion of the Tillman Ridge water plant, the new transmission line will be converted to transport finished water.

Storage in the ASD system consists of 1.5 million gallons of ground storage at the 16th Street plant site, a 0.5 million gallon ground storage reservoir at the Old Pope Road plant site, and a 1.0 million gallon ground storage tank at Magnolia Avenue and SR A-1-A. Pump capacity consists of 4,750 gpm at the 16th Street reservoir and 1,621 gpm (repump) at the Magnolia Avenue tank.

The finished water treatment system consists principally of mains extending southerly along SR3, Old Beach Road, and SR A-1-A from Pope Road to the Magnolia Avenue storage tank and pump station. The main travels southerly from that point along SR A-1-A to south of the Matanzas Inlet.

The water distribution system consists of approximately 140,000 linear feet of pipeline 16-inches and smaller, along with related valves and hydrants. There is sufficient pressure in the system to meet demand.

The wellfields of the combined utility system (shown on Table 1) consists of the following:

- (1) Shallow well supplies: 7 wells in the Tillman Ridge wellfield, capacity of 400 gallons per minute (gpm) each or 0.576 million gallons per day (mgd) each. Two of these wells were recently completed as part of the MUS Series 1989 bonds. The Tillman Ridge wellfield itself has a safe yield withdrawal capacity of 5.0 mgd. Seven additional shallow wells are located at Houck and Hawks Boulevard which yield 993 gpm or 1.43 mgd.

Five shallow wells are also in operation in the former ASD service area with a combined average output of 695 gpm (1.0 mgd).

- (2) Deep well supplies: 2 recently completed wells at the Tillman Ridge water treatment plant site area will draw from the Floridan aquifer at a combined rate of 2,100 gpm or 3.0 mgd. The shallow well raw water and deep well raw water are blended prior to treatment in not less than a 1:1 ratio to reduce the mineral content to a level treatable by lime softening. Two additional deep wells are located on Anastasia Island which have a combined capacity of 300 gpm or 0.43 mgd. The combined shallow wells and deep wells on Anastasia Island have a maximum sustainable yield in total of 0.90 mgd. The Anastasia Island wells will continue to function in order to supply peak demands, however, they will not be a major source of raw water.

3.2 WATER SYSTEM FACILITIES - MUS

The existing Mainland Water Treatment Plant, located on Shore Drive, has a capacity of 1.0 mgd and includes lime softening. This facility will be abandoned upon completion of the new Tillman Ridge water plant. The initial rated capacity of the new Tillman Ridge water treatment plant will be 4.6 mgd and will provide potable water service to the ASD service area, the existing MUS service area, and the I-95/SR16 service area. Once the filters in the ASD plant have been removed and installed on the Tillman Ridge plant and MUS filters installed at the ASD plant, the rated capacities of the two plants will be 7.0 mgd (MUS) and 1.0 mgd (ASD), with the ASD plant scheduled to operate only during peak times.

Storage in the MUS service area consists of 1.0 million gallons ground storage at the existing Shore Drive water treatment plant and a new 1.5 million gallon storage reservoir at the Tillman Ridge water treatment plant.

The finished water treatment system consists of mains running southward along U.S. Highway 1 to south of Wildwood Drive, Old Moultrie Road to Dobbs Road, Dobbs Road to S.R. 207, S.R. 207 to I-95. Current construction of transmission lines has served to extend and loop the existing transmission system lines.

The water distribution system consists of pipeline 8-inches and smaller, along with related valves and hydrants, principally in the South St. Augustine area.

3.3 Water System Facilities - MUS I-95/SR16

A temporary water treatment system is currently in operation to serve the I-95/SR16 service area until the Tillman Ridge facility is completed. The temporary water system consists of raw water supplied by Wells 4 and 5 which is chlorinated prior to entering a hydropneumatic tank for pressurization, followed by distribution via a recently constructed 12-inch finished water main.

There is a 300,000 gallon elevated storage tank being constructed in the northeast quadrant of the I-95/SR16 interchange.

Specific pipeline facilities that are part of the Series 1990A Bonds and are presently under construction or completed include:

- o West of I-95/SR16 interchange - 8" and 12" distribution line (complete).
- o Tillman Ridge Water Treatment Plant to SR16/CR208 - 12" transmission main (complete).
- o West of I-95 to Inman Road - 12" transmission main (Ongoing).
- o Inman Road to the Fountains - 16" transmission main (Ongoing).
- o Inman Road - 8" distribution line (Ongoing).
- o North Retail Area - North of SR16 - 8" distribution line (complete).

The above projects require a total of approximately 9,720 linear feet of 8-inch pipeline; 33,820 linear feet of 12-inch pipeline; and 17,600 linear feet of 16-inch pipeline.

3.4 Wastewater System Facilities - ASD

The current ASD wastewater treatment plant, located on 16th Street, consists of secondary treatment with a fine-bubble diffused air activated sludge system, chlorination, aerobic digestion, and dewatered waste activated sludge via an artificial media bed. Effluent is disposed of by surface water discharge to the Matanzas River through a 27-inch outfall pipeline.

The current construction taking place at the 16th Street wastewater treatment plant will increase the secondary treatment capacity from 2.0 mgd to 4.0 mgd, expand the sludge treatment process with the addition of gravity thickeners and a belt filter press, provided for a new influent pump station and wetwell (replaces existing 16th Street pump station), and adds 3,000 linear feet of raw transmission pipeline from the existing 16th Street pump station to the plant site.

Effluent disposal facilities are also being constructed which will serve to provide for spray irrigation disposal (effluent pumping, fine-filtration, and pipeline) at a private (Marsh Creek) golf course (0.5 - 0.75 mgd) Wet weather conditions as well as additional effluent capacity will continue to be met by surface water discharge (3.0 mgd maximum). A chemical feed system for dechlorination is under construction, to enable the County to meet new regulatory requirements.

Other facilities under construction at the ASD Wastewater Treatment Plant site include a new environmental laboratory, renovation of the space vacated by the existing laboratory, and construction of a new maintenance building.

The major transmission force main is the 12-inch main from the Riverside Blvd. pump station running north along SR A-1-A and SR3 to 16th Street. Major pump stations currently consist of the 16th Street pump station (inadequate and being replaced) and the Riverside Blvd. The Riverside Blvd. pump station will provide sufficient pump capacity, meeting peak demands.

The collection system consists primarily of pump stations and transmission force mains, in addition to approximately 3,000 linear feet of 27-inch gravity trunk main in 16th Street currently under construction.

3.5 Wastewater System Facilities - MUS

All wastewater facilities for the existing MUS service area are being constructed by the MUS Series 1989 bond issue.

The MUS wastewater treatment plant is a 0.250 mgd extended aeration facility which includes flow equalization, post-secondary biological treatment, fine-media filtration, and chlorination. Effluent disposal is by spray irrigation to the County owned Cypress Creek golf course. Wet weather storage is met with a 1.15 million gallon concrete effluent storage tank. The plant project also includes effluent pump facilities and pipeline to the golf course site. The plant went on-line in October 1990.

Transmission facilities have recently been completed which extend from the treatment plant site to the SR207 service area. Approximately 15,800 linear feet of 16-inch pipe and 11,700 linear feet of 10-inch pipe and a wastewater pump station were constructed.

Additionally, 5,000 linear feet of 10-inch force main was installed from South Park to Dobbs Road.

3.6 Wastewater System Facilities - I-95/SR16

All wastewater facilities are being constructed by the MUS Series 1990A bond issue.

The SR16 wastewater treatment plant is a 500,000 gallons/day facility with advanced wastewater treatment. The project was recently bid. The construction permit application is in process, with a notice of-intent-to issue the permit anticipated in mid-November. Effluent disposal will be to an existing wetlands area near the treatment plant. An effluent pump station and pipeline were also recently bid. The effluent disposal system construction permit is expected to be received in late November. In both permit cases, the construction permit automatically converts to an operating permit, once construction is complete.

The pump station/transmission system currently under construction, will service the I-95/SR16 corridor. One pump station (P.S.#1) is located at the north side of SR16, near the I-95 exit ramp. P.S.#1 will have a combined pump capacity (2 pumps) of 600 gpm. The other pump station (P.S.#2) will be located at Green Acres Road and SR16. The pump station will have a combined pump capacity (2 pumps) of 740 gpm, with flow being delivered from the interchange area to the treatment plant site. The transmission pipeline consists the following:

- o Stagecoach RV Park on CR208 to Manhole #5 - 4" force main.
- o Fountains to wastewater treatment plant - 8" force main.
- o Pump Station No. 2 to wastewater treatment plant - 10" and 12" force main.

The above items require approximately 26,150 linear feet of pipeline.

The collection system was designed to collect wastewater generated in the interchange area of I-95/SR16. The pipe sizes range from 8 to 15-inches, with an estimated 7,340 linear feet of pipeline.

4.0 SERIES 1989 AND 1990 A BOND STATUS

The status of the current construction projects for the existing Mainland Utility System and the Anastasia Sanitary District, funded by the MUS and ASD Series 1989 Bonds is provided on Table 2. The I-95/SR16 Mainland Utility System project status is presented on Table 3.

5.0 CAPITAL IMPROVEMENT PROGRAM

Table 4 provides the current Mainland Utility System capital improvement program projects. The most immediate needs are to be funded by the Series 1990B bond issue. The balance of the projects are to be financed through user fees. The major projects consist of the relocation of the ASD water treatment plant filters to the Mainland Utility System water treatment plant, a new water storage tank, the construction of a utility administration building, and the addition of new water transmission pipeline.

Table 5 provides the same information for the Anastasia Sanitary District service area. The major projects consist of the relocation of water and sewer pipelines due to the construction of a new bridge at Matanzas Inlet, a 10" water main extension, and a new potable water ground storage tank.

The funds required from the Series 1990B bond issue for new capital improvement projects and the completion of current construction is as follows:

Mainland Capital Improvements	\$ 1,000,000
Anastasia Capital Improvements	1,000,000
Series 1990A Construction	500,000
Series 1990B	<u>\$ 2,500,000</u>

6.0 CUSTOMER AND CAPACITY DATA

Table 6 provides a summary of historical and projected customer data as well as the pertinent operations and permit data. Sufficient raw and finished water will be available for both the combined Anastasia Sanitary District and the Mainland Utility System. See footnote (g) for exceptions.

6.1 Revenues and Expenses

Table 7 presents a summary of revenues and expenses for the existing Mainland service area. The historical information presented is for the existing Mainland service area only. The data is consistent with information presented in the Series 1989 Bond Issue for the period of Fiscal years 1986 through 1988. Fiscal Year 1989 is based on audited financial figures furnished by St. Johns County. Projections for Fiscal Year 1990 are for the existing Mainland service area, and is based on actual expenditures through August, projected through September.

Table 8 presents a summary of revenues and expenses for the Anastasia Sanitary District. The data is consistent with information presented in the series 1989 Bond Issue for the period of Fiscal Years 1986 through 1988. Fiscal Year 1989 is based on actual financial figures furnished by St. Johns County. Projections for Fiscal Year 1990 are based on actual data through August, projected through September.

Table 9 presents the projected revenue and expense summary for the combined Mainland and Anastasia service areas, including the new Mainland 195/SR16 service area. The Fiscal Year 1991 projections were based on the budget for expenditure items. The operating revenue forecast for Fiscal Year 1991 is based on a rate study conducted in October 1990, with a 5 percent consumer price index increase effective October 1, 1990, and approximately an additional 14 percent increase soon thereafter. Annual consumer price index increases have been authorized, with a projected effect on revenue of approximately 5 percent annually. In addition, a 3 percent customer growth rate was anticipated for the period of Fiscal Years 1992 through 1995.

Expenditures projected for the period of Fiscal Year 1992 through 1995, reflected the figures anticipated in the rate structure. A 5 percent inflation factor was used for cost increases, with variable items of expenditure increased to reflect the impact of customer growth.

Non-operating income consists of interest revenue, with the projections of Fiscal Years 1992 through 1995 reflecting pre-construction revenue levels.

The debt service amount projected is a combination of the debt service payment for the Mainland Series 1989 Bond Issue, plus the estimated debt service for the Series 1990B Bond Issue.

6.2 Schedule of Fees and Charges

Table 10 presents a schedule of fees and charges for the combined system.

The new charges were developed such that debt service coverage is met for the total combined system. The unit connection fees for the combined system are scheduled to remain the same, with the exception of consumer price index increases. Also listed are the current tapping fees which are scheduled to remain the same.

6.3 Bond Rate Covenant

The current authorizing bond resolution, requires that St. Johns County "fix, maintain and collect Rates to provide:

(A) IF NO ASSESSMENTS SHALL BE PLEDGED TO THE BONDS

- (1) Net Revenues in such Fiscal Year, together with any Connection Charges actually on deposit in the Current Account at the beginning of such Fiscal Year, equal to at least one hundred twenty percent (120%) of the Debt Service Requirement for the Bond Year ending in such Fiscal Year and at least one hundred percent (100%) of any amounts required by the terms of the Bond

Resolution to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, and

- (2) Net Revenues in such Fiscal Year, not taking into account Connection Charges, equal to at least one hundred ten percent (110%) of the Debt Service Requirement for the Bond Year ending in such Fiscal Year and at least one hundred percent (100%) of any amounts required by the terms of the Bond Resolution to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, or

(B) IF ASSESSMENTS SHALL BE PLEDGED TO THE BONDS

- (1) Net Revenues in such Fiscal Year, together with the dollar amount of the Assessments to be collected in such Fiscal Year (but as to each separate lot of Assessments levied for any improvements which shall be part of a Project, except for the first Fiscal Year in which such lot of Assessments shall be billed, not exceeding the dollar amount of the portion of such lot of Assessments actually collected by the Issuer in the immediately preceding Fiscal Year) and any Connection Charges actually on deposit in the Current Account at the beginning of such Fiscal Year, equal to at least one hundred twenty percent (120%) of the Debt Service Requirement for the Bond Year ending in such Fiscal Year and at least one hundred percent (100%) of any amounts required by the terms hereof to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year,
- (2) Net Revenues in such Fiscal Year, together with the dollar amount of the Assessments to be collected in such Fiscal Year (but as to each separate lot of Assessments levied for any improvements which shall be part of a Project, except for the first Fiscal Year in which such lot of Assessments shall be billed, not exceeding the dollar amount of the portion of such lot of Assessments actually collected by the Issuer in the immediately preceding Fiscal Year), without taking into account Connection Charges, equal to at least one hundred ten percent (110%) of the Debt Service Requirement for the Bond Year ending in such Fiscal Year and at least one hundred percent (100%) of any

amounts required by the terms hereof to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year,

- (3) Net Revenues in such Fiscal Year, together with any Connection Charges actually on deposit in the Current Account at the beginning of such Fiscal Year, without taking into account Assessments, equal to least one hundred twenty percent (120%) of the amount obtained by reducing the Debt Service Requirement for the Bond Year ending in such Fiscal Year by the amount of the debt service for all Assessments Redemption Bonds and at least one hundred percent (100%) of any amounts required by the terms of the Bond Resolution to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year; and
- (4) Net Revenues in such Fiscal Year, not taking into account Assessments or Connection Charges, equal to at least one hundred ten percent (110%) of the amount obtained by reducing the Debt Service Requirement for the Bond Year ending in such Fiscal Year by the amount of the debt service for all Assessments Redemption Bonds and at least one hundred percent (100%) of any amounts required by the terms of the Bond Resolution to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year.

Such rates shall not be so reduced that the same will be insufficient to provide Net Revenues in each Fiscal Year fully adequate for the purposes provided therefor by the Bond Resolution, provided, however, anything in the Bond Resolution to the contrary notwithstanding, no provision of such Resolution shall be construed to obligate the Issuer to impose or, once imposed, continue Connection Charges; but at any time and while Connection Charges shall be in effect and imposed by the Issuer, the same shall be pledged under the Bond Resolution extent provided therein.

Using the provisions contained in Paragraph A above, debt service coverage historically has ranged from approximately 1.4 to 4.9 coverage. The projected coverage factors range from approximately 1.14 to 1.74, without unit connection fees and from 1.35 to 2.21, including unit connection fees.

7.0 CONCLUSIONS

- o The proposed Improvement Program is both necessary and sound and is designed in accordance with accepted engineering standards using proven technology.
- o The existing Department of St. Johns County Utilities management and staff are well qualified to operate the water and sewer systems.
- o We have found that both the water and sewer systems have been well operated and maintained.
- o Upon completion of construction, it is reasonable to expect that operating permits will be obtained.
- o The projection of revenues and expenses has been analyzed in detail and is reasonable for the water and sewer system. Adequate coverage is provided by system-wide revenues for the series 1990B Revenue Bond requirements through 1995 based on the rate schedule provided in Table 10 as well as the continuance of an annual consumer price index increase.

Sincerely,

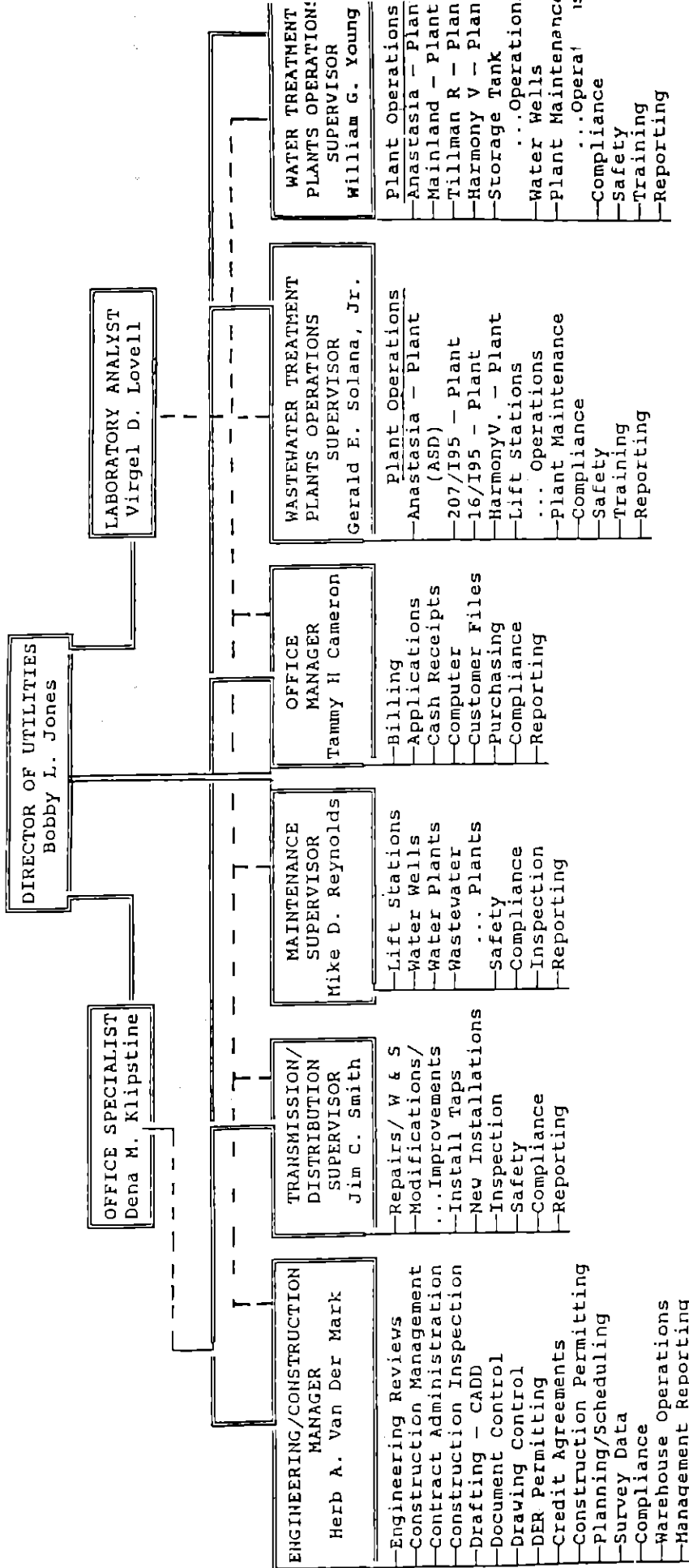


Michael A. White, P.E.
Associate

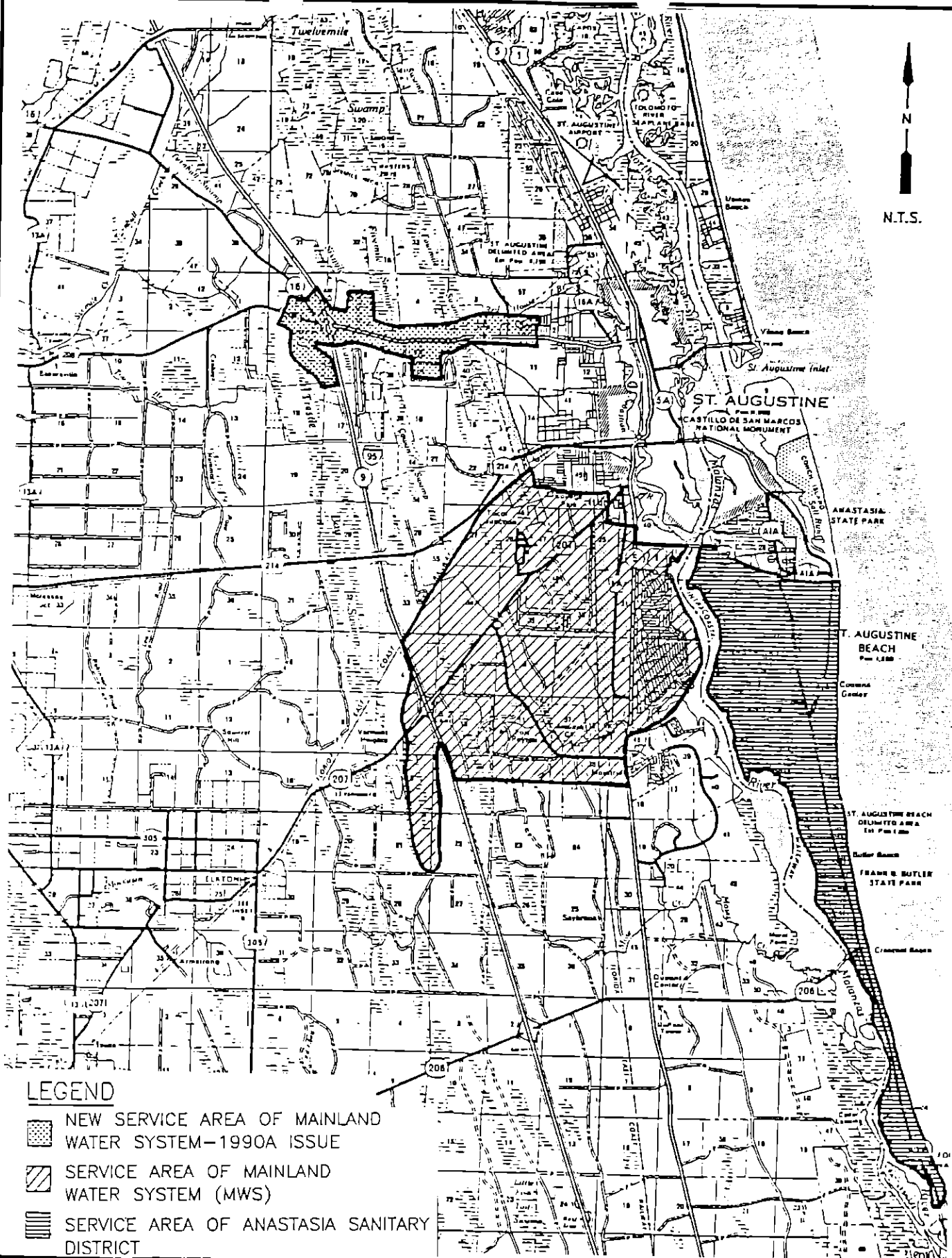
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FUNCTIONAL
ORGANIZATIONAL CHART
ST. JOHNS COUNTY UTILITY DEPARTMENT



- - - - - SUPPORT AS REQUIRED



ST. JOHNS COUNTY UTILITY
SYSTEM SERVICE AREA-WATER

environmental engineers, scientists,
planners, & management consultants

CDM

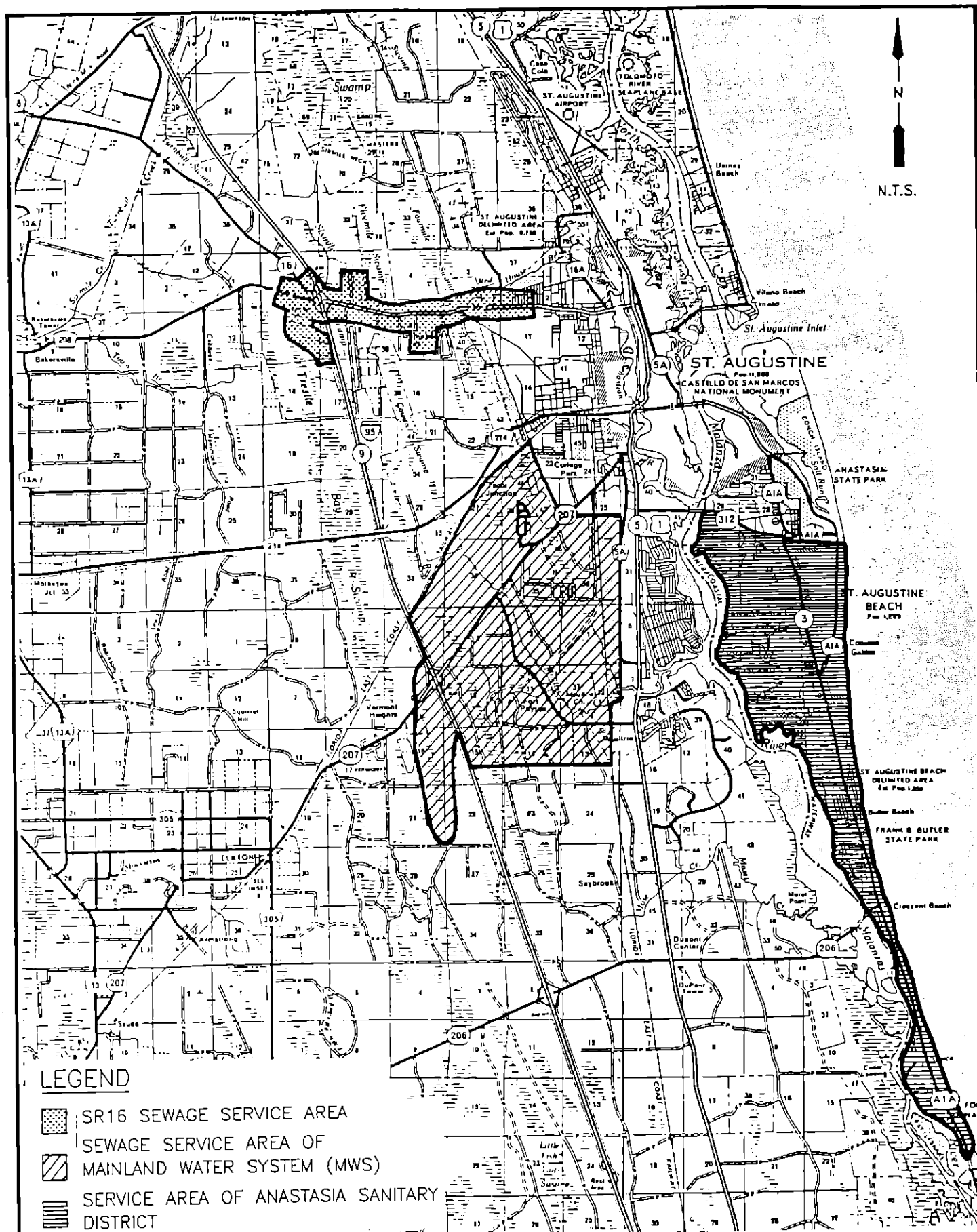


TABLE 1
ST. JOHNS COUNTY
SUMMARY OF EXISTING WATER SUPPLY

<u>Type of Well</u>	<u>Number</u>	<u>Size</u>	<u>Status</u>	<u>Location</u>	<u>Total Capacity (GPM)</u>
<u>Mainland Water System (MWS)</u>					
Shallow	7	8-inch	In Use	Tillman Ridge	2800
Shallow	7	10-inch	In Use	Houck & Hawks Road	993
Deep	2	18-inch	Operating by 4/91	Tillman Ridge	2100
<u>Anastasia Sanitary District (ASD)</u>					
Shallow	4	6-inch	In Use	Anastasia Island	460
Shallow	1	8-inch	In Use	Anastasia Island	235
Deep	2	12-inch	In Use	Anastasia Island	300
Total Average Wellfield Capacity					6888 gpm (9.92 mgd)

TABLE 2
ST. JOHNS COUNTY
MAINLAND UTILITY SYSTEM AND ANASTASIA SANITARY DISTRICT
SERIES 1989 BONDS, CONSTRUCTION PROJECTS STATUS

<u>MAINLAND UTILITY SYSTEM</u>						
<u>WASTEWATER</u>						
<u>Bid No</u>	<u>Contractor</u>	<u>Project</u>	<u>Bid Price</u>	<u>Last Change Order</u>	<u>Current Contract Amount</u>	<u>Substantial Completion Date</u>
89-34	WPC Ind & Util.	Mainland Waste-water Treatment Plant & Effluent Disposal	\$1,637,000	# 4	\$1,560,223	Complete
89-42	N. Florida Utility	Wastewater Transmission	\$ 705,047	# 3	\$706,398	Complete
90-22	Jerry Johns	Wastewater Transmission	\$ 71,992	-	\$ 71,992	Complete
<u>WATER</u>						
89-54	Chapman Construction	Shallow Wells	\$ 473,285	-	\$ 473,285	Complete
89-54	Am. Drilling	Deep Wells	\$ 159,800	# 1	\$ 155,800	Complete
90-1	Indian River Ind. Utility	Water Treatment Plant	\$5,792,777	# 2	\$3,899,577	4/02/91
90-2	Chapman Construction	Finished Water Transmission	\$ 300,176	# 1	\$ 307,306	Complete
<u>ANASTASIA SANITARY DISTRICT</u>						
<u>WASTEWATER</u>						
89-36	Meadors Construction	ASD Wastewater Treatment Plant	\$3,840,000	#14	\$3,906,598	12/21/90
<u>WATER</u>						
89-35	Ed. Waters & Sons	Raw Water Transmission	\$ 921,860	# 3	\$ 983,500	12/31/90

TABLE 3
ST. JOHNS COUNTY
MAINLAND WATER SYSTEM
SERIES 1990A BONDS, CONSTRUCTION PROJECTS STATUS

Bid No	Contractor	Project	Bid Price	Current Contract Amount	Substantial Completion Date
90-40	Hughes Supply	Prepurchase of Equipment	\$ 820,000	\$ 800,000	10/31/90
90-39	Phoenix Fabricators and Erectors	Elevated Water Tank	\$ 471,000	\$ 471,000	1/31/91
90-45	Metric Constructors	Utility Installa- tion (Water and Wastewater)	\$1,326,000	\$1,326,000	12/31/90
90-59	Indian River Industrial Contractors	Wastewater Treat- ment Plant	\$1,731,808	\$1,731,808	5/01/91
90-56	V.J. Usina Contracting	Effluent Disposal	\$ 237,510	\$ 237,510	4/01/91

TABLE 4

ST. JOHNS COUNTY
CAPITAL IMPROVEMENT PROGRAM(CIP)
MAINLAND UTILITY SYSTEM

Projects	Fiscal Year 1991 Series 1990B	Fiscal Year 1993	Fiscal Year 1994
Water System			
Water Plant Fencing	\$50,000		
Relocate ASD Filters	200,000		
Misc. Eng. Change Orders on Water Plant	50,000		
Administration Building	200,000		
Misc. Eng. Change Orders for 1990B	22,000		
Master Planning	50,000		
Contingency	53,000		
Additional Water Storage Tank		\$436,000	
Water Transmission Main			
CR214 - SR207 & Wildwood Drive			\$180,000
CR214 - SR16			170,000
Water System Totals	\$625,000	\$436,000	\$350,000
Sewer System			
Operator Control Room	\$80,000		
Master Planning	50,000		
Administration Building	200,000		
Misc. Eng. Change Orders for 1990B	22,000		
Contingency	23,000		
Asphalt Paving SR207 Sewer Plant			20,000
Sewer System Totals	\$375,000	\$0	\$20,000
CIP Totals	\$1,000,000	\$436,000	\$370,000

TABLE 5

ST. JOHNS COUNTY
CAPITAL IMPROVEMENT PROGRAM(CIP)
ANASTASIA SANITARY DISTRICT

Projects	Fiscal Year 1991 Series 1990B	Fiscal Year 1993	Fiscal Year 1994
Water System			
10" Water Main Extension	\$350,000		
Matanzas Inlet Bridge - Water Lines	250,000		
Contingency	15,000		
Water Storage & Booster Pump Station		\$375,000	\$375,000
Widening A1A			50,000
Water System Totals	\$615,000	\$375,000	\$425,000
Sewer System			
Matanzas Inlet Bridge - Sewer Lines	\$250,000		
Hydraulic Profile Sewer Lift Stations	75,000		
Miscellaneous Eng. Change Orders - ASD Sewer	50,000		
Contingency	10,000		
Widening A1A			\$50,000
	\$385,000	\$0	\$50,000
CIP Totals	\$1,000,000	\$375,000	\$475,000

TABLE 6

ST. JOHNS COUNTY
WATER CAPACITIES

Fiscal Year	Water ASDR	ERC's (a) MUS	Billed Water Demand (Million Gallons)		TOTAL(d)	Raw Pumpage(e) (Million Gallons)		Treated Water(f) (Million Gallons)		Consumptive Use Permit(g) (Million Gallons)	
			ASD(b)	MUS(c)		Annual	Max. Day	Annual	Max. Day	Annual	Max. Da
1986 (b)	7738	1375	517.177	114.967	632.144	162.5		134.8	.737		
1989 (b)	8202	1552	539.552	136.647	675.660	181.7		155.6	N.A.		
1988 (b)	8054	1834	533.657	146.811	700.468	183.5		167.4	.810		
1989 (b)	8545	2080	515.560	173.065	688.625	N.A.		182.2	1.046	762.9	2.61
1990	8239	2234	561.682	159.924	721.606	793.767		756.686	2.953	810.3	2.77
1991	8569	2612			770.404	847.444		808.924	3.103	857.8	2.94
1992	8826	3275			833.784	917.162		875.473	3.358	901.6	3.08
1993	9091	3373			858.792	944.671		901.732	3.459	949.0	3.25
1994	9364	3474			884.582	973.040		928.811	3.563	996.5	3.41
1995	9645	3579			911.153	1002.268		956.710	3.670	1040.3	3.58
1996	9934	3686			938.453	1032.298		985.376	3.780	1088.4	3.73

(a) ERC's equal Equivalent Residual Connections. Fiscal Years 1986 through 1989 equal year and figures. Fiscal Year 1990 equals the annual average. Fiscal Year 1991 ASD was increased by 4% over 1990. Fiscal Year 1991 MUS was increased 4% for the existing system plus 289 ERC's for the SR16 service area (67,333 gpd/88 gpd/2.645 people per ERC). Fiscal Year 1992 for the ASD and existing MUS areas were increased by 3%. Fiscal Year 1992 for the SR 16 service area was 593 ERC's (205,317 gpd-67,333gpd/88gpd/2,645 people per ERC). Fiscal Years 1993 through 1996 were increased by 3%.

(b) Fiscal Years 1986-1989 data was actual. Raw Pumpage and Treated Water data for this period was for MUS only.

(c) Billed water demand for Fiscal Years 1986-1990 is actual.

(d) Fiscal Years 1991-1996 are based on calculating the population (ERC's times 2.645 people/ERC), then multiplying the population by 71.37 gpd/person (actual system-wide average Fiscal Year 1990) times 365 days/1,000,000.

(e) Raw Pumpage for the period of Fiscal Year 1990-1996 is based on Total Billed Gallons increased by 10% for a combination of processing gallonage and distribution leakage.

TABLE 6
ST. JOHNS COUNTY
WATER CAPACITIES
(continued)

- (f) Treated water (annual) is based on Total Billed Gallons increased by 5% for distribution leakage. Treated water (Max. Daily) is based on Treated Water (Annual) divided by 365 days increased by 40% (actual peak day demand factor for Fiscal Year 1990).
- (g) Consumptive Use Permit quantities equal actual permit conditions. Fiscal Year 1992 Raw Pumpage exceeds permitted quantity, due to start-up of I-95/SR16 service area. Should actual conditions in mid to late Fiscal Year 1991 warrant, a requested increase in water allocation should be made. We anticipate that a permit modification will be approved. Treated Water (Max. Day) usage exceeded consumptive use permitted for Max. Day in Fiscal Years 1990-1996, due to actual peak demand in Fiscal Year 1990 equaling 1.4 times average demand rather than permitted factor of 1.25. At the time of modification request, the County should address this condition if it persists as well. We anticipate that a permit modification will be approved.

TABLE 7
ST. JOHNS COUNTY
MAINLAND UTILITY SYSTEM
SUMMARY OF REVENUES AND EXPENSES

	HISTORICAL(a)				
	1986	1987	1988	1989	1990
Operating Revenues					
Water Sales					
Retail	\$257,720	\$305,222	\$333,089	\$419,149	\$419,146
Bulk to ASD	623,803	495,087	408,977	458,630	581,535
TOTAL	\$881,523	\$800,309	\$742,066	\$877,779	\$1,000,681
Sewer Service Charges	0	0	0	627	20,704
Meter Installations (Tapping Fees)	37,545	43,075	29,950	62,975	50,000
TOTAL	\$919,068	\$843,384	\$772,016	\$941,381	\$1,071,385
Operating Expenses					
Contractual Services	\$123,151	\$124,479	\$157,924	\$227,768	\$222,528
Operating Expenses	138,469	150,694	152,756	156,238	157,537
Maintenance	66,697	31,954	43,868	49,063	48,872
TOTAL	\$328,317	\$307,127	\$354,548	\$433,069	\$428,937
Net Operating Revenue	\$590,751	\$536,257	\$417,468	\$508,312	\$642,448
Non-Operating Revenue	35,367	62,007	111,228	203,141	294,018
Total Net Revenue	\$626,118	\$598,264	\$528,696	\$711,453	\$936,466
Pledged Unit Conn. Fees	0	0	0	381,082	382,217
Total Net Revenue + U.C.F.	\$626,118	\$598,264	\$528,696	\$1,092,535	\$1,318,683
Annual Debt Service Payment					
Series 1980 Issue(b)	\$143,600	\$144,300	\$142,900	\$144,500	\$0
Series 1989 Issue(c)	n.a.	n.a.	n.a.	n.a.	536,010
TOTAL Debt Service	\$143,600	\$144,300	\$142,900	\$144,500	\$536,010
Debt Service Coverage Factor (Net)	4.360	4.146	3.700	4.924	1.747
Debt Service Coverage (Net + Pledged U.C.F.)	n.a.	n.a.	n.a.	7.561	2.460
Excess, Available for R&R	\$482,518	\$453,964	\$385,796	\$566,953	\$400,456
Reqd. R&R - 5% of Gross Oper. Revenue(d)	\$45,953	\$42,169	\$38,601	\$47,069	\$53,569

TABLE 7(continued)
ST. JOHNS COUNTY
COMBINED ST. JOHNS UTILITY SYSTEM
SUMMARY OF REVENUES AND EXPENSES

- (a) Fiscal Years 1986 through 1989 are based on annual audited figures
Fiscal Year 1990 is based on actual, unaudited figures through August 1990, pro-rated through September.
- (b) The Series 1980 Issue debt service is based on the amortization schedule for that issue. The issue was defeased by the 1989 issue.
- (c) The Series 1989 Issue debt service is based on the amortization schedule for that issue.
- (d) The Renewal and Replacement (R&R) requirement is 5% of the gross operating revenues.

TABLE 8
ST. JOHNS COUNTY
ANASTASIA SANITARY DISTRICT
SUMMARY OF REVENUES AND EXPENSES

	HISTORICAL(a)				
	1986	1987	1988	1989	1990
Operating Revenues					
Water Sales	\$1,245,110	\$1,295,519	\$1,387,598	\$1,559,074	\$1,559,053
Sewer Service Charges	771,741	846,146	900,198	1,015,120	1,350,319
Meter Installations (Tapping Fees)	72,218	71,502	51,277	78,492	51,257
Irrigation Water Sales					
TOTAL	\$2,089,069	\$2,213,167	\$2,339,073	\$2,652,686	\$2,960,629
Operating Expenses					
Contractual Services	\$796,469	\$610,420	\$504,475	\$567,010	\$670,118
Salaries and Benefits	424,570	561,231	634,355	783,861	576,647
Operating Expenses	415,758	465,124	493,593	590,808	443,963
Maintenance	207,126	165,475	198,384	203,749	205,558
TOTAL	\$1,843,923	\$1,802,250	\$1,830,807	\$2,145,428	\$1,896,286
Net Operating Revenue	\$245,146	\$410,917	\$508,266	\$507,258	\$1,064,343
Non-Operating Revenue	214,792	171,783	181,547	302,418	301,884
Total Net Revenue	\$459,938	\$582,700	\$689,813	\$809,676	\$1,366,227
Pledged Unit Conn. Fees	0	0	0	510,310	239,184
Total Net Revenue + U.C.F.	\$459,938	\$582,700	\$689,813	\$1,319,986	\$1,605,411
Annual Debt Service Payment					
Series 1986 Issue(b)	n.a.	\$413,552	\$474,438	\$480,163	\$474,913
Series 1989 Issue(c)	n.a.	n.a.	n.a.	n.a.	411,867
TOTAL Debt Service	\$0	\$413,552	\$474,438	\$480,163	\$886,780
Debt Service Coverage Factor (Net)		1.409	1.454	1.686	1.541
Debt Service Coverage (Net + Pledged U.C.F.)		n.a.	n.a.	2.749	1.810
Excess, Available for R&R	\$459,938	\$169,148	\$215,375	\$329,513	\$479,447
Reqd. R&R - 5% of Gross Oper. Revenue(d)	\$104,453	\$110,658	\$116,954	\$132,634	\$148,031

TABLE 8(continued)
ST. JOHNS COUNTY
COMBINED ST. JOHNS UTILITY SYSTEM
SUMMARY OF REVENUES AND EXPENSES

- (a) Fiscal Years 1986 through 1989 are based on annual audited figures
Fiscal Year 1990 is based on actual, unaudited figures through August 1990, pro-rated through September.
- (b) The Series 1986 Issue debt service is based on the amortization schedule for that issue.
- (c) The Series 1989 Issue debt service is based on the amortization schedule for that issue.
- (d) The Renewal and Replacement (R&R) requirement is 5% of the gross operating revenues.

TABLE 9
ST. JOHNS COUNTY
COMBINED ST. JOHNS UTILITY SYSTEM
SUMMARY OF REVENUES AND EXPENSES

	PROJECTED(a)				
	1991	1992	1993	1994	1995
Operating Revenues					
Water Sales	\$3,455,540	\$3,940,689	\$4,218,660	\$4,509,767	\$4,814,548
Sewer Service Charges	1,794,866	2,179,215	2,333,666	2,495,422	2,664,783
Meter Installations (Tapping Fees)	108,600	65,478	67,034	69,045	71,117
Irrigation Water Sales	54,750	54,750	54,750	54,750	54,750
TOTAL	\$5,413,756	\$6,240,132	\$6,674,110	\$7,128,984	\$7,605,198
Operating Expenses					
Water System					
General Operations	\$1,548,220	\$1,588,360	\$1,686,958	\$1,792,048	\$1,904,084
New Inst. Matls.	51,686	32,721	35,174	38,041	41,141
Water System Total	\$1,599,906	\$1,621,081	\$1,722,132	\$1,830,089	\$1,945,225
Sewage System Total	1,540,566	1,621,721	1,719,444	1,823,410	1,934,040
TOTAL	\$3,140,472	\$3,242,802	\$3,441,576	\$3,653,499	\$3,879,265
Net Operating Revenue	\$2,273,284	\$2,997,330	\$3,232,534	\$3,475,485	\$3,725,933
Non-Operating Revenue	566,500	280,000	280,000	280,000	280,000
Total Net Revenue	\$2,839,784	\$3,277,330	\$3,512,534	\$3,755,485	\$4,005,933
Pledged Unit Conn. Fees	762,250	1,227,048	368,485	398,515	430,995
Total Net Revenue + U.C.F.	\$3,602,034	\$4,504,378	\$3,881,019	\$4,154,000	\$4,436,928
Annual Debt Service Payment					
Series 1989 Issue(b)	\$650,313	\$911,183	\$911,083	\$909,783	\$906,908
Series 1990B Issue(c)	977,715	1,963,505	1,959,443	1,963,328	1,964,465
TOTAL Debt Service	\$1,628,028	\$2,874,688	\$2,870,526	\$2,873,111	\$2,871,373
Debt Service Coverage Factor (Net)	1.744	1.140	1.224	1.307	1.395
Debt Service Coverage (Net + Pledged U.C.F.)	2.213	1.567	1.352	1.446	1.545
Excess, Available for R&R	\$1,211,756	\$402,642	\$642,008	\$882,374	\$1,134,560
Reqd. R&R - 5% of Gross Oper. Revenue(d)	\$270,688	\$312,007	\$333,706	\$356,449	\$380,260

TABLE 9(continued)
ST. JOHNS COUNTY
COMBINED ST. JOHNS UTILITY SYSTEM
SUMMARY OF REVENUES AND EXPENSES

- (a) Fiscal Year 1991 Operating Expenses reflect the proposed budget. Fiscal Year 1991 Operating Revenues and Pledged Unit Connection Fees are taken from the October 1990 Combined Water and Sewer Rate Study. Fiscal Year 1992 through 1995 figures are taken from the October 1990 Combined System Rate Study.
- (b) The Series 1989 Issue debt service is based on the Mainland amortization schedule.
- (c) The Series 1990B Issue debt service was based on information provided by the underwriter which assumes maturities of 1991 to 2011, with interest rates ranging from 6.15 percent to 7.45 percent.
- (d) The Renewal and Replacement (R&R) requirement is 5% of the gross operating revenues.

TABLE 10
ST. JOHNS COUNTY UTILITY SYSTEM
SCHEDULE OF FEES AND CHARGES

<u>User Charges</u>	<u>Existing Service Areas</u> (Effective Oct. 1, 1990)		<u>(Effective March 1990)</u> I-95/SR16 ⁽¹⁾	<u>System-Wide Rates</u> (Effective Jan. 1, 1991)
	MUS	ASD		
Water Rates - Monthly				
Minimum (4,000 gallons allowed)	\$ 13.73	\$13.47	\$ 15.40	\$ 15.39
Overage (per 1,000 gallons)	\$ 3.56	\$ 3.51	3.85	\$ 4.07
Sewer User Fees (Monthly)				
Minimum (4,000 gallons allowed)	\$ 13.99	\$13.68	\$ 35.00	\$ 15.87
Overage (per 1,000 gallons)	\$ 3.30	\$ 3.20	8.75	\$ 3.70
<u>Tapping Fees</u>	<u>System-Wide</u> (Effective June 1989)			<u>System-Wide</u> (Effective Jan. 1, 1991)
Water Meter Size				
3/4 - inch	\$ 300.00			\$ 300.00
1 - inch	412.50			412.50
1 1/2 - inch	1,200.00			1,200.00
2 - inch	1,800.00			1,800.00
3 - inch	3,750.00			3,750.00
4 - inch	6,000.00			6,000.00
6 - inch	9,750.00			9,750.00
<u>Bulk Water Sales (per 1,000 gallons)</u>				
October 1, 1989 - September 30, 1990	\$1.35 Raw			
October 1, 1990 - September 30, 1992	2.90 Finished ⁽²⁾			
<u>Unit Connection Fees⁽³⁾</u>	<u>MUS & ASD</u> <u>Service Areas</u>	<u>I-95/SR16⁽¹⁾</u> <u>(At const. compl.)</u>		<u>System-Wide</u> (Effective Jan. 1, 1991)
Water (per gpd)	\$ 3.15	-0-		\$ 3.15
Sewer (per gpd)	3.99	-0-		3.99

TABLE 10
ST. JOHNS COUNTY UTILITY SYSTEM
SCHEDULE OF FEES AND CHARGES

¹ Subsequent to January 1, 1991, customers in the I-95/SR16 service area who have signed a capacity agreement (temporary permit) and who do not accept the County's offer to voluntarily terminate said agreement, shall continue to pay the rates adopted for that service area in March 1990. Any potential customers in the I-95/SR16 service area not being serviced pursuant to the capacity agreement shall pay the system-wide user charges plus unit connection fees.

² With the issuance of the Series 1990B Bonds and the resulting accounting combination of the ASD service area into the system, there will be no bulk water sales to the ASD service area.

³ Based on Schedule of typical volume usages per dwelling unit type or commercial establishment type; a schedule is incorporated in the Rate Ordinance. The single family unit (2 bedroom) connection fee equates to \$945 for water and \$1,197 for sewer.

APPENDIX B

GENERAL INFORMATION CONCERNING THE COUNTY

The following information concerning St. Johns County, Florida is included only for the purpose of providing general background information.

Location

St. Johns County (the "County") encompasses approximately 608 square miles and is located in the northeast region of the State of Florida. The County is located directly south of Duval County, Florida, and is bordered on the west by the St. Johns River, on the south by Flagler County, and on the east by the Atlantic Ocean.

There are four incorporated municipalities located in the County: St. Augustine, Hastings, portions of Marineland, and St. Augustine Beach. St. Augustine, which was founded in 1565, is the oldest permanent European settlement in the United States and is the county seat.

Population

St. Johns County currently ranks 32nd out of Florida's 67 counties in gross population and ranks seventh statewide in the percentage change in population growth from 1980 to 1989.

St. Johns County has experienced steady population growth, as shown below:

<u>Year</u>	<u>Population</u>
1940 U.S. Census	20,012
1950 U.S. Census	24,998
1960 U.S. Census	30,034
1970 U.S. Census	31,025
1980 U.S. Census	51,303
1985 Estimate ¹	68,822
1986 Estimate ¹	73,093
1987 Estimate ¹	75,133
1988 Estimate ¹	80,278
1989 Estimate ¹	84,389

¹ University of Florida Bureau of Economic and Business Research.

Commerce and Industry

While tourism ranks high in the economy with more than one million visitors annually, manufacturing and commercial activities, including boat building, food processing, airplane modification and repair, book binding, aluminum extrusion and commercial fishing play key roles. The County is also the location of the general offices of the Florida East Coast Railway and the headquarters for the Florida Department of Military Affairs.

Agriculture

Agribusiness remains a key sector of the state and the northeast region's economy. Agriculture is a

major industry in the County and in 1989 provided the County with on-farm revenue in excess of \$57 million.

St. Johns County is known as the potato and cabbage capital of Florida, and leads the other counties in Florida in value of these products. Agriculture commodities produced in the County and their respective values for 1989 are as follows:

Potatoes	\$44,000,000
Cabbage	800,000
Other Vegetables	2,000,000
Forest Products	4,000,000
Livestock and Dairy	1,200,000
Corn and Hay	600,000
Ornamental Horticulture	4,000,000
Poultry	<u>500,000</u>
Total	\$57,100,000

Source: Florida Department of Agriculture St. Johns County Extension Service, 1990.

The County's temperate climate with a mean temperature of 70 degrees Fahrenheit and an average annual rainfall of 50 inches make it ideal for the agriculture products described above.

Employment

The following table shows the average monthly employment by category for the first quarter ending March, 1990.

<u>Distribution</u>	<u>Number of Employees</u>	<u>Percentage of Total</u>
Manufacturing	3,146	12.03%
Construction	1,240	4.74
Transportation, Communications & Utilities	446	1.70
Wholesale Trade	860	3.29
Retail Trade	6,443	24.63
Finance, Insurance and Real Estate	988	3.78
Service	7,874	30.10
Government	4,555	17.41
Agriculture (Except Domestic, Self Employed, Unpaid Family Workers and Seasonal Workers)	<u>606</u>	<u>2.32</u>
TOTAL	26,158	100.00%

Source: State of Florida, Department of Labor and Employment Security, Edited ES-202 Report.

Major Employers

The following table shows some of the major employers in St. Johns County and their approximate level of employment as of September, 1990.

<u>Establishment</u>	<u>Product</u>	<u>Approximate Employment</u>
St. Johns County School Board	Education	1,586
Grumman St. Augustine Corporation	Aircraft overhaul and modification	1,175
St. Johns County	County Government	733
Florida School for the Deaf and Blind	Educational Institution	637
Flagler Hospital	Healthcare	587
V.A.W. of America, Inc.	Aluminum Extrusion	450
Florida Department of Military Affairs	Florida National Guard Headquarters	400
Florida East Coast Railway	Intrastate Railroad Freight & Express	400
Tree of Life, Inc.	Health Food Distributor	325
City of St. Augustine	Municipal Government	225
Tensolite Company	Hi-tech Wire Insulation	225
Parker Hannifan Corporation	Manufacturing	220
Flagler College	Four-year Liberal Arts College	190
Wise Foods (Division of Borden, Inc.)	Potato Chip Manufacturer	103
Luhrs Corporation	Pleasure Crafts/Sport Fishing Boats	100+*

* Seasonal

Source: St. Augustine and St. Johns County Chamber of Commerce, State of Florida 1989 Directory of Florida Industries and personal contact, with listed establishments.

Tourism and Recreation

A combination of favorable climate and available recreational activities including public beaches, tennis courts, golf courses and cultural performances has made tourism a major industry in the County. Each year, more than one million people visit the County to tour its 300-year-old fortress, utilize the recreation facilities and to enjoy the antiquity of the nation's oldest city.

Transportation Facilities

Air: Commercial airline service is available at the Jacksonville International Airport located approximately 60 miles north of St. Augustine. The Daytona Beach Regional Airport is approximately 55 miles south of St. Augustine. Charter flights and flight training are available at the St. Augustine Municipal Airport.

Land: Three major north/south highways, Interstate 95, U.S. 1 and State Route A1A, serve the County. Bus transportation is provided by Greyhound with 6 northbound and 12 southbound buses each day.

Rail: The County is served by the Florida East Coast Railway with freight service only. Amtrak and piggyback facilities are located in Jacksonville, 38 miles north of the County.

Waterways: The Port of St. Augustine provides access to the St. Augustine Inlet, the Intracoastal Waterway and the Atlantic Ocean. The nearest deep water port is Mayport in Jacksonville, approximately 36 miles north of the County.

Health Care Facilities

Medical facilities are provided by Flagler Hospital, which has 115 beds, and the St. Augustine General Hospital, which has 115 beds. There are approximately 102 physicians in the area, including specialists in most fields. The County has six nursing homes; two of which are funded by the County and four of which are private establishments.

Education

The public school system is operated by the County under authority of the St. Johns County School Board of Public Instruction. There are 10 elementary schools, two middle schools, two high schools, an exceptional child center (ungraded), two elementary parochial schools, a parochial high school, a tri-county Vocation and Technical Center, and Flagler College, which is a four-year liberal arts institution in which more than 1,000 students are enrolled. The State operates the Florida School for the Deaf and Blind in St. Augustine with primary school through senior high school levels.

Source: St. Augustine and St. Johns County Chamber of Commerce, 1990.

ST. JOHNS COUNTY, FLORIDA
CIVILIAN LABOR FORCE
(unadjusted)

<u>Year</u>	<u>Civilian Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>	<u>State Unemployment Rate</u>
				7.1%	6.0%
1979	18,260	16,961	1,299	7.6	5.9
1980	21,272	19,662	1,609	7.8	6.8
1981	22,716	20,936	1,780	9.3	8.2
1982	23,924	21,709	2,215	10.8	8.6
1983	24,752	22,073	2,679	7.7	6.3
1984	29,212	26,953	2,259	7.4	6.0
1985	31,263	28,953	2,310	6.5	5.7
1986	35,097	32,815	2,282	5.9	5.3
1987	37,681	35,471	2,210	5.2	5.0
1988	38,781	36,761	2,020	5.7	5.6
1989	39,288	37,030	2,258	6.3	6.8
1990	40,663	38,114	2,549		

Note: Figures for 1990 are preliminary as of August, 1990.

Source: Florida Department of Labor and Employment Security, Bureau of Research and Information.

ST. JOHNS COUNTY, FLORIDA
TAXABLE ASSESSED PROPERTY VALUATIONS

<u>Year</u>	<u>Non-Exempt Real Property Valuations</u>	<u>Non-Exempt Personal Valuations</u>	<u>Non-Exempt Utilities, Railroad</u>	<u>Total Taxable Assessed Property Valuations</u>
1977	\$ 588,705,978	\$ 62,714,130	\$ 6,377,056	\$ 657,797,164
1978	628,833,959	65,572,400	7,534,157	701,940,516
1979	667,457,915	72,027,005	7,784,257	747,269,177
1980	732,710,802	89,720,340	9,631,143	832,062,285
1981	815,236,870	104,378,309	7,857,790	927,472,969
1982	1,124,581,258	120,428,374	10,138,271	1,255,147,903
1983	1,223,400,247	144,639,034	12,030,202	1,380,069,483
1984	1,390,251,339	164,456,858	7,626,145	1,562,334,342
1985	1,670,984,352	185,401,615	8,022,393	1,864,408,360
1986	1,962,247,284	206,521,804	1,072,961	2,169,842,049
1987	2,184,537,016	233,803,639	14,441,818	2,432,782,473
1988	2,462,124,391	244,414,748	15,577,014	2,722,116,153
1989	2,915,553,142	271,870,308	11,858,243	3,199,281,693

Note: Florida East Coast Railway is involved in litigation with respect to railroad taxes for 1986.

Source: State of Florida, Department of Revenue, Florida Ad Valorem Valuations and Tax Data.

ST. JOHNS COUNTY, FLORIDA
AD VALOREM TAX LEVIES AND COLLECTIONS

<u>Year</u>	<u>Property Taxes Levied</u>	<u>Total Tax Collections¹</u>	<u>% of Levy Collected²</u>	<u>Delinquent Tax Uncollected</u>
1980	\$12,923,730	\$12,708,385	98.33%	\$ 215,345
1981	16,539,045	16,208,819	98.00	330,226
1982	19,836,859	19,635,820	98.99	201,039
1983	23,677,638	23,320,383	98.49	357,255
1984	25,229,244	24,805,582	98.32	423,662
1985	31,295,519	31,042,190	99.19	253,329
1986	35,941,927	35,594,355	99.03	347,572
1987	40,160,327	39,785,685	99.07	374,642
1988	46,313,747	45,855,152	99.01	458,595
1989 ³	59,677,544	59,197,671	99.20	469,873

¹ Aggregate amount of tax collections as of close-out of fiscal year ending September 30, which includes the aggregate amount of discounts actually taken by taxpayers as allowed by Florida law. A 4% discount is allowed if the taxes are paid in November with the discount declining by 1% each month thereafter. Total tax collections include current taxes paid, tax certificate proceeds, delinquent tax payments upon taxable personal property and any prior period payments on County-held tax certificates.

² Represents percentage of current gross collections (total collections plus discounts taken) to property taxes levied.

³ Amounts for 1989 include collections made subsequent to the report made to the Department of Revenue which will form the basis for the State's report from which the data in this table for 1980 through 1988 was derived. The report to the Department of Revenue reflected substantially more delinquent taxes uncollected for 1989 than is shown in the table. The reduction in delinquent taxes uncollected shown in the table reflects the receipt by the County of substantial collections due to the sales of tax certificates primarily related to land owned by General Development Corporation or its subsidiaries (collectively, "General Development"). General Development has filed for bankruptcy protection and there was initial reluctance by purchasers to purchase its tax certificates.

Source: State of Florida, Department of Revenue, Florida Ad Valorem Valuations and Tax Data for 1980 1988; Tax Collector, St. Johns County for 1989.

ST. JOHNS COUNTY, FLORIDA
NET DEBT STATEMENT

October 2, 1990

(Adjusted to give effect to the issuance of the 1990B Bonds
and the County's Solid Waste Disposal Revenue Bonds, Series 1990)

	General Obligation Bonds	Non-Self Supporting Revenue Bonds	Self Supporting Revenue Bonds
<u>Direct Debt</u>			
St. Johns County, Florida Board of County Commissioners Certificates of Indebtedness (Courthouse Construction and Repair) Dated 7/1/66	\$ 85,000		
Limited Ad Valorem Tax Refunding Bonds, Series 1988	4,265,000		
General Obligation Bonds, Series 1989	7,980,000		
Refunding Revenue Bonds, Dated 10/15/86		\$ 895,000	
Anastasia Sanitary District Water and Sewer Refunding Revenue Bonds, Dated 8/1/86 (\$5,020,000) and Water and Sewer Revenue Bonds, Series 1989 (\$5,250,000) (\$10,270,000 less \$983,808 in Reserve Account)*			\$9,286,192
St. Johns County Water and Sewer Revenue Bonds, Series 1989 (\$10,380,000 less \$912,000 in Reserve Account)			9,468,000
St. Johns County Water and Sewer Revenue Bonds, Series 1990A (\$7,455,000, less \$743,819 in Reserve Account)*			6,711,181

* These obligations comprise the Refunded Bonds and are to be refunded upon the issuance of the 1990B Bonds. The net amounts have therefore not been included in the totals.

Water and Sewer Revenue Bonds, Series 1990B-I and Series 1990B-II (\$20,850,000 less \$2,085,000 in Reserve Account)*			18,765,000
Solid Waste Disposal Revenue Bonds, Series 1990** (\$13,215,000 less \$1,258,930 in Reserve Account)			12,267,747
Sales Tax Revenue Bonds, Series 1989		\$21,095,000	
Capital Improvement Revenue Bonds, Series 1987A (\$2,595,000 less \$200,619 in Reserve Account)		2,394,381	
Transportation Improvement Revenue Bonds, Series 1988		<u>11,755,000</u>	
Total Direct Debt	\$12,330,000	\$36,139,381	\$40,500,747
<u>Underlying Debt</u>			
City of St. Augustine, Florida Water and Sewer Revenue Refunding Bonds, Series 1986 (\$27,445,000)			\$27,445,000
Cigarette Tax Bonds, Issue of 1961 (\$40,000). Issue of 1971 (\$70,000) (\$110,000 less \$187,000 in Reserve Account)		\$ 0	
Guaranteed Entitlement Revenue Bonds, Series 1988		2,085,000	
Public Service Tax Revenue Bonds, Series 1988		3,890,000	

* Preliminary; subject to change.

** Expected to be issued on November 16, 1990.

St. Augustine Airport
 Authority District
 St. Augustine Airport
 Authority Bonds, Dated
 2/1/65 (District is comprised
 of approximately 1/4 of the
 County's area)

\$235,000

City of Hastings, Florida
 Water and Sewer Bonds
 (\$360,500 less \$22,271 in
 Reserve Account)

338,229

St. Johns County
 Board of Public Instruction
 Certificates of Indebtedness
 Dated 6/1/67 (\$595,000
 less \$103,435 in Reserve
 Account)

491,565

School District of St. Johns
 County, Florida General
 Obligation Bonds, Series
 1989

47,000,000

Total Underlying Debt

\$47,235,000

\$6,466,565

\$27,783,229

Total Direct and
 Underlying Debt

\$59,565,000

\$42,605,946

\$68,283,976

DEBT RATIOS

Direct and Underlying General Obligation Debt

\$59,565,000

Per Capita

\$705.84

As a Percent of Taxable Assessed Valuation

1.86%

As a Percent of Total Assessed Valuation

1.46%

Direct and Underlying General Obligation and
 Non-Self Supporting Revenue Debt

\$102,170,946

Per Capita

\$1,210.71

As a Percent of Taxable Assessed Valuation

3.19%

As a Percent of Total Assessed Valuation

2.51%

1989 Estimated St. Johns County Population
 1989 Taxable Assessed Valuation for St. Johns County
 1989 Total Assessed Valuation for St. Johns County

84,389

\$3,199,281,693

\$4,073,350,702

Police and Fire Protection

St. Johns County is served by the Sheriff's Department, which has approximately 270 full- and part-time employees including deputies, the detective division, communications, jail and administrative personnel. There are fourteen fire stations operating within the County, served by volunteers. The Fire Department operates a special rescue unit manned by trained emergency medical technicians.

Government

Effective November 20, 1990, the County will have a seven-member Board of County Commissioners elected for staggered terms of four years. Two members are elected at large and five members are elected from five respective districts. The Chairman and Vice-Chairman are elected by the Board. The Board apportions and levies County taxes and controls the expenditure of all County funds, except for schools, which are controlled by the Board of Public Instruction. The budget year of the County runs from October 1 to the following September 30. Operating revenue is raised from ad valorem taxes and personal property taxes, with supplements from State and federal sources for County roads, welfare and health. The Board operates a county road system and has power to establish, build, maintain, repair, protect, and preserve these facilities. The Board may issue bonds for all lawful purposes. The Board correlates and is responsible for various types of elections in the County. Other elected officials serving County-wide are a five-member Board of Public Instruction (each of whom are elected from a specific district), a Superintendent of Public Instruction, a Property Appraiser, a Tax Collector, a Supervisor of Elections, a Sheriff, and a Clerk of the Circuit Court who is also Ex-Officio Clerk of the Board of County Commissioners. The Board appoints a County Administrator who serves at the will of the Board.

APPENDIX C - COMPONENT UNIT FINANCIAL STATEMENTS AND AUDITOR'S REPORT



ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMPONENT UNIT FINANCIAL STATEMENTS
SEPTEMBER 30, 1989

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REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

December 18, 1989

Board of County Commissioners
St. Johns County, Florida

In our opinion, the accompanying component unit financial statements listed in the table of contents present fairly, in all material respects, the financial position of the Board of County Commissioners of St. Johns County, Florida at September 30, 1989 and the results of its operations and the changes in financial position for its proprietary fund types for the year then ended, in conformity with generally accepted accounting principles. These component unit financial statements are the responsibility of the Board's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by Board officials, and evaluating overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The component unit financial statements referred to above include only the financial activities of the oversight unit. Financial activities of other component units that form the reporting entity are not included.

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December 18, 1989
Board of County Commissioners
Page 2



Our audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The supplemental information for the proprietary fund types as listed in Section II of the table of contents is presented for purposes of additional analysis and is not a required part of the component unit financial statements of the Board of County Commissioners of St. Johns County, Florida. Such information has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is stated fairly in all material respects in relation to the component unit financial statements taken as a whole.

Price Waterhouse

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1989

	<u>Governmental Fund Types</u>				<u>Proprietary Fund Types Enterprise</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>		<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	
<u>Assets</u>								
Cash and investments	\$2,531,243	\$9,620,332	\$501,037	\$18,770,330	\$ 4,003,993			\$ 35,426,935
Receivables (net of allowance for uncollectibles):								
Accounts	14,523	3,770			529,694			547,987
Special assessments	191			1,556				1,747
Due from other county funds	1,523,816	122,853			27,656			1,674,325
Due from other govern- mental units	288,611	146,500			755			435,866
Inventory					117,190			117,190
Restricted assets:								
Cash and investments					14,743,913			14,743,913
Land					1,635,654	\$ 1,643,745		3,279,399
Buildings and improve- ments					666,972	16,440,649		17,107,621
Golf course land improvements					2,298,945			2,298,945
Water and sewer systems					13,095,332			13,095,332
Furniture and equipment					2,093,890	10,463,677		12,557,567
Accumulated depreciation					(2,721,647)			(2,721,647)
Construction in progress					1,700,611	1,006,582		2,707,193
Other assets				28,044	621,822			649,866
Amount available in Debt Service Funds						\$ 501,037		501,037
Amount to be provided for retirement of general long-term debt						29,186,963		29,186,963
Amount to be provided for retirement of general long-term compensated absences payable							373,932	373,932
Total assets	<u>\$4,358,384</u>	<u>\$9,893,455</u>	<u>\$501,037</u>	<u>\$18,799,930</u>	<u>\$38,814,780</u>	<u>\$29,554,653</u>	<u>\$30,061,932</u>	<u>\$131,984,171</u>

See Accompanying Notes to Financial Statements.

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1989

	<u>Governmental Fund Types</u>				<u>Proprietary Fund Types Enterprise</u>	<u>Account Groups</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>		<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	
<u>Liabilities and Fund Equity</u>								
Liabilities:								\$ 2,303,323
Vouchers payable and accrued liabilities	\$ 982,841	\$ 333,064		\$ 566,724	\$ 420,694			341,552
Interest payable		6,708			341,552			405,776
Customer deposits					399,068			
Due to individuals								201,248
Due to other county funds	126,764	48,640		1,313	24,531			52,388
Due to other govern- mental units	48,697	1,391			2,300			11,152
Other liabilities	3,513				7,639			36,297,768
Revenue bonds payable					19,642,768		\$16,655,000	
General obligation bonds payable							12,830,000	12,830,000
Arbitrage liability							203,000	203,000
General long-term com- pensated absences payable					63,171		373,932	437,103
Total liabilities	<u>1,161,815</u>	<u>389,803</u>		<u>568,037</u>	<u>20,901,723</u>		<u>30,061,932</u>	<u>53,083,310</u>
Fund equity:								
Investment in general fixed assets						\$29,554,653		29,554,653
Contributed capital					11,646,349			11,646,349
(net of amortization)					6,266,708			6,266,708
Retained earnings:								
Unreserved								18,231,893
Fund balances:								
Reserved:				18,231,893				
Capital outlay								501,037
Retirement of long-term debt			\$501,037					12,700,221
Unreserved	<u>3,196,569</u>	<u>9,503,652</u>		<u>18,231,893</u>	<u>17,913,057</u>	<u>29,554,653</u>		<u>78,900,861</u>
Total fund equity	<u>3,196,569</u>	<u>9,503,652</u>	<u>501,037</u>	<u>18,231,893</u>	<u>\$38,814,780</u>	<u>\$29,554,653</u>	<u>\$30,061,932</u>	<u>\$131,984,171</u>
Total liabilities and fund equity	<u>\$4,358,384</u>	<u>\$9,893,455</u>	<u>\$501,037</u>	<u>\$18,799,930</u>	<u>\$38,814,780</u>	<u>\$29,554,653</u>	<u>\$30,061,932</u>	<u>\$131,984,171</u>

See Accompanying Notes to Financial Statements.

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1989

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
Revenues:					
Taxes	\$15,809,320	\$ 5,319,606	\$1,751,690	\$ 212	\$22,880,828
Special assessments levied		1,515,476			1,515,476
Licenses and permits	681,443				681,443
Federal revenues	151				151
State revenues:					
Shared revenues	3,587,930	1,677,227	1,273,065		6,538,222
Grants	254,235	246,791			501,026
Local grants and shared revenues	32,856	68,931			101,787
Charges for services	1,127,969	510,864			1,638,833
Fines and forfeitures	1,402,858				1,402,858
Interest income	596,650	639,875	184,412	1,182,688	2,603,625
Miscellaneous revenue	<u>188,100</u>	<u>158,219</u>		<u>113,040</u>	<u>459,359</u>
Total revenues	<u>23,681,512</u>	<u>10,136,989</u>	<u>3,209,167</u>	<u>1,295,940</u>	<u>38,323,608</u>
Expenditures:					
Current:					
General government	4,580,155	624,143			5,204,298
Public safety	6,023,764	1,117,136			7,140,900
Physical environment	285,768				285,768
Transportation		3,649,352			3,649,352
Economic environment	39,661				39,661
Human services	1,838,619	4,111			1,842,730
Culture and recreation	1,133,776	543,738			1,677,514
Capital outlay	561,476	1,392,147		5,386,205	7,339,828
Debt service:					
Principal retirement			1,620,000		1,620,000
Interest and fiscal charges			<u>1,591,404</u>		<u>1,591,404</u>
Total expenditures	<u>14,463,219</u>	<u>7,330,627</u>	<u>3,211,404</u>	<u>5,386,205</u>	<u>30,391,455</u>
Excess (deficit) of revenues over expenditures	9,218,293	2,806,362	(2,237)	(4,090,265)	7,932,153
Other financing sources (uses):					
Operating transfers in	1,194,153	582,890	72,555	43,000	1,892,598
Operating transfers out	(9,152,880)	(124,508)	(283,245)	(555,209)	(10,115,842)
Bond proceeds and other	<u>(38,137)</u>	<u>(4,055)</u>		<u>8,187,817</u>	<u>8,145,625</u>
Excess (deficit) of revenues and other sources over expend- itures and other uses	1,221,429	3,260,689	(212,927)	3,585,343	7,854,534
Fund balance, beginning of year	<u>1,975,140</u>	<u>6,242,963</u>	<u>713,964</u>	<u>14,646,550</u>	<u>23,578,617</u>
Fund balance, end of year	<u>\$ 3,196,569</u>	<u>\$ 9,503,652</u>	<u>\$ 501,037</u>	<u>\$18,231,893</u>	<u>\$31,433,151</u>

See Accompanying Notes to Financial Statements.

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1989

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$16,294,514	\$15,809,320	\$ (485,194)	\$ 5,120,876	\$ 5,319,606	\$ 198,730
Special assessments levied				538,710	1,515,476	976,766
Licenses and permits	824,900	681,443	(143,457)			
Federal revenues	150	151	1			
State revenues						
Shared revenues	3,366,828	3,587,930	221,102	1,615,000	1,677,227	62,227
Grants	409,449	254,235	(155,214)	33,925	246,791	212,866
Local grants and shared revenues	360	32,856	32,496	46,083	68,931	22,848
Charges for services	1,142,900	1,127,969	(14,931)	668,676	510,864	(157,812)
Fines and forfeitures	984,660	1,402,858	418,198			
Interest income	315,000	596,650	281,650	272,277	639,875	367,598
Miscellaneous revenue	64,000	188,100	124,100	1,150	158,219	157,069
Total revenues	<u>23,402,761</u>	<u>23,681,512</u>	<u>278,751</u>	<u>8,296,697</u>	<u>10,136,989</u>	<u>1,840,292</u>
Expenditures:						
Current:						
General government	4,787,731	4,580,155	207,576	742,256	624,143	118,113
Public safety	5,974,365	6,023,764	(49,399)	1,285,125	1,117,136	167,989
Physical environment	364,642	285,768	78,874			
Transportation				7,709,711	3,649,352	4,060,359
Economic environment	41,077	39,661	1,416		4,111	(4,111)
Human services	1,907,600	1,838,619	68,981			
Culture and recreation	1,155,834	1,133,776	22,058	1,247,380	543,738	703,642
Capital outlay	595,127	561,476	33,651	1,533,816	1,392,147	141,669
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total expenditures	<u>14,826,376</u>	<u>14,463,219</u>	<u>363,157</u>	<u>12,518,288</u>	<u>7,330,627</u>	<u>5,187,661</u>
Excess (deficit) of revenues over expenditures	8,576,385	9,218,293	641,908	(4,221,591)	2,806,362	7,027,953
Other financing sources (uses):						
Operating transfers in	694,508	1,194,153	499,645	139,969	582,890	442,921
Operating transfers out	(9,261,208)	(9,152,880)	108,328	(124,508)	(124,508)	
Bond proceeds and other	(38,137)	(38,137)		(4,056)	(4,055)	1
Excess (deficit) of revenues and other sources over expenditures and other uses	(28,452)	1,221,429	1,249,881	(4,210,186)	3,260,689	7,470,875
Fund balance, beginning of year	<u>1,975,140</u>	<u>1,975,140</u>		<u>6,242,963</u>	<u>6,242,963</u>	
Fund balance, end of year	<u>\$ 1,946,688</u>	<u>\$ 3,196,569</u>	<u>\$ 1,249,881</u>	<u>\$ 2,032,777</u>	<u>\$ 9,503,652</u>	<u>\$ 7,470,875</u>

See Accompanying Notes to Financial Statements.

ST. JOHNS COUNTY, FLORIDA
 BOARD OF COUNTY COMMISSIONERS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED SEPTEMBER 30, 1989

	Debt Service Funds			Capital Projects Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$1,774,172	\$1,751,690	\$(22,482)		\$ 212	\$ 212
Special assessments levied						
Licenses and permits						
Federal revenues						
State revenues:						
Shared revenues	1,273,065	1,273,065				
Grants				\$ 120,000		(120,000)
Local grants and shared revenues						
Charges for services						
Fines and forfeitures						
Interest income	116,370	184,412	68,042	427,350	1,182,688	755,338
Miscellaneous revenue					113,040	113,040
Total revenues	<u>3,163,607</u>	<u>3,209,167</u>	<u>45,560</u>	<u>547,350</u>	<u>1,295,940</u>	<u>748,590</u>
Expenditures:						
Current:						
General government						
Public safety						
Physical environment						
Transportation						
Economic environment						
Human services						
Culture and recreation						
Capital outlay				12,815,836	5,386,205	7,429,631
Debt service:						
Principal retirement	1,620,000	1,620,000				
Interest and fiscal charges	<u>1,511,700</u>	<u>1,591,404</u>	<u>(79,704)</u>			
Total expenditures	<u>3,131,700</u>	<u>3,211,404</u>	<u>(79,704)</u>	<u>12,815,836</u>	<u>5,386,205</u>	<u>7,429,631</u>
Excess (deficit) of revenues over expenditures	31,907	(2,237)	(34,144)	(12,268,486)	(4,090,265)	8,178,221
Other financing sources (uses):						
Operating transfers in		72,555	72,555	43,000	43,000	
Operating transfers out	(283,245)	(283,245)		(40,009)	(555,209)	(515,200)
Bond proceeds and other					8,187,817	8,187,817
Excess (deficit) of revenues and other sources over expenditures and other uses	(251,338)	(212,927)	38,411	(12,265,495)	3,585,343	15,850,838
Fund balance, beginning of year	<u>713,964</u>	<u>713,964</u>		<u>14,646,550</u>	<u>14,646,550</u>	
Fund balance, end of year	<u>\$ 462,626</u>	<u>\$ 501,037</u>	<u>\$ 38,411</u>	<u>\$ 2,381,055</u>	<u>\$18,231,893</u>	<u>\$15,850,838</u>

See Accompanying Notes to Financial Statements.

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1989

	<u>Totals (Memorandum Only)</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u>
			<u>(Unfavorable)</u>
Revenues:			
Taxes	\$ 23,189,562	\$22,880,828	\$ (308,734)
Special assessments levied	538,710	1,515,476	976,766
Licenses and permits	824,900	681,443	(143,457)
Federal revenues	150	151	1
State revenues:			
Shared revenues	6,254,893	6,538,222	283,329
Grants	563,374	501,026	(62,348)
Local grants and shared revenues	46,443	101,787	55,344
Charges for services	1,811,576	1,638,833	(172,743)
Fines and forfeitures	984,660	1,402,858	418,198
Interest income	1,130,997	2,603,625	1,472,628
Miscellaneous revenue	65,150	459,359	394,209
Total revenues	<u>35,410,415</u>	<u>38,323,608</u>	<u>2,913,193</u>
Expenditures:			
Current:			
General government	5,529,987	5,204,298	325,689
Public safety	7,259,490	7,140,900	118,590
Physical environment	364,642	285,768	78,874
Transportation	7,709,711	3,649,352	4,060,359
Economic environment	41,077	39,661	1,416
Human services	1,907,600	1,842,730	64,870
Culture and recreation	2,403,214	1,677,514	725,700
Capital outlay	14,944,779	7,339,828	7,604,951
Debt service:			
Principal retirement	1,620,000	1,620,000	
Interest and fiscal charges	1,511,700	1,591,404	(79,704)
Total expenditures	<u>43,292,200</u>	<u>30,391,455</u>	<u>12,900,745</u>
Excess (deficit) of revenues over expenditures	(7,881,785)	7,932,153	15,813,938
Other financing sources (uses):			
Operating transfers in	877,477	1,892,598	1,015,121
Operating transfers out	(9,708,970)	(10,115,842)	(406,872)
Bond proceeds & refunds	(42,193)	8,145,625	8,187,818
Excess (deficit) of revenues and other sources over expenditures and other uses	(16,755,471)	7,854,534	24,610,005
Fund balance, beginning of year	<u>23,578,617</u>	<u>23,578,617</u>	
Fund balance, end of year	<u>\$ 6,823,146</u>	<u>\$ 31,433,151</u>	<u>\$24,610,005</u>

See Accompanying Notes to Financial Statements.

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1989

	<u>ENTERPRISE</u>
Operating revenues:	
Water sales	\$1,978,223
Sewage treatment charges	1,015,747
User fees	2,593,447
Merchandise sales	<u>13,023</u>
Total operating revenues	<u>5,600,440</u>
Operating expenses:	
Contractual services	253,548
Salaries and employee benefits	1,831,084
Other operating expenses	1,149,885
Maintenance	481,832
Depreciation	<u>609,363</u>
Total operating expenses	<u>4,325,712</u>
Operating income	<u>1,274,728</u>
Nonoperating revenues (expenses):	
Interest income	544,779
Interest expense	(800,891)
Other revenues	72,593
Other expenses	<u>(27,754)</u>
Total nonoperating revenues (expenses)	<u>(211,273)</u>
Income before transfers and extraordinary item	1,063,455
Other financing sources:	
Operating transfers in	<u>283,245</u>
Income before extraordinary item	1,346,700
Extraordinary gain	<u>467,200</u>
Net income	1,813,900
Add depreciation on fixed assets acquired by grants externally restricted for capital acquisitions and construction that reduces contributed capital	<u>143,258</u>
Increase in retained earnings	1,957,158
Retained earnings, beginning of year	<u>4,309,550</u>
Retained earnings, end of year	<u>\$6,266,708</u>

See Accompanying Notes to Financial Statements.

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMBINED STATEMENT OF CHANGES IN FINANCIAL POSITION
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1989

	<u>ENTERPRISE</u>
Cash was provided by (used for) operations:	
Net income before extraordinary item	\$ 1,346,700
Add (deduct) items not affecting cash:	
Depreciation	609,363
Amortization of bond discount	13,845
Increase in accounts payable and accrued liabilities	144,528
Increase in accounts receivable	(101,011)
Change in due to/from accounts	(684)
Decrease in inventory	2,252
Increase in interest payable	341,552
Change in other assets and liabilities	<u>(463,783)</u>
Cash provided by operations	1,892,762
	467,200
Extraordinary gain	
Extraordinary gain not providing cash	(467,200)
Capital contributions	4,970,718
Increase in customer deposits	31,945
Increase in compensated absences payable	17,294
Issuance of long-term debt	<u>14,598,346</u>
Total cash provided	<u>21,511,065</u>
Cash was used for:	
Net additions to fixed assets	5,627,984
Repayment of long-term debt	<u>1,899,800</u>
Total cash used	<u>7,527,784</u>
Net change in cash and investments	13,983,281
Cash and investments, beginning of year	<u>4,764,625</u>
Cash and investments, end of year	<u>\$18,747,906</u>

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 Summary of Significant Accounting Policies

St. Johns County, Florida (the County) is an instrument of the State of Florida established to carry on a centralized county government. The financial statements include organizations, activities and functions where elected officials of the County exercise oversight responsibility. Oversight responsibility includes final decision-making authority and accountability for fiscal matters, designation of management and the ability to influence operations.

The following is a summary of the significant accounting principles and policies used in the preparation of these financial statements.

Basis of Presentation - The financial statements presented represent the combined financial statements of the Board of County Commissioners (the Board), part of St. Johns County, Florida.

The public schools within St. Johns County, Florida are operated by the St. Johns County School Board, an independent entity, and are excluded from these financial statements as are the assets, liabilities and operations of other independent authorities and agencies.

Although the Anastasia Sanitary District is an independent authority, its financial statements are included because it is governed by the same persons who constitute the Board of County Commissioners. The assets and revenues are not available to the County and the County is not liable for any expenses or liabilities of the Anastasia Sanitary District.

The Board records its financial transactions in numerous individual funds and two account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which is established to account for specific activities or functions. For reporting purposes, the various funds of a governmental entity are classified into three basic fund types (governmental, proprietary and fiduciary funds) and two account groups (general fixed assets and general long term-debt).

All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources."

Governmental fund operating statements present increases (revenues and other financial sources) and decreases (expenditures and other financial uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

All fiduciary funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Each fiduciary fund is classified for accounting measurement purposes as either a governmental fund or a proprietary fund.

The columns entitled "Total (Memorandum Only)" are included for information purposes only and are not comparable to consolidated financial information. The basic reporting entities are fund types which utilize different bases of accounting. In addition, interfund type eliminations have not been made in arriving at the amounts included in these columns.

Purposes of Funds and Account Groups - The Board of County Commissioners uses the following funds and account groups:

Governmental Fund Types

- o The General Fund is used to account for the general operations of the Board which are not accounted for in another fund. All general operating revenues which are not restricted or designated as to use by outside sources are recorded in the General Fund.

- o Special Revenue Funds are operating funds used to account for revenues which are restricted or designated as to use by outside sources.
- o Debt Service Funds are used to account for the payment of principal, interest and related costs of general long-term debt. Debt service revenues are primarily from property taxes or state shared revenues.
- o Capital Project Funds are used to account for resources designated to construct or acquire general fixed assets and major improvements other than those financed by special assessments or enterprise funds.

Proprietary Fund Types

- o Enterprise Funds are used to account for water and sewer services, landfill services and the County golf course that are financed and operated in a manner similar to profit-oriented business enterprises. The costs of providing these services to the general public are financed or recovered primarily through user charges.

Fiduciary Fund Types

- o Trust and Agency Funds are used to account for assets held by the Board as trustee or agent.

Account Groups

- o The General Fixed Assets Account Group is used to account for fixed assets owned by the Board of County Commissioners except those accounted for in the Enterprise Funds.
- o The General Long-Term Debt Account Group is used to account for the outstanding principal balances of general long-term debt and for accrued compensated absences payable.

Basis of Accounting - The combined financial statements have been prepared in conformity with the accounting principles and reporting guidelines of the Governmental Accounting Standards Board.

The accounts of the governmental fund types are maintained on the modified accrual basis. Under the modified accrual basis expenditures are recorded at the time liabilities are incurred except accrued interest on general long-term debt which is recorded when due; revenues are recorded when they are both measurable and available.

The financial statements of the enterprise funds are prepared on the accrual basis.

Expenditures for the overall accounting and investment function are recorded in the General Fund, except where there is a contractual requirement to record such expenditures in another type fund or account group.

Budget - Expenditures are controlled by appropriations in accordance with the budget requirements set forth in the Florida Statutes.

The budgeted revenues and expenditures in the accompanying financial statements reflect all amendments approved by the Board of County Commissioners.

Cash and Investments - The Board's deposits at year end are covered by federal depository insurance or by collateral held by the Board's custodial bank in the Board's name. Investments include cash in excess of operating requirements which is invested with the State of Florida Board of Administration, an investment pool controlled by a state agency, and various other qualified investments. Funds can be transferred directly between the County's insured banking institution and the state investment pool. Investment income is recorded in the General Fund, except where there is a contractual requirement to record such revenues in another fund. Investments are stated at cost.

Inventories - Inventories included in the enterprise funds consist primarily of utility stores. The inventory is valued at the lower of first-in first-out cost or market.

Ad Valorem Property Taxes - The County assesses property taxes effective in November of each year. Taxpayers are given five months within which to pay the tax, while a discount commencing at 4% and declining by 1% each additional month is allowed if taxes are paid within this five month period. After that time, the Board sells tax certificates to collect unpaid taxes and any applicable penalties and interest. The County holds the certificates for up to two years, at which time it can apply for a tax deed to the property if taxes remain unpaid.

Interfund Transactions - During the course of normal operations, the County has various transactions between funds. Those transactions which are operating subsidies are recorded as transfers.

NOTE 2 - Cash and Investments

The County's cash and investments are as follows:

	<u>Carrying Value</u>	<u>Bank Balance</u>
Deposits:		
Cash and certificates of deposit	<u>\$ 2,450,188</u>	<u>\$ 3,646,434</u>
		<u>Market Value</u>
Investments:		
Investment in state investment pool	41,400,947	\$41,400,947
Small Business Administration participation certificates	20,207	17,806
Federal Home Loan Mortgage Corporation pool	174,955	181,431
U.S. Treasury Securities	<u>6,124,551</u>	<u>6,169,387</u>
	<u>47,720,660</u>	<u>\$47,769,571</u>
Total cash and investments	<u>\$50,170,848</u>	

NOTE 3 - Fixed Assets

General Fixed Assets (Governmental Funds) - General fixed assets are recorded at cost as capital outlay in the purchasing fund at the time of acquisition. Rights-of-way and infrastructure improvements, such as roads and bridges, are not carried as assets. No depreciation is provided on those assets capitalized in the General Fixed Assets Account Group.

The Board capitalizes major expenditures for additions and improvements. Expenditures for maintenance and repairs are charged to operations. The general fixed assets used in the operations of the Board of County Commissioners, Clerk of the Circuit and County Courts, Property Appraiser, Supervisor of Elections and Tax Collector are accounted for by the Board as it holds legal title and is accountable for them under Florida law.

The following is a schedule of changes in fixed assets of the General Fixed Assets Account Group for the fiscal year ended September 30, 1989:

	September 30, 1988	Additions	Dispositions	September 30, 1989
Land	\$ 1,643,745			\$ 1,643,745
Buildings and improvements	15,631,057	858,852	49,260	16,440,649
Furniture and equipment	9,561,852	1,535,763	633,938	10,463,677
Construction in progress	3,310,840	942,512	3,246,770	1,006,582
	<u>\$30,147,494</u>	<u>\$3,337,127</u>	<u>\$3,929,968</u>	<u>\$29,554,653</u>

Fixed Assets (Enterprise Funds) - Acquisitions by the enterprise funds are capitalized at cost. Those acquired prior to 1972 are recorded at the 1971 appraised market values. Assets are depreciated using the straight-line method over the estimated lives of the assets, which range from 3 to 50 years. Major expenditures for additions and improvements are capitalized. Expenditures for maintenance and repairs are charged to operations.

During the year the Board transferred golf course land improvements and equipment totaling \$2,293,026 from the General Fixed Assets Account Group to the golf course fund. This transfer, and the golf course land donated by a developer with a fair market value of \$752,475 were recorded as contributions of capital in the golf course fund during the fiscal year ended September 30, 1989. The remaining golf course construction costs were funded by the Board and recorded as contributed capital in the golf course fund.

The following is a schedule of changes in fixed assets of the proprietary funds for the fiscal year ended September 30, 1989:

	September 30, 1988	Additions	Dispositions	September 30, 1989
Land	\$ 801,848	\$ 833,806		\$1,635,654
Buildings and improve- ments	398,507	268,465		666,972
Golf course land improvements		2,298,945		2,298,945
Water and sewer systems	13,095,332			13,095,332
Equipment	1,181,445	949,189	36,744	2,093,890
Construction in progress	<u>414,835</u>	<u>1,285,776</u>	<u> </u>	<u>1,700,611</u>
	15,891,967	5,636,181	36,744	21,491,404
Less:				
Accumulated depreciation	<u>2,140,831</u>	<u>609,363</u>	<u>28,547</u>	<u>2,721,647</u>
	<u>\$13,751,136</u>	<u>\$5,026,818</u>	<u>\$ 8,197</u>	<u>\$18,769,757</u>

NOTE 4 - Interfund Balances

The summary of individual interfund balances at September 30, 1989 follows:

<u>Fund Type</u>	<u>Due from other county funds</u>	<u>Due to other county funds</u>
<u>General</u>		
Board of County Commissioners	<u>\$1,523,816</u>	<u>\$126,764</u>
<u>Capital Projects</u>		
Golf Course Construction	<u> </u>	<u>1,313</u>
<u>Special Revenue</u>		
Beach Patrol		42,121
County Transportation	24,636	6,519
Elkton Drainage District	22	
Vilano Street Lighting	86	
Tourist Development	97,941	
St. Augustine South Street-Lighting	<u>168</u>	<u> </u>
	<u>122,853</u>	<u>48,640</u>
<u>Enterprise</u>		
Anastasia Sanitary District	27,656	934
Mainland Water System	<u> </u>	<u>23,597</u>
	<u>27,656</u>	<u>24,531</u>
Total	<u>\$1,674,325</u>	<u>\$201,248</u>

NOTE 5 LONG-TERM DEBT

Long-term debt transactions of the County for the year ended September 30, 1989 are summarized below:

	<u>General Government</u>	<u>Enterprise</u>	<u>Total</u>
Long-term debt payable at September 30, 1988	\$23,169,222	\$ 7,443,454	\$30,612,676
Issuance of long-term debt	8,190,000	14,598,346	22,788,346
Amortization of debt issuance discount		13,845	13,845
Sinking fund payments and maturities	(1,620,000)	(2,367,000)	(3,987,000)
Increase in arbitrage liability	203,000		203,000
Increase in compensated absences payable	<u>119,710</u>	<u>17,294</u>	<u>137,004</u>
Long-term debt payable at September 30, 1989	<u>\$30,061,932</u>	<u>\$19,705,939</u>	<u>\$49,767,871</u>

Long-term debt at September 30, 1989 is comprised of the following individual issues:

General Government:-

Revenue bonds:

\$12,495,000 1988 Transportation Improvement Revenue Bonds secured by local option gas tax due in annual installments of \$360,000 to \$1,140,000 through October 1, 2007; interest at 5.1% to 7.625% payable semi-annually \$12,135,000

\$3,140,000 1987 Capital Improvement Revenue Bonds secured by state guaranteed entitlement revenues and parimutuel taxes, due in annual installments of \$170,000 to \$350,000 through July 1, 2000; interest at 5.0% to 7.875% payable semi-annually 2,775,000

\$4,060,000 1986 Refunding Revenue
Bonds secured by half-cent sales
tax revenues, due in annual
installments of \$740,000 to
\$895,000 through October 1, 1991;
interest at 4.25% to 5.50%
payable semi-annually

1,745,000

16,655,000

General obligation bonds:

\$8,190,000 General Obligation Bonds
due in annual installments of \$210,000
to \$705,000 through September 1, 2009;
interest at 6.2% to 6.75% payable
semi-annually

8,190,000

\$4,685,000 1988 Limited Ad Valorem Tax
Refunding Bonds due in annual
installments of \$210,000 to \$470,000
through March 1, 2003; interest at 5.0%
to 7.3% payable semi-annually

4,475,000

\$1,300,000 1966 General Obligation
Bonds due in annual installments of
\$65,000 to \$85,000 through July 1, 1991;
interest at 4.4% to 5.5% payable
semi-annually

165,000

12,830,000

Arbitrage liability

203,000

General long-term compensated absences
payable

373,932

Total General Government

\$30,061,932

Enterprise:

Revenue bonds:

\$10,430,000 Water and Sewer Revenue
Bonds secured by County water and sewer
revenues, due in annual installments of
\$50,000 to \$865,000 through June 1, 2009;
interest at 5.0% to 6.65% payable
semi-annually (less unamortized discount
of \$1,184,926)

9,245,074

\$5,365,000 Water and Sewer Revenue
Bonds secured by County water and sewer
revenues, due in annual installments of
\$115,000 to \$455,000 through June 1, 2009;
interest at 5.8% to 7.0% payable
semi-annually (less unamortized discount
of \$1,771)

5,363,229

\$5,400,000 1986 Water and Sewer Refunding Revenue Bonds secured by County water and sewer revenues, due in annual installments of \$90,000 to \$460,000 through June 1, 2011; interest at 4.25% to 7.75% payable semi-annually (less unamortized discount of \$85,535)

\$ 5,034,465
19,642,768

Enterprise long-term compensated absences payable

63,171

Total Enterprise

\$19,705,939

The annual requirements to amortize all debt outstanding as of September 30, 1989, including interest payments of \$20,836,198 and \$17,161,732 for general government and enterprise fund debt, respectively, are as follows:

<u>Year ending, September 30</u>	<u>General Government</u>	<u>Enterprise</u>	<u>Total</u>
1990	\$ 3,887,979	\$ 1,422,789	\$ 5,310,768
1991	3,894,366	1,629,296	5,523,662
1992	2,851,166	1,894,991	4,746,157
1993	2,855,996	1,893,090	4,749,086
1994	2,864,264	1,888,608	4,752,872
1995-Thereafter	<u>33,967,427</u>	<u>29,347,958</u>	<u>63,315,385</u>
	<u>\$50,321,198</u>	<u>\$38,076,732</u>	<u>\$88,397,930</u>

The bond resolutions authorizing each of the above debt obligations specified certain restrictive covenants. The bond restrictions require establishment of separate funds to control the order in which pledged proceeds are utilized by the County. The pledged proceeds in excess of debt service requirements may be used for any lawful purpose at the discretion of the Board of County Commissioners.

In August 1989 the County issued \$10,430,000 of Water and Sewer Revenue Bonds with an average interest rate of 5.8%, a portion of which was used to advance refund \$2,239,000 of outstanding 1981 series revenue bonds with an interest rate of 5%. The County used \$1,771,800 of the net proceeds of \$9,235,117 to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1981 series revenue bonds. As a result the 1981 series revenue bonds are considered to be defeased and the liability for those bonds has been removed from the accounts of the Board.

Although the advance refunding resulted in the recognition of an accounting extraordinary gain of \$467,200 for the year ended September 30, 1989, the Board in effect reduced its aggregate debt service payments by approximately \$1.1 million over the next 31 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$72,000.

In prior years the County defeased certain other general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the financial statements. As of September 30, 1989, \$6.41 million of bonds outstanding are considered defeased.

NOTE 6 Defined Contribution Retirement Plan

The Board provides benefits for substantially all of its employees through a defined contribution plan under the State of Florida Retirement System. In a non-contributory defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. State legislation requires that the Board contribute an amount equal to a percentage of the employee's gross compensation each month. The contributions for each employee are based on employment status (regular members - 14.38%, special risk members - 16.38%, and elected county officers - 18.92%). Members are vested after ten years continuous service and unvested contributions for employees who leave employment before ten years of service are retained in the Florida Retirement System.

The Board's total payroll in fiscal year 1989 was \$8,364,581. The retirement contributions were calculated using the gross compensation for the employees and contributions of \$1,216,202 were recorded as expenditures or expenses during the current year.

NOTE 7 Commitments and Contingent Liabilities

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, could constitute liabilities of the applicable funds. Management does not anticipate any such disallowances.

Litigation

The Board is involved in various litigation arising in the normal course of governmental operations. The legal proceedings are not, in the opinion of the County Attorney, likely to have a material adverse impact on the Board's financial position.

NOTE 8 - SUBSEQUENT EVENT

In November 1989 the County issued \$21,095,000 of Sales Tax Revenue Bonds with interest rates from 6.2% to 7.0% due through 2019. The net proceeds of \$18,692,945 (after original issue discount, underwriting discount and issuance costs) will be used to finance a portion of the cost of acquiring and constructing new county courthouse and parking facilities and/or to remodel, enlarge, repair and improve existing county courthouse and administration facilities.

SUPPLEMENTAL INFORMATION

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMBINING BALANCE SHEET
PROPRIETARY FUND TYPES
SEPTEMBER 30, 1989

	<u>Anastasia Sanitary District</u>	<u>Mainland Water System</u>	<u>Solid Waste Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
<u>Assets</u>					
Cash and investments	\$ 1,127,572	\$ 2,003,406	\$ 583,976	\$ 289,039	\$ 4,003,993
Accounts receivable (net of allowance for uncollectibles)	295,981	92,735	140,426	552	529,694
Due from other governmental agencies	692			63	755
Due from other county funds	27,656				27,656
Inventory, at cost	117,190				117,190
Other assets	322,723	299,099			621,822
Restricted assets:					
Cash and investments	7,550,269	7,183,337	10,307		14,743,913
Land	163,909	116,862	602,408	752,475	1,635,654
Buildings and improvements	249,234	54,634	99,989	263,115	666,972
Golf course land improvements				2,298,945	2,298,945
Water and sewer systems	8,471,264	4,624,068			13,095,332
Furniture and equipment	576,737	147,918	909,596	459,639	2,093,890
Accumulated depreciation	(1,422,254)	(1,023,244)	(168,133)	(108,016)	(2,721,647)
Construction in progress	391,775	796,038	136,291	376,507	1,700,611
Total assets	<u>\$17,872,748</u>	<u>\$14,294,853</u>	<u>\$2,314,860</u>	<u>\$4,332,319</u>	<u>\$38,814,780</u>
<u>Liabilities and Fund Equity</u>					
Liabilities:					
Vouchers payable and accrued liabilities	\$ 293,940	\$ 86,687	\$ 16,400	\$ 23,667	\$ 420,694
Interest payable	207,089	134,463			341,552
Due to other governmental agencies	2,085			215	2,300
Due to other county funds	934	23,597			24,531
Customer deposits	313,267	75,494	10,307		399,068
Revenue bonds payable	10,397,694	9,245,074			19,642,768
Compensated absences payable	31,188		24,617	7,366	63,171
Other liabilities				7,639	7,639
Total liabilities	<u>11,246,197</u>	<u>9,565,315</u>	<u>51,324</u>	<u>38,887</u>	<u>20,901,723</u>
Fund equity:					
Contributed capital (net of amortization)	4,445,369	2,475,855	651,147	4,073,978	11,646,349
Retained earnings:					
Unreserved	<u>2,181,182</u>	<u>2,253,683</u>	<u>1,612,389</u>	<u>219,454</u>	<u>6,266,708</u>
Total fund equity	<u>6,626,551</u>	<u>4,729,538</u>	<u>2,263,536</u>	<u>4,293,432</u>	<u>17,913,057</u>
Total liabilities and fund equity	<u>\$17,872,748</u>	<u>\$14,294,853</u>	<u>\$2,314,860</u>	<u>\$4,332,319</u>	<u>\$38,814,780</u>

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1989

	<u>Anastasia Sanitary District</u>	<u>Mainland Water System</u>	<u>Solid Waste Fund</u>	<u>Golf Course Fund</u>	<u>Eliminations</u>	<u>Total</u>
Operating revenues:						
Water sales	\$1,559,074	\$ 877,779			\$(458,630)	\$1,978,223
Sewage treatment charges	1,015,120	627				1,015,747
User fees	78,492	62,975	\$1,964,780	\$487,200		2,593,447
Merchandise sales				13,023		13,023
Total operating revenues	<u>2,652,686</u>	<u>941,381</u>	<u>1,964,780</u>	<u>500,223</u>	<u>(458,630)</u>	<u>5,600,440</u>
Operating expenses:						
Contractual services	567,010	227,768	88,918	3,570	(633,718)	253,548
Salaries and benefits	783,861		585,236	286,899	175,088	1,831,084
Other operating expenses	590,808	156,238	234,371	168,468		1,149,885
Maintenance	203,749	49,063	213,465	15,555		481,832
Depreciation	261,365	157,128	82,854	108,016		609,363
Total operating expenses	<u>2,406,793</u>	<u>590,197</u>	<u>1,204,844</u>	<u>582,508</u>	<u>(458,630)</u>	<u>4,325,712</u>
Operating income (loss)	<u>245,893</u>	<u>351,184</u>	<u>759,936</u>	<u>(82,285)</u>		<u>1,274,728</u>
Nonoperating revenues (expenses):						
Interest income	302,418	203,141	22,286	16,934		544,779
Interest expense	(577,991)	(222,900)				(800,891)
Other revenues	9,934	450	60,649	1,560		72,593
Other expenses	(23,891)	(3,863)				(27,754)
Total nonoperating revenues (expenses)	<u>(289,530)</u>	<u>(23,172)</u>	<u>82,935</u>	<u>18,494</u>		<u>(211,273)</u>
Income (loss) before transfers and extraordinary item	<u>(43,637)</u>	<u>328,012</u>	<u>842,871</u>	<u>(63,791)</u>		<u>1,063,455</u>
Other financing sources:						
Operating transfers in				283,245		283,245
Income (loss) before extraordinary item	<u>(43,637)</u>	<u>328,012</u>	<u>842,871</u>	<u>219,454</u>		<u>1,346,700</u>
Extraordinary gain		467,200				467,200
Net income (loss)	<u>(43,637)</u>	<u>795,212</u>	<u>842,871</u>	<u>219,454</u>		<u>1,813,900</u>
Add depreciation on fixed assets acquired by grants externally restricted for capital acquisitions and construction that reduces contributed capital	<u>92,001</u>	<u>51,257</u>				<u>143,258</u>
Increase in retained earnings	<u>48,364</u>	<u>846,469</u>	<u>842,871</u>	<u>219,454</u>		<u>1,957,158</u>
Retained earnings, beginning of year	<u>2,132,818</u>	<u>1,407,214</u>	<u>769,518</u>			<u>4,309,550</u>
Retained earnings, end of year	<u>\$2,181,182</u>	<u>\$2,253,683</u>	<u>\$1,612,389</u>	<u>\$219,454</u>	<u>\$</u>	<u>\$6,266,708</u>

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMBINING STATEMENT OF CHANGES IN FINANCIAL POSITION
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1989

	<u>Anastasia Sanitary District</u>	<u>Mainland Water System</u>	<u>Solid Waste Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
Cash was provided by (used for):					
Net income (loss) before extraordinary item	\$ (43,637)	\$ 328,012	\$ 842,871	\$ 219,454	\$ 1,346,700
Add (deduct) items not affecting cash:					
Depreciation	261,365	157,128	82,854	108,016	609,363
Amortization of bond discount	3,888	9,957			13,845
Increase (decrease) in accounts payable and accrued liabilities	131,851	29,982	(40,972)	23,667	144,528
Increase in accounts receivable	(67,501)	(27,506)	(5,452)	(552)	(101,011)
Change in due to/from accounts	(1,457)	621		152	(684)
Decrease in inventory		2,252			2,252
Increase in interest payable	207,089	134,463			341,552
Change in other assets and liabilities	<u>(172,323)</u>	<u>(299,099)</u>		<u>7,639</u>	<u>(463,783)</u>
Cash provided by operations	321,527	333,558	879,301	358,376	1,892,762
Extraordinary gain		467,200			467,200
Extraordinary gain not providing cash		(467,200)			(467,200)
Capital contributions	510,310	381,081	5,349	4,073,978	4,970,718
Increase in customer deposits	13,366	16,862	1,717		31,945
Increase in compensated absences payable	5,878		4,050	7,366	17,294
Issuance of long-term debt	<u>5,363,229</u>	<u>9,235,117</u>			<u>14,598,346</u>
Total cash provided	<u>6,214,310</u>	<u>9,966,618</u>	<u>890,417</u>	<u>4,439,720</u>	<u>21,511,065</u>
Cash was used for:					
Net additions to fixed assets	398,859	651,586	426,858	4,150,681	5,627,984
Repayment of long-term debt	<u>100,000</u>	<u>1,799,800</u>			<u>1,899,800</u>
Total cash used	<u>498,859</u>	<u>2,451,386</u>	<u>426,858</u>	<u>4,150,681</u>	<u>7,527,784</u>
Net change in cash and investments	5,715,451	7,515,232	463,559	289,039	13,983,281
Cash and investments, beginning of year	<u>2,962,390</u>	<u>1,671,511</u>	<u>130,724</u>		<u>4,764,625</u>
Cash and investments, end of year	<u>\$8,677,841</u>	<u>\$9,186,743</u>	<u>\$594,283</u>	<u>\$ 289,039</u>	<u>\$18,747,906</u>

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APPENDIX D

THE RESOLUTION

Resolution No. 89-84, as amended by
Resolution 89-189, Resolution No.
90-61 and Resolution No. 90-__.

RESOLUTION PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND ERECTION OF ADDITIONS, EXTENSIONS AND IMPROVEMENTS TO THE WATER DISTRIBUTION FACILITIES OF ST. JOHNS COUNTY, AND OF NEW SEWAGE COLLECTION AND TREATMENT FACILITIES TO BE OPERATED BY THE COUNTY IN COMBINATION WITH SUCH WATER FACILITIES AS A SINGLE WATER AND SEWER SYSTEM; AUTHORIZING THE ISSUANCE BY THE COUNTY OF NOT EXCEEDING \$10,430,000 PRINCIPAL AMOUNT OF WATER AND SEWER REVENUE BONDS, SERIES 1989, TO FINANCE THE COST THEREOF AND THE COST OF REFUNDING THE COUNTY'S OUTSTANDING WATER REVENUE BONDS; PROVIDING FOR THE REFUNDING OF SAID OUTSTANDING BONDS; PLEDGING TO SECURE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SAID SERIES 1989 BONDS CERTAIN PLEDGED FUNDS INCLUDING THE NET REVENUES OF SAID SYSTEM AND CERTAIN LAWFULLY AVAILABLE CONNECTION CHARGES, ALL MONEYS ON DEPOSIT IN AND INVESTMENTS HELD FOR THE CREDIT OF CERTAIN FUNDS CREATED HEREUNDER AND THE EARNINGS ON SUCH INVESTMENTS; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SAID SERIES 1989 BONDS; MAKING CERTAIN COVENANTS AND AGREEMENTS WITH THE HOLDERS OF SAID SERIES 1989 BONDS; REPEALING THE COUNTY'S RESOLUTION NO. 88-241 AND RESOLUTION NO. 88-253; AND PROVIDING AN EFFECTIVE DATE.

F&L/DRAFT OF
11/07/90

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BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF ST. JOHNS COUNTY, FLORIDA:

ARTICLE 1

GENERAL

SECTION 1.01. Definitions. When used in this Resolution, the following terms shall have the following meanings, unless the context clearly otherwise requires:

"Accreted Value" shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Date next preceding the date of computation or the date of computation if an Interest Date, such interest to accrue at a rate not exceeding the legal rate, compounded semiannually, plus, with respect to matters related to the payment upon redemption or acceleration of the Capital Appreciation Bonds, if such date of computation shall not be an Interest Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Date and the Accreted Value as of the immediately succeeding Interest Date, calculated based on the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a 360-day year.

"Act" shall mean Chapter 125, Part I, Florida Statutes, as amended, St. Johns County Ordinance No. 86-89 and other applicable provisions of law.

"Additional Bonds" shall mean the obligations issued at any time under the provisions of Section 5.02 hereof on a parity with the Series 1988 Bonds.

"Additional Project" shall mean the acquisition, construction, erection, renovation or reconstruction of capital improvements and additions to the System and shall include all property rights, appurtenances, easements, rights of way, franchises and equipment relating thereto and deemed necessary or convenient for the acquisition, construction, erection, renovation, reconstruction, or the operation thereof, which shall be financed in whole or in part with the proceeds of Additional Bonds.

"Amortization Installment" shall mean a mandatory redemption amount designated as such by Supplemental Resolution and established with respect to any Term Bonds.

"Annual Audit" shall mean the annual audit prepared pursuant to the requirements of Section 5.10 hereof.

"Annual Budget" shall mean the annual budget prepared pursuant to the requirements of Section 5.06 hereof.

"Assessments" shall mean the proceeds to be derived by the Issuer from any non-ad valorem special assessments which shall be levied by the Issuer, on its own behalf or as the governing body of a municipal service benefit unit, against some or all of the parcels of real property to be specially benefited by the services and facilities of any Additional Project or by any portion thereof, and which shall be

expressly declared by one or more resolutions of the Governing Body to be Assessments, as hereby defined, and which shall be expressly pledged by said resolution(s), including interest on such non-ad valorem special assessments and any penalties thereon and moneys received upon the foreclosure of the liens thereof and, by reason of such non-ad valorem special assessments, upon the sale of tax certificates, to the payment of the principal of and premium, if any, and interest on the Bonds or one or more Series of Bonds. The Issuer shall have the right to levy and collect non-ad valorem special assessments upon some or all of the parcels of real property specially benefited by any Additional Project or by any portion thereof without declaring that such assessments shall be Assessments, as herein defined, and to provide for the application of such assessments to any lawful public purpose, including provision for the application of such assessments to the payment of the principal of or Redemption Price, if applicable, and interest on any particular Series of Bonds or Subordinated Indebtedness or any other obligations of the Issuer.

"Assessments Fund" shall mean the St. Johns County Water and Sewer Assessments Fund established pursuant to Section 4.06(A)(7) hereof.

"Assessments Redemption Bonds" shall mean the particular Bonds designated as such by resolution of the Governing Body, which shall be term or serial Bonds amortizing corresponding to the Issuer's receipt of the installments of the Assessments which shall be pledged to their payment, and which shall be subject to mandatory redemption by operation of the Assessments Fund pursuant to Section 4.06(A)(7) hereof. The final maturity of every Series of Assessments Redemption Bonds shall not be later than one year after the due date of the final installment of the Assessments which shall be pledged to their payment. Assessments Redemption Bonds shall not be issued in any principal amount which will cause the aggregate principal amount of all Assessments Redemption Bonds Outstanding to exceed 25% of the par value of all Bonds then Outstanding, unless all Bonds shall be insured and the Insurer shall consent to the issuance of any amount of Assessments Redemption Bonds which shall result in an aggregate principal amount of Assessments Redemption Bonds Outstanding in an amount greater than 25% of the par value of all Bonds Outstanding.

"Authorized Depository" shall mean the State Board of Administration of Florida or a bank or trust company in the State which is eligible under the laws of the State to receive funds of the Issuer.

"Authorized Investments" shall mean any of the following which shall be authorized from time to time by applicable laws of the State for deposit or purchase by the Issuer for the investment of its funds:

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

(2) Bonds, debentures or notes or other evidences of indebtedness payable in cash issued by any one or a combination of any of the following federal agencies whose obligations represent full faith and credit of the United States of America: Export Import Bank of the United States, Federal Financing Bank, Farmers Home Administration, Federal Housing Administration, Maritime Administration, Public Housing Authority and Government National Mortgage Association.

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"Authorized Issuer Officer" for the performance on the behalf of the Issuer of any act of the Issuer or the execution of any instrument on behalf of the Issuer shall mean any person authorized by resolution of the Issuer or appointed by certificate of the Chairman to perform such act or sign such document.

"Bond Amortization Account" shall mean the separate account of that name in the Debt Service Fund established pursuant to Section 4.05 hereof.

"Bond Counsel" shall mean any attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

"Bond Insurance Policy" shall mean the municipal bond new issue insurance policy or policies issued by an insurer guaranteeing the payment of the principal of and interest on any portion of the Bonds, including the municipal bond new issue insurance policy issued by the Insurer that guarantees payment of the principal of and interest on the Series 1989 Bonds and the municipal bond new issue insurance policy issued by the Insurer that guarantees payment of the principal of and interest on the Series 1990A Bonds.

"Bond Service Requirement" for any Bond Year, as applied to the Bonds of any Series, shall mean (1) as of the date of delivery of such Series of Bonds, the sum of the Debt Service Requirement on such Series of Bonds and all other payments required by this Resolution to be paid in such Bond Year with respect to such Series of Bonds, and (2) as of any particular date of calculation thereafter with respect to such Series of Bonds, the sum of (a) the portion of the Debt Service Requirement and all other payments required by this Resolution that have been paid in such Bond Year plus (b) the portion of the Debt Service Requirement and all other payments required by this Resolution that have yet to be paid in such Bond Year. For purposes of this definition, "all other payments required by this Resolution" shall mean, with respect to any Series of Bonds, the pro rata deposits to the Reserve Account and the Renewal and Replacement Fund in such Bond Year, and redemption premiums, if any, payable in such Bond Year.

"Bond Year" pertaining to any Series shall mean the period commencing on June 2 of each year and continuing through the next succeeding June 1. Each Bond Year shall be designated with the number of the calendar year in which such Bond Year ends.

"Bondholder" or "Holder" or "holder" shall mean any Person who shall be the registered owner of any Outstanding Bond or Bonds according to the registration books of the Issuer.

"Bonds" shall mean the Series 1989 Bonds, together with any Additional Bonds and any Subordinated Indebtedness which accedes to the status of Bonds pursuant to Section 5.04 hereof.

"Capital Appreciation Bonds" shall mean those Bonds so designated by Supplemental Resolution, which may be either Serial Bonds or Term Bonds and which shall bear interest payable at maturity or redemption. In the case of Capital Appreciation Bonds that are convertible to Bonds with interest payable prior to maturity or prior

(3) Certificates of deposit properly secured at all times by collateral security described in either or both of paragraphs (1) and (2) of this definition or in the collateral provisions of Chapter 280, Florida Statutes, as amended, and issued by commercial banks, savings and loan associations or mutual savings banks chartered by the State or the United States of America, and bank trust receipts issued by commercial banks or trust companies chartered by the State or the United States of America upon any securities described in paragraph (1) of this definition.

(4) The following investments fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation: (A) certificates of deposit, (B) savings accounts, (C) deposit accounts, or (D) depository receipts of a bank, savings and loan association or mutual savings bank.

(5) Commercial paper rated in one of the two highest rating categories by at least two nationally recognized rating agencies or commercial paper backed by a letter of credit or line of credit rated in one of the two highest rating categories by Moody's Investors Service and Standard & Poor's Corporation.

(6) Written repurchase agreements with any bank, savings institution or trust company which is insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, or with any broker-dealer with retail customers which falls under Securities Investors Protection Corporation protection, provided that such repurchase agreements are fully secured by collateral described in (1) above or obligations of any agency or instrumentality of the United States of America, and provided further that (A) such collateral is held by a bank or trust company chosen by the Issuer which has no interest in the repurchase agreement during the term of such repurchase agreement, (B) such collateral is not subject to liens or claims of third parties, (C) such collateral has a market value (determined at least once every 30 days) at least equal to the amount invested in the repurchase agreement, (D) the entity holding the collateral has a perfected first security interest in the collateral for the benefit of the Bondholders, (E) the agreement shall be for a term not longer than 270 days and (F) the failure to maintain such collateral at the level required in (C) above will require the entity holding the collateral to liquidate the collateral.

(7) Money market funds rated in the highest rating category by Moody's Investors Service and Standard & Poor's Corporation.

(8) Units of participation in the Local Government Surplus Funds Trust Fund established pursuant to Part IV, Chapter 218, Florida Statutes, as amended, or any similar common trust fund which is established pursuant to State law as a legal depository of public moneys.

(9) Obligations of state or local government municipal bond issuers that are rated in one of the two highest rating categories by Moody's Investors Service and Standard & Poor's Corporation.

(10) Such other obligations as shall be permitted to be legal investments of the Issuer by the laws of the State.

Rating categories when referred to herein shall be without regard to gradations within such categories, such as "plus" or "minus."

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to redemption of such Bonds, such Bonds shall be considered Capital Appreciation Bonds only during the period of time prior to such conversion.

"Chairman" shall mean the Chairman of the Governing Body or such other person as may be duly authorized by the Issuer to act on his or her behalf.

"Clerk" shall mean the Clerk of the Circuit Court for St. Johns County and ex officio Clerk of the Governing Body or such other person as may be duly authorized by the Clerk to act on his or her behalf.

"Code" shall mean the United States Internal Revenue Code of 1986, as the same may be amended from time to time, and the regulations thereunder, whether proposed, temporary or final, promulgated by the Department of the Treasury, Internal Revenue Service, and all other promulgations of said service pertaining thereto.

"Connection Charges" shall mean all non-refundable (except at the option of the Issuer) "water unit connection fees," "sewer unit connection fees," impact fees, capital expansion fees, utility improvement fees or other similar fees and charges, whether payable in full prior to connection with the System or to initiation of any service afforded by System facilities or payable in installments over any period of time, separately imposed from time to time by the Issuer upon new customers of the System as a nonuser capacity charge for a proportionate share of the cost of the acquisition or construction of Expansion Facilities, which are imposed by the Issuer for the purpose of allocating to each such customer a proportionate share of the cost of the additional System capacity made necessary by the inclusion or expected inclusion of System services to such new customers, but only to the extent that any such fee or charge has been lawfully levied and collected by the Issuer and may under applicable law be used for the acquisition or construction of the Expansion Facilities or for Connection Charges Debt Service Components, and any income from the investment of moneys on deposit in the Connection Charges Fund or any other moneys transferred to the Connection Charges Fund pursuant to the provisions of this Resolution. Connection Charges shall not include Assessments.

"Connection Charges Debt Service Component" for any Bond Year, as applied to the Bonds of any Series, shall mean the component of the Debt Service Requirement for such Series of Bonds, initially set forth in the Project Certificate and thereafter, from time to time as necessary, as determined by the Issuer, which shall be determined by multiplying the Bond Service Requirement for such Series of Bonds by the Expansion Percentage.

"Connection Charges Fund" shall mean the St. Johns County Water and Sewer System Connection Charges Fund established pursuant to Section 4.05 hereof.

"Construction Account" shall mean the special account for the payment of the cost of Project 1990A, established in the Construction Fund in accordance with the provisions hereof and Section 3.04 of Resolution No. 90-61 adopted by the Governing Body on March 27, 1990.

"Construction Fund" shall mean the Construction Fund established pursuant to Section 4.04 hereof.

"Consulting Engineers" shall mean the firm of engineers licensed as professional engineers in the State and retained by the Issuer to perform the duties of the Consulting Engineers under the provisions of this Resolution.

"Cost" when used in connection with a Project, shall mean (1) the Issuer's cost of physical construction; (2) costs of acquisition by or for the Issuer of such Project; (3) costs of land and interests therein and the cost of the Issuer incidental to such acquisition; (4) the cost of any indemnity and surety bonds and premiums for insurance during construction; (5) all interest due to be paid on the Bonds and other obligations relating to the Project during the construction period of such Project and for a reasonable period thereafter; (6) engineering, legal and other consultant fees and expenses; (7) costs and expenses incidental to the issuance of the Bonds including bond insurance premium, rating agency fees and the fees and expenses of any auditors, Paying Agent, Registrar, Credit Bank or depository; (8) payments, when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of the Issuer (other than the Bonds) incurred for such Project; (9) costs of machinery or equipment required by the Issuer for the commencement of operation of such Project; and (10) any other costs properly attributable to the issuance of the Bonds, and such construction or acquisition, as determined by generally accepted accounting principles and shall include reimbursement to the Issuer for any such items of Cost heretofore paid by the Issuer. Any Supplemental Resolution may provide for additional items to be included in the aforesaid Costs.

"Costs of Issuance Account" shall mean the St. Johns County Water and Sewer Revenue Bonds Costs of Issuance Account established pursuant to Section 2.03(C) hereof.

"Coupon Bonds" shall mean any Bonds the interest payable on which shall be represented by bearer coupons attached thereto, and the interest on which Bonds shall be payable only upon the presentation and surrender of such coupons to the Paying Agent as they severally fall due.

"Credit Bank" shall mean as to any particular Series of Bonds, the Person (other than an Insurer) providing a letter of credit, a line of credit or another credit or liquidity enhancement facility, as designated in the Supplemental Resolution providing for the issuance of such Bonds.

"Credit Facility" shall mean as to any particular Series of Bonds, a letter of credit, a line of credit or another credit or liquidity enhancement facility (other than an insurance policy issued by an Insurer), as approved in the Supplemental Resolution providing for the issuance of such Bonds.

"Current Account" shall mean the separate account in the Connection Charges Fund established pursuant to Section 4.05 hereof.

"Debt Service Fund" shall mean the St. Johns County Water and Sewer Revenue Bonds Debt Service Fund established pursuant to Section 4.03 hereof.

"Debt Service Requirement" for any Bond Year shall mean the sum of:

(1) The aggregate amount required to pay the interest becoming due on the Bonds, other than Capital Appreciation Bonds, during such Bond Year, except to the

extent that such interest shall have been provided by payments into the Interest Account out of Bond proceeds or other sources for a specific period of time. For purposes of this definition, any Variable Rate Bonds shall be assumed to bear interest at the rate of 9.20% per annum.

(2) The aggregate amount required to pay the principal becoming due on the Bonds, other than Capital Appreciation Bonds, for such Bond Year. For purposes of this definition: (a) the stated maturity date of any Term Bonds shall be disregarded and the principal of such Term Bonds shall be deemed to be due in the Bond Years and in the amounts of the Amortization Installments applicable to such Term Bonds; and (b) the principal amount of any single maturity of Term Bonds for which the Issuer shall have established no Amortization Installments shall be deemed to be due in the Bond Years and in such amounts as shall provide for the amortization of such principal amount over a term equal to the number of years such Term Bonds shall be Outstanding to such maturity and in equal annual installments of combined principal and interest; provided, however, that if the Issuer has employed a Credit Facility in connection with any such Term Bonds having no Amortization Installments the amortization of such Term Bonds shall be deemed to correspond to the applicable terms of such Credit Facility.

(3) The aggregate amount required to pay the Accreted Value due on any Capital Appreciation Bonds maturing in such Bond Year.

"Expansion Facilities" shall mean improvements, extensions and additions to the System, together with all lands or interest therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible, heretofore or hereafter constructed or acquired in order to meet the increased demand upon the System, whether actual or anticipated, created by new users connecting to the System.

"Expansion Percentage" as applied to each Series of Bonds, shall mean a fraction having a numerator equal to that portion of the total original principal amount of all Bonds of such Series that are attributable to Expansion Facilities, if any, as shall be determined by the Qualified Independent Consultant and set forth in the Project Certificate relating to such Series, and a denominator equal to the total original principal amount of all Bonds of such Series. However, if amounts on deposit in the Stabilization Account are, pursuant to Section 4.06(A) hereof, withdrawn therefrom and applied to the purchase or redemption of Bonds of such Series prior to the maturity date of such Bonds, then the numerator of the foregoing fraction shall be reduced by the amounts so withdrawn and the denominator shall be reduced by the total principal amount of the Bonds of such Series so purchased or redeemed. For purposes of the preceding sentence, Term Bonds redeemed from amounts on deposit in the Bond Amortization Account shall not be considered to have been redeemed prior to their maturity date.

"Federal Securities" shall mean direct obligations of the United States of America and obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, none of which permit redemption prior to maturity at the option of the obligor. Federal Securities shall include any certificates or any other evidences of an ownership interest in the aforementioned obligations or in specified portions thereof (which may consist of specified portions of the interest thereon).

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"Fiscal Year" shall mean the period commencing on October 1 of each year and continuing through the next succeeding September 30, or such other period as may be prescribed by law.

"Governing Body" shall mean the Board of County Commissioners of the Issuer or its successor in function.

"Gross Revenues" shall mean all income and moneys received by the Issuer from the Rates, and all earnings and income derived from the investment of moneys under the provisions of this Resolution which are transferred to the Revenue Fund or the Interest Account as herein provided, but excluding (1) Connection Charges and (2) non-ad valorem special assessments, including the Assessments.

"Initial Project" shall mean the acquisition, construction and erection of additions, extensions and improvements to the water distribution facilities of the Issuer, and of new sewage collection and treatment facilities to be operated in combination with such water facilities as a single water and sewer system, as more particularly described in and in accordance with certain plans on file or to be on file with the Issuer, with such changes, deletions, additions or modifications to the enumerated improvements, equipment and facilities, or such other improvements as shall be designated and approved by resolution of the Governing Body in accordance with the Act.

"Insurer" shall mean such Person as shall be in the business of insuring or guaranteeing the payment of principal of and interest on municipal securities and whose credit is such that, at the time of any action or consent required or permitted by the Insurer pursuant to the terms of this Resolution, all municipal securities insured or guaranteed by it are then rated, because of such insurance or guarantee, in one of the two most secure grades by either Moody's Investors Service or Standard and Poor's Corporation, and with respect to any Series of Bonds, the Insurer which shall have insured or guaranteed payment of the principal of or interest on such Bonds.

"Interest Account" shall mean the separate account of that name in the Debt Service Fund established pursuant to Section 4.05 hereof.

"Interest Date" shall be such date or dates for the payment of interest on a Series of Bonds as shall be provided by Supplemental Resolution.

"Issuer" shall mean St. Johns County, Florida.

"Maximum Debt Service Requirement" shall mean, as of any particular date of calculation, the greatest annual Debt Service Requirement for the Bonds for the then current or any future Bond Year.

"Maximum Interest Rate" shall mean, with respect to any particular Variable Rate Bonds, a numerical rate of interest, which shall be set forth in the Supplemental Resolution delineating the details of such Bonds, that shall be the maximum rate of interest such Bonds may at any time bear in the future in accordance with the terms of such Supplemental Resolution.

"Moody's Investors Service" shall mean Moody's Investors Service, the nationally recognized securities rating firm, and any successor or successors thereto; and if such corporation shall be dissolved or liquidated or shall no longer

perform securities rating functions, shall mean any other nationally recognized securities rating firm designated by the Issuer and approved by the Insurer and/or the Credit Bank, as applicable.

"Net Revenues" shall mean Gross Revenues less Operating Expenses.

"Operation and Maintenance Fund" shall mean the Operation and Maintenance Fund created pursuant to Section 4.05 hereof.

"Operating Expenses" shall mean the Issuer's expenses for operation, maintenance, repairs and replacements with respect to the System and shall include, without limiting the generality of the foregoing, administration expenses, insurance and surety bond premiums, the fees to the provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit (but excluding any expenses or reimbursement obligations for draws made thereunder), the fees of any rebate compliance service or of Bond Counsel relating to compliance with the provisions of Section 148 of the Code, legal and engineering expenses, ordinary and current rentals of equipment or other property, refunds of moneys lawfully due to others, payments to pension, retirement, health and hospitalization funds, and any other expenses required to be paid for or with respect to proper operation or maintenance of the System, all to the extent properly attributable to the System, in accordance with generally accepted accounting principles employed in respect of activities such as those involved in the operation of public water and sewer facilities similar to the System, and disbursements for the expenses, liabilities and compensation of any Paying Agent or Registrar under this Resolution, but does not include any costs or expenses in respect of original construction or improvement other than expenditures necessary to prevent an interruption or continuance of an interruption of the Gross Revenues or minor capital expenditures necessary for the proper and economical operation or maintenance of the System, or any provision for interest, depreciation, amortization or similar charges.

"Outstanding" shall mean all Bonds theretofore and thereupon being authenticated and delivered except, (1) any Bond in lieu of which another Bond or other Bonds have been issued under an agreement to replace lost, mutilated or destroyed Bonds, (2) any Bond surrendered by the Holder thereof in exchange for another Bond or other Bonds under Sections 2.06 and 2.08 hereof, (3) Bonds deemed to have been paid pursuant to Section 8.01 hereof, and (4) Bonds cancelled after purchase in the open market or because of payment at or redemption prior to maturity.

"Paying Agent" shall mean any paying agent for Bonds appointed by or pursuant to resolution of the Governing Body and its successors or assigns, and any other Person which may at any time be substituted in its place pursuant to resolution of the Governing Body.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or governmental entity.

"Pledged Funds" shall mean the Net Revenues, any Connection Charges on deposit in the Current Account and, until applied in accordance with the provisions of this Resolution, the proceeds of the Bonds and all moneys, including investments thereof, in the Revenue Fund and the Debt Service Fund. Pledged Funds shall not include Net Revenues on deposit in the Rebate Fund or Connection Charges on deposit in the Stabilization Account.

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"Prerefunded Obligations" shall mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (1) which are (a) not callable prior to maturity or (b) as to which irrevocable instructions have been given to the fiduciary for such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, and as to which the obligor has reserved no right to call such bonds prior to such redemption date, (2) which are fully secured as to principal, redemption premium, if any, and interest by a fund consisting only of cash or Federal Securities, secured in the manner set forth in Section 8.01 hereof, which fund may be applied only to the payment of such principal of, redemption premium, if any, and interest on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as the case may be, (3) as to which the principal of and interest on the Federal Securities deposited in such fund with any cash on deposit in such fund, are sufficient, as verified by an independent certified public accountant, to pay principal of, redemption premium, if any, and interest on the bonds or other obligations on the maturity date or dates thereof or on the redemption date or dates specified in such irrevocable instructions, and (4) which are rated in the highest rating category of Standard & Poor's Corporation and of Moody's Investors Service.

"Principal Account" shall mean the separate account of that name in the Debt Service Fund established pursuant to Section 4.05 hereof.

"Project" shall mean the Initial Project, Project 1990A, Project 1990B and any Additional Project.

"Project 1990A" shall mean the acquisition, construction and erection of additions and extensions to the System to be made by the Issuer in the vicinity of State Road 16, as more particularly described in and in accordance with certain plans on file or to be on file with the Issuer, with such changes, deletions, additions or modifications to the enumerated improvements, equipment and facilities, or such other improvements, equipment and facilities, as shall be designated and approved by resolution of the Governing Body in accordance with applicable law. Project 1990A shall be an Additional Project.

"Project 1990B" shall mean the acquisition, construction and erection of the additions and extensions to the System described in Section 1.04(A) of Resolution No. ___ adopted by the Issuer on November __, 1990, and in accordance with the certain plans and specifications therefor on file or to be on file with the Issuer, with such changes, deletions, additions or modifications to the enumerated improvements, equipment and facilities, or such other improvements, equipment and facilities, as shall be designated and approved by resolution of the Governing Body in accordance with applicable law. Project 1990B shall be an Additional Project.

"Project Certificate" shall mean that certificate of the Qualified Independent Consultant filed with the Issuer at or prior to the delivery of any Series setting forth the estimated total cost of the Project, the estimated cost of the Expansion Facilities portion of the Project or the Additional Project which shall be financed with the proceeds of such Series, the Expansion Percentage and the Connection Charges Debt Service Component.

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"Reserve Account Requirement" shall mean, as of any date of calculation, an amount of money equal to the lesser of (1) the Maximum Debt Service Requirement, (2) 125% of the average annual Debt Service Requirement, or (3) 10% of the initial proceeds of all Bonds. In computing the Reserve Account Requirement, the interest rate on Variable Rate Bonds shall be assumed to be 9.20% per annum.

"Resolution" and "this Resolution" shall mean this instrument, as the same may from time to time be amended, modified or supplemented by any and all Supplemental Resolutions.

"Revenue Fund" shall mean the Revenue Fund established pursuant to Section 4.05 hereof.

"Securities" shall mean Federal Securities and Prerefunded Obligations.

"Serial Bonds" shall mean all of the Bonds other than the Term Bonds.

"Series" shall mean all the Bonds delivered on original issuance in a simultaneous transaction and identified pursuant to Sections 2.01 and 2.02 hereof or in a Supplemental Resolution authorizing the issuance by the Issuer of such Bonds as a separate Series, regardless of variations in maturity, interest rate, Amortization Installments or other provisions.

"Series 1989 Bonds" shall mean the Issuer's Water and Sewer Revenue Bonds, Series 1989, authorized pursuant to Section 2.02 hereof.

"Stabilization Account" shall mean the separate account in the Connection Charges Fund established pursuant to Section 4.05 hereof.

"Standard and Poor's Corporation" shall mean Standard and Poor's Corporation, the nationally recognized securities rating firm, and any successor and successors thereto; and if such corporation shall be dissolved or liquidated or shall no longer perform securities rating functions, shall mean any other nationally recognized securities rating firm designated by the Issuer and approved by the Insurer and/or the Credit Bank, as applicable.

"State" shall mean the State of Florida.

"Subordinated Indebtedness" shall mean that indebtedness of the Issuer, subordinate and junior to the Bonds, issued in accordance with the provisions of Section 5.01 hereof and any Variable Rate Bonds which become Subordinate Indebtedness in accordance with Section 5.02(F) hereof.

"Supplemental Resolution" shall mean any resolution of the Issuer amending or supplementing this Resolution, adopted and becoming effective prior to the issuance of the Series 1989 Bonds or in accordance with the terms of Sections 4.03, 7.01, 7.02 and 7.03 hereof.

"System" shall mean the complete water facilities now owned, operated and maintained by the Issuer, the Initial Project, every Additional Project and any and all other water and sewer facilities hereafter acquired and operated by the Issuer which shall be expressly declared by resolution of the Governing Body to be part of the System, which System shall also include any and all improvements, extensions and additions to the foregoing which shall be hereafter constructed or acquired, whether

"Qualified Independent Consultant" shall mean one or more qualified and recognized independent consultants, having favorable reputations, skill and experience with respect to the acts and duties required of a qualified independent consultant to be provided to the Issuer, as shall from time to time be retained by the Issuer to perform the acts and carry out the duties herein provided for such consultants. The Qualified Independent Consultant may also be the Consulting Engineers.

"Rates" shall mean the fees and charges which shall be made and collected by the Issuer for the use of the services or facilities of the System. Rates shall be deemed to exclude (1) Connection Charges and (11) non-ad valorem special assessments, including the Assessments.

"Rebate Fund" shall mean the Rebate Fund established pursuant to Section 4.05 hereof.

"Redemption Price" shall mean, with respect to any Bond or portion thereof, the principal amount or portion thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or Supplemental Resolution.

"Refunded Bonds" shall mean the Issuer's outstanding Water Revenue Bond dated June 15, 1981.

"Registrar" shall mean any registrar for the Bonds appointed by or pursuant to resolution of the Governing Body and its successors and assigns, and any other Person which may at any time be substituted in its place pursuant to resolution of the Governing Body.

"Renewal and Replacement Fund" shall mean the Renewal and Replacement Fund established pursuant to Section 4.05 hereof.

"Renewal and Replacement Fund Requirement" shall mean, as of any date of calculation, an amount of money equal to five percent (5%) of the Gross Revenues received by the Issuer in the immediately preceding Fiscal Year or such other greater or lesser sum as shall be recommended to the Issuer by the Qualified Independent Consultant and approved by the Governing Body as a sum appropriate for the Renewal and Replacement Fund considering the purposes thereof as prescribed by this Resolution, the past performance and existing condition of the System and the probable future System usage requirements of the Issuer, in keeping with sound management practices.

"Reserve Account" shall mean the separate account of that name in the Debt Service Fund established pursuant to Section 4.05 hereof.

"Reserve Account Insurance Policy" shall mean the insurance policy deposited in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.06(A)(2)(d).

"Reserve Account Letter of Credit" shall mean a Credit Facility (other than a Reserve Account Insurance Policy) issued by any bank or national banking association, insurance company or other financial institution and then on deposit in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.06(A)(2)(d) hereof.

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the same shall be financed from the proceeds of Bonds or from any other funds or sources, together with all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith. The System includes also the water and sewer facilities of the Anastasia Sanitary District, which facilities were vested in the Issuer by Chapter 90-498, Laws of Florida, Special Acts of 1990.

"Taxable Bond" shall mean any Bond which states, in the body thereof, that the interest income thereon is includable in the gross income of the Holder thereof for Federal income tax purposes or that such interest is subject to Federal income taxation.

"Term Bonds" shall mean those Bonds which shall be designated as Term Bonds hereby or by Supplemental Resolution and which are subject to mandatory redemption by Amortization Installments.

"Variable Rate Bonds" shall mean Bonds issued with a variable, adjustable, convertible or other interest rate which at the date of issue is not fixed as one or more stated percentages for the entire term of such Bonds.

The terms "herein," "hereunder," "hereby," "hereto," "hereof," and any similar terms, shall refer to this Resolution; the term "heretofore" shall mean before the date of adoption of this Resolution; and the term "hereafter" shall mean after the date of adoption of this Resolution.

Words importing the singular number include the plural number, and vice versa.

SECTION 1.02. Authority for Resolution. This Resolution is adopted pursuant to the provisions of the Act.

SECTION 1.03. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of this Resolution shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds and shall be a part of the contract of the Issuer with any Credit Bank and any Insurer. The pledge made in this Resolution and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of the Bonds and for the benefit, protection and security of any Credit Bank and any Insurer. All of the Bonds, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to this Resolution.

SECTION 1.04. Findings. It is hereby ascertained, determined and declared as follows:

(A) The Issuer deems it necessary, desirable and in the best interests of the Issuer that the Initial Project be acquired and constructed and that the Refunded Bonds be refunded, all in the manner hereinafter provided.

(B) The Cost of the Initial Project shall be financed with the proceeds of the Series 1989 Bonds, and the cost of such refunding shall be financed with the proceeds of the Series 1989 Bonds.

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(C) The Issuer deems it necessary, desirable and in the best interest of the Issuer that the Pledged Funds be pledged to the payment of the principal of and interest on the Bonds. No part of the Pledged Funds has been pledged or encumbered in any manner, except that certain of the Pledged Funds have been pledged as security for the Refunded Bonds; and such pledge in favor of the Refunded Bonds shall be extinguished simultaneously with the issuance of the Series 1989 Bonds.

(D) No Bondholder shall ever be entitled to compel the payment of the principal of and interest on the Bonds or any other payments provided for in this Resolution from any funds or revenues of the Issuer other than the sources herein provided in accordance with the terms hereof; nor will any Bondholder or any Credit Bank or any Insurer have the right to compel the exercise of the ad valorem taxing power of the Issuer to pay the principal of or interest on the Bonds or to make any other payments provided for in this Resolution, and the Bonds shall not constitute a lien upon the System or any other property of the Issuer or situated within its territorial limits, except the Pledged Funds.

(E) The Issuer presently levies and collects from each new customer of the System, with respect to additions to the System, at the time such customer requests utilities services, Connection Charges in order to defray the costs of Expansion Facilities. The Issuer deems it necessary, desirable and in the best interest of the Issuer that the Connection Charges be pledged for the payment of the principal of and interest on the Bonds to the extent herein provided.

(F) The Issuer has heretofore, by the adoption of Resolution No. 88-241 and Resolution No. 88-253, authorized the issuance of two issues of bonds to finance the acquisition and construction of the same facilities constituting the Initial Project, with the intent that such bonds be sold and delivered to the United States of America, U.S. Department of Agriculture, Farmers Home Administration. It is in the best interest of the finances and economy of the Issuer that the Initial Project be financed instead in the manner herein provided and, accordingly, it is appropriate that the Issuer repeal said Resolution No. 88-241 and said Resolution No. 88-253.

SECTION 1.05. Initial Project Authorized. The acquisition and construction of the Initial Project in the manner herein provided is hereby authorized.

SECTION 1.06. Refunding Authorized. The refunding of the Refunded Bonds in the manner herein provided is hereby authorized.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS

SECTION 2.01. Authorization of Bonds. The Issuer hereby authorizes the issuance of Bonds of the Issuer to be designated as "St. Johns County, Florida, Water and Sewer Revenue Bonds," which may be issued in one or more Series as hereinafter provided. The aggregate principal amount of the Bonds which may be executed and delivered under this Resolution is not limited except as may hereafter be provided by Supplemental Resolution or as limited by the Act or by other applicable law.

The Bonds may, if and when authorized by the Issuer pursuant to this Resolution or Supplemental Resolution, be issued in one or more Series, with such further appropriate particular designations added to or incorporated in such title for the

Bonds of any particular Series as the Issuer may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

The Bonds shall be payable in lawful money of the United States of America and shall be issued for such purpose or purposes and bear interest at such rate or rates not exceeding the maximum rate permitted by law as shall be determined by this Resolution or by Supplemental Resolution. From and after any maturity date of any of the Bonds (deposit of moneys and/or Securities for the payment of the principal and interest on such Bonds having been made by the Issuer with the Paying Agents), notwithstanding that any of such Bonds shall not have been surrendered for cancellation, no further interest shall accrue upon the principal or upon the interest which shall have accrued and shall then be due on such date, and such Bonds shall cease to be entitled to any lien, benefit or security under this Resolution, and the Holders shall have no rights in respect of such Bonds except to receive payment of such principal and unpaid interest accrued to the maturity date.

The Bonds shall be issued in such denomination or denominations and such form, whether coupon or registered; shall be dated such date or dates; shall bear such numbers; shall be payable at such place or places; shall contain such redemption provisions; shall have such Paying Agents and Registrars; shall mature on June 1 or December 1 in such years and amounts; and the proceeds shall be used in such manner as determined by this Resolution or by Supplemental Resolution. The Issuer may issue Bonds which may be secured by a Credit Facility or by an insurance policy of an Insurer all as shall be determined by this Resolution or by Supplemental Resolution.

SECTION 2.02. Authorization and Description of Series 1989 Bonds. A Series of Bonds entitled to the benefit, protection and security of this Resolution is hereby authorized to be issued by the Issuer in an aggregate principal amount not to exceed \$10,430,000 for the principal purposes of financing a part of the cost of refunding the Refunded Bonds and acquiring and constructing the Initial Project, funding the Reserve Account and paying a part of the costs of issuance incurred with respect to such Series. Such Series shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "St. Johns County, Florida, Water and Sewer Revenue Bonds, Series 1989."

The Series 1989 Bonds shall be dated as of the first day of the month in which occurs the delivery of the Series 1989 Bonds to the purchaser or purchasers thereof or such other date as may be set forth by Supplemental Resolution of the Issuer; shall be issued as fully registered Bonds; and shall be numbered consecutively from one upward in order of maturity preceded by the letter "R;" shall be in such denominations and shall bear interest at a rate or rates not exceeding the maximum rate permitted by law (calculated on the basis of a 360-day year of twelve 30-day months), payable in such manner and on June 1 and December 1 in each year; shall consist of such amounts of Serial Bonds, Term Bonds, Variable Rate Bonds and Capital Appreciation Bonds, maturing in such amounts and on June 1 or December 1 in such years not exceeding forty (40) years from their date; shall be payable in such place or places; shall have such Paying Agents and Registrars; and shall contain such redemption provisions; all as the Issuer shall hereafter provide by Supplemental Resolution.

The principal of or Redemption Price, if applicable, of the Series 1989 Bonds are payable upon presentation and surrender of the Series 1989 Bonds at the office of the Paying Agent. Interest payable on any Series 1989 Bond on any interest

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Date will (except for the final payment of interest which will be paid only upon presentation and surrender of such Series 1989 Bond at the office of the Paying Agent) be paid by check or draft of the Paying Agent to the Holder in whose name such Bond shall be registered at the close of business on the date which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding such Interest Date, or, unless otherwise provided by Supplemental Resolution, at the option of the Paying Agent, and at the request and expense of such Holder, by bank wire transfer for the account of such Holder. In the event the interest payable on any Series 1989 Bond is not punctually paid or duly provided for by the Issuer on such Interest Date, such defaulted interest will be paid to the Holder in whose name such Bond shall be registered at the close of business on a special record date for the payment of such defaulted interest as established by notice to such Holder, not less than ten (10) days preceding such special record date. All payments of principal of or Redemption Price, if applicable, and interest on the Series 1989 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.

SECTION 2.03. Application of Series 1989 Bond Proceeds. Except as otherwise provided by Supplemental Resolution, the proceeds derived from the sale of the Series 1989 Bonds, including accrued interest and premium, if any, shall, simultaneously with the delivery of the Series 1989 Bonds to the purchaser or purchasers thereof, be applied by the Issuer as follows:

(A) Accrued and capitalized interest shall be deposited in the Interest Account.

(B) An amount shall be deposited in the Reserve Account which, together with any moneys and securities on deposit therein and any Reserve Account Insurance Policy and/or Reserve Account Letter of Credit obtained in accordance with Section 4.06(A)(2)(d) hereof, shall equal the Reserve Account Requirement.

(C) The Issuer covenants and agrees to establish a separate account with an Authorized Depository to be known as the "St. Johns County Water and Sewer Revenue Bonds Costs of Issuance Account," which shall be used only for payment of the costs and expenses described in this subsection. A sum sufficient to pay all costs and expenses in connection with the preparation, issuance and sale of the Series 1989 Bonds, including fees of financial advisors, engineering and other consulting fees, legal fees, bond insurance premiums, printing fees, rating agency fees and all other similar costs shall be deposited to the credit of the Costs of Issuance Account, and all such costs and expenses shall be promptly paid by the Issuer to the persons respectively entitled to receive the same. When all moneys on deposit to the credit of the Costs of Issuance Account shall have been disbursed by the Issuer for the payment of such costs and expenses, the Costs of Issuance Account shall be closed; provided, however, that if any balance shall remain in the Costs of Issuance Account six months after issuance of the Series 1989 Bonds, such moneys shall be transferred by the Issuer to the Construction Fund and the Costs of Issuance Account shall be closed. After the Costs of Issuance Account shall be closed, the Issuer may pay from the Construction Fund any unpaid issuance expenses.

(D) The remaining proceeds of the Series 1989A Bonds which, together with the moneys held by the Issuer for the payment of the principal of and interest on the Refunded Bonds and a reserve therefor and interest earnings thereon, shall be sufficient to pay in full the principal of the Refunded Bonds, interest to accrue thereon to the date of maturity or redemption and any premium payable upon redemption

shall be paid by the Issuer to the owners and holders of the Refunded Bonds or deposited with a bank or trust company and held for the benefit of such owners and holders pursuant to an escrow deposit agreement to be executed by the Issuer in favor of such bank or trust company and hereafter provided for by Supplemental Resolution.

(E) The balance of the Series 1989B Bond proceeds shall be deposited in the Construction Fund.

SECTION 2.04. Execution of Bonds. The Bonds shall be executed in the name of the Issuer with the manual or facsimile signature of the Chairman and the official seal of the Issuer shall be imprinted thereon, attested and countersigned with the manual or facsimile signature of the Clerk. In case any one or more of the officers who shall have signed or sealed any of the Bonds or whose facsimile signature shall appear thereon shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such Bond shall hold the proper office of the Issuer, although at the date of such Bond such person may not have held such office or may not have been so authorized. The Issuer may adopt and use for such purposes the facsimile signatures of any such persons who shall have held such offices at any time after the date of the adoption of this Resolution, notwithstanding that either or both shall have ceased to hold such office at the time the Bonds shall be actually sold and delivered.

SECTION 2.05. Authentication. No Bond of any Series shall be secured hereunder or entitled to the benefit hereof or shall be valid or obligatory for any purpose unless there shall be manually endorsed on such Bond a certificate of authentication by the Registrar or such other entity as may be approved by the Issuer for such purpose. Such certificate on any Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution. The form of such certificate shall be substantially in the form provided in Section 2.10 hereof.

SECTION 2.06. Temporary Bonds. Until the definitive Bonds of any Series are prepared, the Issuer may execute, in the same manner as is provided in Section 2.04, and deliver, upon authentication by the Registrar pursuant to Section 2.05 hereof, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in denominations authorized by the Issuer by resolution of the Governing Body, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Issuer, at its own expense, shall prepare and execute definitive Bonds, which shall be authenticated by the Registrar. Upon the surrender of such temporary Bonds for exchange, the Registrar, without charge to the Holder thereof, shall deliver in exchange therefor definitive Bonds, of the same aggregate principal amount and Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution. All temporary Bonds surrendered in exchange for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith cancelled by the Registrar.

SECTION 2.07. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Issuer may, in its discretion, issue and deliver, and the Registrar shall authenticate, a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder furnishing the Issuer and the Registrar proof of such Holder's ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer and the Registrar may incur. All Bonds so surrendered or otherwise substituted shall be cancelled by the Registrar. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same or cause the Bond to be paid, upon being indemnified as aforesaid, and if such Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section 2.07 shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Bond be at any time found by anyone, and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien on the Pledged Funds to the same extent as all other Bonds issued hereunder and shall be entitled to the same benefits and security as the Bond so lost, stolen or destroyed.

SECTION 2.08. Interchangeability, Negotiability and Transfer. Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder thereof or such Holder's attorney duly authorized in writing, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Bonds of the same Series and maturity of any other authorized denominations.

The Bonds issued under this Resolution shall be and have all the qualities and incidents of negotiable instruments under the laws of the State of Florida, subject to the provisions for registration and transfer contained in this Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Issuer shall maintain and keep, at the office of the Registrar, books for the registration and transfer of the Bonds.

Each Bond shall be transferable only upon the books of the Issuer, at the office of the Registrar, under such reasonable regulations as the Issuer may prescribe, by the Holder thereof in person or by such Holder's attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed and guaranteed by the Holder or such Holder's duly authorized attorney. Upon the transfer of any such Bond, the Issuer shall issue, and cause to be authenticated, in the name of the transferee a new Bond or Bonds of the same aggregate principal amount and Series and maturity as the surrendered Bond. The Issuer, the Registrar and any Paying Agent or fiduciary of the Issuer may deem and treat the Person in whose name any Outstanding Bond shall be registered upon the books of the Issuer as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if applicable, and interest on such Bond and for all other purposes, and all such payments so made to any such Holder or upon such Holder's order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid and neither the

Issuer nor the Registrar nor any Paying Agent or other fiduciary of the Issuer shall be affected by any notice to the contrary.

The Registrar, in any case where it is not also the Paying Agent in respect to any Series of Bonds, shall forthwith (a) following the fifteenth day of the calendar month next preceding an interest payment date for such Series, (b) following the fifteenth day next preceding the date of first mailing of notice of redemption of any Bonds of such Series, and (c) at any other time as reasonably requested by the Paying Agent of such Series, certify and furnish to such Paying Agent the names, addresses and holdings of Bondholders and any other relevant information reflected in the registration books. Any Paying Agent of any fully registered Bond shall effect payment of interest on such Bonds by mailing a check or draft to the Holder entitled thereto or may, in lieu thereof, upon the request and at the expense of such Holder, transmit such payment by bank wire transfer for the account of such Holder.

In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Issuer shall execute and the Registrar shall authenticate and deliver such Bonds in accordance with the provisions of this Resolution. Execution of Bonds by the Chairman and the Clerk for purposes of exchanging, replacing or transferring Bonds may occur at the time of the original delivery of the Series of which such Bonds are a part. All Bonds surrendered in any such exchanges or transfers shall be cancelled by the Registrar. For every such exchange or transfer of Bonds, the Issuer or the Registrar may make a charge sufficient to reimburse it for any tax, fee, expense or other governmental charge required to be paid with respect to such exchange or transfer. The Issuer and the Registrar shall not be obligated to make any such exchange or transfer of any Bonds which shall have been selected for redemption or of Bonds of any Series during the fifteen (15) days next preceding an Interest Date on the Bonds of such Series (other than Capital Appreciation Bonds and Variable Rate Bonds), or, in the case of any proposed redemption of Bonds, during the fifteen (15) days next preceding the date of selection of Bonds to be redeemed.

The Issuer may elect to issue any Bonds as uncertificated registered public obligations (not represented by instruments), commonly known as book-entry obligations, provided it shall establish a system of registration thereof by resolution of the Governing Body.

Upon the occurrence of an Event of Default which would require financial Guaranty, as defined in Section 5.16 hereof, to make payments under its Bond Insurance Policy, Financial Guaranty and its designated agent shall be provided with access to the registration books of the Issuer.

SECTION 2.09. Coupon Bonds. The Issuer, at its discretion, may by Supplemental Resolution authorize the issuance of Coupon Bonds, registrable as to principal only or as to both principal and interest. Such Supplemental Resolution shall provide for the negotiability, transfer, interchangeability, denominations and form of such Bonds and coupons appertaining thereto. Coupon Bonds (other than Taxable Bonds) shall only be issued if an opinion of Bond Counsel is received to the effect that issuance of such Coupon Bonds will not adversely affect the exclusion of the interest payable on such Bonds from gross income for federal income tax purposes.

SECTION 2.10. Form of Bonds. Except as otherwise provided pursuant to Section 2.09 hereof and except for Capital Appreciation Bonds and Variable Rate Bonds, the form of which shall be provided by Supplemental Resolution, the Bonds shall be in substantially the following form with such omissions, insertions and

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variations as may be necessary and/or desirable and approved by the Chairman or the Clerk prior to the issuance thereof (which necessary and/or desirability and approval shall be evidenced conclusively by the Issuer's delivery of the Bonds to the purchaser or purchasers thereof):

[FORM OF BONDS INTENTIONALLY OMITTED]

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ARTICLE III

REDEMPTION OF BONDS

SECTION 3.01. Privilege of Redemption. The terms of this Article III shall apply to redemption of Bonds other than Capital Appreciation Bonds or Variable Rate Bonds. The terms and provisions relating to redemption of Capital Appreciation Bonds and Variable Rate Bonds shall be provided by Supplemental Resolution.

SECTION 3.02. Selection of Bonds to be Redeemed. The Bonds shall be redeemed only in the principal amount of \$5,000 each and integral multiples thereof. The Issuer shall, at least sixty (60) days prior to the redemption date (unless a shorter time period shall be satisfactory to the Registrar) notify the Registrar of such redemption date and of the principal amount of Bonds to be redeemed. For purposes of any redemption of less than all of the Outstanding Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected not more than forty-five (45) days prior to the redemption date by the Registrar from the Outstanding Bonds of the maturity or maturities designated by the Issuer by such method as the Registrar shall deem fair and appropriate and which may provide for the selection for redemption of Bonds or portions of Bonds in principal amounts of \$5,000 and integral multiples thereof.

If less than all of the Outstanding Bonds of a single maturity are to be redeemed, the Registrar shall promptly notify the Issuer and Paying Agent (if the Registrar is not the Paying Agent for such Bonds) in writing of the Bonds or portions of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

SECTION 3.03. Notice of Redemption. Unless waived by any Holder of Bonds to be redeemed, notice of any redemption made pursuant to this section shall be given by the Registrar on behalf of the Issuer by mailing a copy of an official redemption notice by registered or certified mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption to each Holder of Bonds to be redeemed at the address of such Holder shown on the registration books maintained by the Registrar or at such other address as shall be furnished in writing by such Holder to the Registrar; provided, however, that no defect in any notice given pursuant to this section to any Holder of Bonds to be redeemed nor failure to give such notice shall in any manner defeat the effectiveness of a call for redemption as to all other Holders of Bonds to be redeemed.

Every official notice of redemption shall be dated and shall state:

- (1) the redemption date,
- (2) the Redemption Price,
- (3) if less than all outstanding Bonds are to be redeemed, the number (and, in the case of a partial redemption of any Bond, the principal amount) of each Bond to be redeemed,
- (4) that on the redemption date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and

(5) that such Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment of the Redemption Price plus accrued interest at the office of the Paying Agent.

Prior to any redemption date, the Issuer shall deposit with the Paying Agent an amount of money sufficient to pay the Redemption Price of and accrued interest on all the Bonds or portions of Bonds which are to be redeemed on that date; provided, however, that redemption of Bonds, other than mandatory sinking fund redemptions and other than pursuant to the application of refunding bond proceeds, shall be made only from and to the extent of funds on deposit with the Paying Agent, or other paying agent with respect to such Bonds, and available for such purpose on the date the official notice of redemption is mailed.

In addition to the foregoing notice, further notice shall be given by the Issuer as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

(1) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (a) the CUSIP numbers of all Bonds being redeemed; (b) the date of issue of the Bonds as originally issued; (c) the rate of interest borne by each Bond being redeemed; (d) the maturity date of each Bond being redeemed; and (e) any other descriptive information needed to identify accurately the Bonds being redeemed.

(2) Each further notice of redemption shall be sent at least thirty-five (35) days before the redemption date by registered or certified mail or overnight delivery service to any Insurer which shall have insured, or any Credit Bank which shall have provided a Credit Facility for, any of the Bonds being redeemed and to all registered securities depositories then in the business of holding substantial amounts of obligations of types similar to the type of which the Bonds consist (such depositories now being Depository Trust Company of New York, New York, Midwest Securities Trust Company of Chicago, Illinois, Pacific Securities Depository Trust Company of San Francisco, California, and Philadelphia Depository Trust Company of Philadelphia, Pennsylvania) and to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

(3) Each such further notice shall be published one time in the Bond Buyer of New York, New York or, if such publication is impractical or unlikely to reach a substantial number of the Holders of the Bonds, in some other financial newspaper or journal which regularly carries notices of redemption of obligations similar to the Bonds, such publication to be made at least 30 days prior to the date fixed for redemption.

SECTION 3.04. Redemption of Portions of Bonds. Any Bond which is to be redeemed only in part shall be surrendered at any place of payment specified in the notice of redemption (with due endorsement by, or written instrument of transfer in form satisfactory to the Registrar duly executed by, the Holder thereof or such Holder's attorney duly authorized in writing) and the Issuer shall execute and the Registrar shall authenticate and deliver to the Holder of such Bond, without service

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SECTION 4.04. Construction Fund. The Issuer covenants and agrees to establish a separate fund with an Authorized Depository to be known as the "St. Johns County Water and Sewer System Construction Fund," which shall be used only for payment of the Costs of Projects. Moneys in the Construction Fund, until applied in payment of any item of the Cost of a Project in the manner hereinafter provided, shall be held in trust by the Issuer and shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders.

There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of this Resolution or Supplemental Resolution, and there may be paid into the Construction Fund, at the option of the Issuer, any moneys received for or in connection with a Project by the Issuer from any other source.

The Issuer shall establish within the Construction Fund a separate account for the Initial Project and each Additional Project, the Cost of which is to be paid in whole or in part out of the Construction Fund.

The proceeds of insurance maintained pursuant to this Resolution against physical loss of or damage to a Project, or of contractors' performance bonds with respect thereto pertaining to the period of construction thereof, shall be deposited into the appropriate account of the Construction Fund.

The Issuer covenants that the acquisition and construction of each Project will be completed without delay and in accordance with sound engineering practices. The Issuer shall make disbursements or payments from the Construction Fund to pay the Cost of a Project upon the filing with the Clerk of documents and/or certificates signed by an Authorized Issuer Officer stating with respect to each disbursement or payment to be made: (1) the item number of the payment, (2) the name and address of the Person to whom payment is due, (3) the amount to be paid, (4) the Construction Fund account from which payment is to be made, (5) the purpose, by general classification, for which payment is to be made, and (6) that (A) each obligation, item of cost or expense mentioned therein has been properly incurred, is in payment of a part of the Cost of a Project and is a proper charge against the account of the Construction Fund from which payment is to be made and has not been the basis of any previous disbursement or payment, or (B) each obligation, item of cost or expense mentioned therein has been paid by the Issuer, is a reimbursement of a part of the Cost of a Project, is a proper charge against the account of the Construction Fund from which payment is to be made, has not been theretofore reimbursed to the Issuer or otherwise been the basis of any previous disbursement or payment and the Issuer is entitled to reimbursement thereof. The Clerk shall retain all such documents and/or certificates of the Authorized Issuer Officers for seven (7) years from the dates of such documents and/or certificates. The Clerk shall make available the documents and/or certificates at all reasonable times for inspection by any Holder of any of the Bonds or the agent or representative of any Holder of any of the Bonds.

The date of completion of a Project shall be determined by the Authorized Issuer Officer who shall certify such fact in writing to the Governing Body. Promptly after the date of the completion of a Project, and after paying or making provisions for the payment of all unpaid items of the Cost of such Project, the Issuer shall deposit in the following order of priority any balance of moneys remaining in the Construction Fund in (1) another account of the Construction Fund for which the Authorized Issuer Officer has stated that there are insufficient moneys present to pay

charge, a new Bond or Bonds, of the same interest rate and maturity, and of any authorized denomination as requested by such Holder, in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bonds so surrendered.

SECTION 3.05. Payment of Redeemed Bonds. Official notice of redemption having been given substantially as aforesaid, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar and/or Paying Agent at the appropriate Redemption Price, plus accrued interest. Each check or other transfer of funds issued by the Registrar and/or Paying Agent for the purpose of the payment of the Redemption Price of Bonds being redeemed shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. All Bonds which have been redeemed shall be cancelled by the Registrar and shall not be re-issued.

ARTICLE IV

SECURITY, SPECIAL FUNDS AND APPLICATION THEREOF

SECTION 4.01. Bonds not to be Indebtedness of Issuer. The Bonds shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of any constitutional or statutory provision, but shall be special obligations of the Issuer, payable solely from and secured by a lien upon and pledge of the Pledged Funds in accordance with the terms of this Resolution. No Holder of any Bond or any Credit Bank or any Insurer shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer to pay such Bond or be entitled to payment of such Bond from any moneys of the Issuer except the Pledged Funds, in the manner provided herein.

SECTION 4.02. Security for Bonds. The payment of the principal of or Redemption Price, if applicable, and interest on the Bonds shall be secured forthwith equally and ratably by a pledge of and lien upon the Pledged Funds. The Pledged Funds shall be subject to the lien of this pledge immediately upon the issuance and delivery of the Series 1989 Bonds, without any physical delivery by the Issuer of the Pledged Funds or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind against the Issuer, in contract or otherwise. The Issuer does hereby irrevocably pledge the Pledged Funds in the manner provided in this Resolution to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds.

SECTION 4.03. Additional Security. Anything herein to the contrary notwithstanding, however, the Issuer may cause any Series of Bonds to be payable from and secured by a Credit Facility or an insurance policy of an Insurer not applicable to any one or more other Series of Bonds, as shall be provided by Supplemental Resolution, in addition to the security of the Pledged Funds provided herein.

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the Cost of the related Project, (2) the Reserve Account, to the extent of a deficiency therein, (3) the Debt Service Fund, and (4) such other fund or account of the Issuer, including those established hereunder, as shall be determined by the Governing Body, provided the Issuer has received an opinion of Bond Counsel to the effect that such transfer shall not adversely affect the exclusion, if any, of interest on the Bonds from gross income for federal income tax purposes.

SECTION 4.05. Funds and Accounts. The Issuer covenants and agrees to establish with one or more Authorized Depositories separate funds to be known as the "St. Johns County Water and Sewer System Revenue Fund," the "St. Johns County Water and Sewer System Connection Charges Fund," the "St. Johns County Water and Sewer System Operation and Maintenance Fund," the "St. Johns County Water and Sewer Revenue Bonds Debt Service Fund," the "St. Johns County Water and Sewer System Renewal and Replacement Fund," and the "St. Johns County Water and Sewer Revenue Bonds Rebate Fund." The Issuer shall maintain in the Debt Service Fund four accounts: the "Interest Account," the "Principal Account," the "Bond Amortization Account," and the "Reserve Account." Moneys in the Debt Service Fund, until applied in accordance with the provisions hereof, shall be subject to a lien and charge in favor of the Holders and for the further security of the Holders. The Issuer shall maintain in the Connection Charges Fund two accounts: the "Current Account" and the "Stabilization Account."

The Issuer shall at any time and from time to time appoint one or more Authorized Depositories to hold, for the benefit of the Issuer and/or the Bondholders, any one or more of the funds and accounts established hereby. Such depository or depositories shall perform at the direction of the Issuer the duties of the Issuer in depositing, transferring and disbursing moneys to and from each of such funds and accounts as herein set forth, and all records of such depository in performing such duties shall be open at all reasonable times to inspection by the Issuer and its agent and employees.

SECTION 4.06. Flow of Funds.

(A) **Cross Revenues and Connection Charges.** The Issuer shall deposit the Connection Charges into the Current Account, promptly upon the receipt thereof, until an amount equal to the Connection Charges Debt Service Components for the then current Bond Year shall have been deposited into the Current Account in such Bond Year. After an amount equal to such Connection Charges Debt Service Components shall have been deposited into the Current Account in such Bond Year, the Issuer shall deposit additional Connection Charges received in such Bond Year into the Stabilization Account.

On or before the last day of each month, commencing with the month in which delivery of the Series 1989 Bonds shall be made to the purchasers thereof, all or any portion of the moneys in the Current Account may, at the option of the Issuer, be deposited or credited to the Debt Service Fund in the manner described in part (2) hereof; provided, however, that such moneys shall be deposited or credited to the Debt Service Fund in the manner described in part (2) hereof in the event that moneys in the Revenue Fund are insufficient or unavailable to make all of the deposits into the Debt Service Fund required by part (2) hereof. The balance of any moneys remaining in the Current Account after such deposits, if any, shall be transferred to the Stabilization Account.

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Moneys in the Stabilization Account may, to the extent such moneys are lawfully available for such purpose, be applied only (i) to the Current Account in an amount which shall not exceed the Connection Charges Debt Service Components for the then current Bond Year, less amounts previously transferred from the Current Account to the Debt Service Fund during such Bond Year, (ii) to the purchase or redemption of Bonds or (iii) to the Issuer, from time to time, for the acquisition and construction of Expansion Facilities.

Notwithstanding anything to the contrary contained in this Resolution, the aggregate amount of Connection Charges applied and allocated to the aggregate Debt Service Requirements for the Bonds shall never exceed the aggregate Connection Charges Debt Service Components for the Bonds.

The Issuer shall deposit all Gross Revenues into the Revenue Fund, promptly upon the receipt thereof. On or before the last day of each month, commencing with the month in which delivery of the Bonds shall be made to the purchasers thereof, the moneys in the Revenue Fund shall be deposited or credited in the following manner and in the following order of priority:

(1) Operation and Maintenance Fund. The Issuer shall deposit into or credit to the Operation and Maintenance Fund such sum as shall be necessary to cause the moneys in the Operation and Maintenance Fund to be sufficient to pay Operating Expenses for the next succeeding month according to the Annual Budget; provided, however, that subject always to the provisions of Section 5.06 hereof, the Issuer shall transfer moneys from the Revenue Fund to the Operation and Maintenance Fund at any time to pay Operating Expenses to the extent there shall be a deficiency in the moneys in the Operation and Maintenance Fund for such purpose. Moneys in the Operation and Maintenance Fund shall be paid out from time to time by the Issuer to pay reasonable and necessary Operating Expenses as and when the same shall be incurred.

(2) Debt Service Fund. Next, the Issuer shall deposit into or credit to the Debt Service Fund, from moneys in the Revenue Fund and/or the Current Account, such sums which, together with the moneys deposited into or credited to the Debt Service Fund from the Assessment Fund pursuant to the provisions of part (7) of this subsection (A), shall be sufficient to make all of the deposits, transfers and payments described in this part (2). The moneys on deposit in the Debt Service Fund shall be applied by the Issuer in the manner provided herein solely for the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds, including Assessments Redemption Bonds, and for the purchase of, and reinstatement of the maximum limits of, any Reserve Account Insurance Policy and/or Reserve Account Letter of Credit, and shall not be available for any other purpose. The moneys transferred to the Debt Service Fund from the Assessments Fund, the Revenue Fund and the Current Account shall be deposited or credited in the following manner and in the following order of priority:

(a) Interest Account. The Issuer shall deposit into or credit to the Interest Account the sum which, together with the surplus moneys in the Interest Account not theretofore allocated to supplement any previous monthly deposit to the credit of the Interest Account, will be sufficient to pay one-sixth (1/6) of all interest coming due on the Bonds on the next Interest Date, plus the full balance of any continuing deficiencies in prior deposits to the Interest Account. Moneys in the Interest Account shall be applied by the Issuer to pay interest on the Bonds as and

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in the case of Term Bonds maturing on an Amortization Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Amortization Installment. The Issuer shall pay out of the Bond Amortization Account and the Interest Account to the respective Paying Agents, on or before the day preceding such redemption date (or maturity date), the amount required for the redemption (or for the payment of such Term Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Term Bonds shall be paid by the Issuer from the Revenue Fund.

(d) Reserve Account. Next, the Issuer shall deposit into or credit to the Reserve Account such sum, if any, as will be necessary to immediately restore the funds on deposit therein to an amount equal to the Reserve Account Requirement including the reinstatement of any Reserve Account Insurance Policy or Reserve Account Letter of Credit on deposit therein or the cash replacement thereof. On or prior to each Interest Date and each maturity or redemption date for the payment of any principal of the Bonds, moneys in the Reserve Account shall be applied by the Issuer to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds to the extent moneys in the Interest Account, the Principal Account and the Bond Amortization Account shall be insufficient for such purpose. Whenever there shall be surplus moneys in the Reserve Account by reason of a decrease in the Reserve Account Requirement, such surplus moneys shall be deposited by the Issuer into the Interest Account.

Upon the issuance of any Series of Bonds, under the terms, limitations and conditions as herein provided, the Issuer shall provide for the funding of the Reserve Account in an amount equal to the Reserve Account Requirement. Such required amount may be paid in full or in part from the proceeds of such Series of Bonds.

Whenever moneys on deposit in the Reserve Account, together with the other available amounts in the Debt Service Fund, are sufficient to fully pay all Outstanding Bonds (including principal and interest thereon) in accordance with their terms, the funds on deposit in the Reserve Account shall be applied to the payment of Bonds.

Notwithstanding the foregoing provisions, in lieu of the required deposits into the Reserve Account, the Issuer may, at its sole option and discretion, cause to be deposited a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit in an amount equal to the difference between the Reserve Account Requirement applicable thereto and the sums then on deposit in the Reserve Account, if any. Such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be payable to the Paying Agent for such Series (upon the giving of notice as required hereunder) 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 Resolution and available for such purpose. The Issuer providing such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be either (a) an insurer (i) whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in one of the two highest rating categories (without regard to gradations, such as "plus" or "minus" of such categories) by either Standard & Poor's Corporation or Moody's Investors Service, or (ii) who holds one of the two highest policyholder ratings accorded insurers by A. M. Best & Company, or any comparable service, or (b) a commercial bank, insurance company or other financial institution the bonds payable or guaranteed by which have, or whose obligation to pay is guaranteed by a commercial bank, insurance company or other financial institution which has, been assigned a

when the same become due, whether by redemption or otherwise, and for no other purpose. The Issuer shall adjust the amount of the deposit into the Interest Account not later than the month immediately preceding any Interest Date so as to provide sufficient moneys in the Interest Account to pay the interest on the Bonds coming due on such Interest Date.

(b) Principal Account. Next, the Issuer shall deposit into or credit to the Principal Account the sum which, together with the surplus moneys in the Principal Account not theretofore allocated to supplement any previous monthly deposit to the credit of the Principal Account, will be sufficient to pay (i) the principal amount of all Outstanding Bonds other than Term Bonds due and unpaid and (ii) one-twelfth (1/12) of the principal amount of the Bonds other than Term Bonds which shall thereafter mature during the then current Bond Year. Serial Capital Appreciation Bonds (including their respective interest components) shall be payable entirely from moneys in the Principal Account on their respective maturity dates, and deposits or credits to the Principal Account to provide funds for such purpose shall commence in the month which is one year prior to each such maturity date. Moneys in the Principal Account shall be applied by the Issuer to pay the principal of the Bonds other than Term Bonds as and when the same shall mature, and for no other purpose.

(c) Bond Amortization Account. Payments to the Bond Amortization Account shall be on a parity with payments to the Principal Account. Commencing in the month which is one year prior to the due date of each Amortization Installment, the Issuer shall deposit into or credit to the Bond Amortization Account the sum which, together with the balance in said account held for the credit of such Amortization Installment and all Outstanding Term Bonds due and unpaid and not theretofore allocated to supplement any previous monthly deposit, will be sufficient to pay (i) one-twelfth (1/12) of such Amortization Installment and (ii) the full balance of any continuing deficiencies in prior deposits to the Bond Amortization Account for such Amortization Installment and the principal amount of all such Outstanding Term Bonds due and unpaid. Term Capital Appreciation Bonds (including their respective interest components) shall be payable entirely from moneys in the Bond Amortization Account on the respective due dates of the Amortization Installments applicable thereto, and deposits or credits to the Bond Amortization Account to provide funds for such purpose shall commence in the month which is one year prior to each such Amortization Installment due date. Moneys in the Bond Amortization Account shall be applied by the Issuer to purchase or redeem Term Bonds in the manner herein provided, and for no other purpose.

Amounts accumulated in the Bond Amortization Account with respect to any Amortization Installment may be applied by the Issuer, on or prior to the sixtieth (60th) day preceding the due date of such Amortization Installment (i) to the purchase of Term Bonds of the Series and maturity for which such Amortization Installment was established, at a price not greater than the Redemption Price at which such Term Bonds may be redeemed on the first date thereafter on which such Term Bonds shall be subject to redemption, or (ii) to the redemption at the applicable Redemption Price of such Term Bonds. The applicable Redemption Price (or principal amount of maturing Term Bonds) of any Term Bonds so purchased or redeemed shall be deemed to constitute part of the Bond Amortization Account until such Amortization Installment date, for the purposes of calculating the amount of such Account. As soon as practicable after the sixtieth (60th) day preceding the due date of any such Amortization Installment, the Issuer shall proceed to call for redemption on such due date, by causing notice to be given as provided in Section 1.03 hereof, Term Bonds of the Series and maturity for which such Amortization Installment was established (except

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rating by either Moody's Investors Service or Standard & Poor's Corporation in one of the two highest rating categories (without regard to gradations, such as "plus" or "minus" of such categories).

If fifteen (15) days prior to an Interest Date, a principal maturity date or a mandatory redemption date, the Issuer shall determine that a deficiency exists in the amount of moneys available to pay in accordance with the terms hereof interest and/or principal due on Bonds on such date, the Issuer shall immediately notify (a) the Issuer of the applicable Reserve Account Insurance Policy and/or the Issuer of the Reserve Account Letter of Credit, and (b) the Insurer, if any, of the amount of such deficiency and the date on which such payment is due, and shall take all action to cause such Issuer or Insurer to provide moneys which, together with the sum then on deposit in the Reserve Account, are sufficient to pay all amounts due on such interest payment or redemption date.

If a disbursement is made from a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit provided pursuant to this Section 4.06(A)(2)(d), the Issuer shall reinstate the maximum limits of such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit immediately following such disbursement as soon as moneys are available in the Reserve Account in accordance with the provisions of the first paragraph of this Section 4.06(A)(2)(d), by depositing funds in the amount of the disbursement made under such instrument, with the Issuer thereof, together with interest thereon to the date of reimbursement at the rate set forth in such Reserve Account Insurance Policy or such Reserve Account Letter of Credit, but in no case greater than the maximum rate of interest permitted by law. In addition, and in the same manner, the Issuer shall reimburse the Issuer of the Reserve Account Insurance Policy and/or the Issuer of the Reserve Account Letter of Credit for all reasonable expenses incurred by such Issuer in connection with the draw on such Reserve Account Insurance Policy or the Reserve Account Letter of Credit, as the case may be.

The Issuer may evidence its obligation to reimburse the Issuer of any Reserve Account Letter of Credit or Reserve Account Insurance Policy by executing and delivering to such Issuer a promissory note therefor, provided, however, any such note (i) shall not be a general obligation of the Issuer the payment of which is secured by the full faith and credit or taxing power of the Issuer, and (ii) shall be payable solely from moneys available in the Reserve Account in accordance with the provisions of the first paragraph of this Section 4.06(A)(2)(d).

To the extent the Issuer causes to be deposited into the Reserve Account, a Reserve Account Insurance Policy and/or a Reserve Account Letter of Credit for a term of years shorter than the life of the Series of Bonds so insured or secured, then the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit shall provide, among other things, that the Issuer thereof shall provide the Issuer with notice as of each anniversary of the date of the issuance of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit of the intention of the Issuer thereof to either (i) extend the term of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit beyond the expiration dates thereof, or (ii) terminate the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit on the initial expiration dates thereof or such other future date as the Issuer thereof shall have established. If the Issuer of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit notifies the Issuer pursuant to clause (ii) of the immediately preceding sentence or if the Issuer terminates the Reserve Account Letter of Credit and/or Reserve Account Insurance Policy, then the

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Issuer shall deposit into the Reserve Account pursuant to the first sentence of this Section 4.06(A)(2)(d), during the first full calendar month following the date on which such notice of intent to terminate is received by the Issuer and in each succeeding month, such sums as shall be sufficient to pay each month an amount equal to a fraction, the numerator of which is one (1) and the denominator of which is equal to the number of months remaining in the term of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit, of the portion of the Reserve Account Requirement covered by the Reserve Account Letter of Credit and/or the Reserve Account Insurance Policy on the date such notice was received, until the sum on deposit in the Reserve Account, and no later than the expiration of such Reserve Account Insurance Policy and/or such Reserve Account Letter of Credit, shall be equal to the Reserve Account Requirement.

If any Reserve Account Letter of Credit or Reserve Account Insurance Policy shall terminate prior to the stated expiration date thereof, the Issuer agrees that it shall fund the Reserve Account pursuant to the first sentence of this Section 4.06(A)(2)(d), during a period not to exceed twelve (12) months when it shall make consecutive equal monthly payments in order that the amount on deposit in such account at the end of such period shall be equal to the Reserve Account Requirement; provided, the Issuer may at its sole option and discretion, with the prior written consent of the Insurer, if any, obtain a new Reserve Account Letter of Credit or a new Reserve Account Insurance Policy in lieu of making the payments required by this paragraph.

Prior to deposit in the Reserve Account, any Reserve Account Letter of Credit or Reserve Account Insurance Policy shall be approved in writing by any Insurer or Credit Bank and shall conform to such additional or different restrictions as such Insurer or Credit Bank shall reasonably require.

(3) Subordinated Indebtedness. Next, the Issuer shall apply available moneys in the Revenue Fund to the payment of the debt service for any Subordinated Indebtedness.

(4) Renewal and Replacement Fund. Next, whenever the balance on deposit in the Renewal and Replacement Fund shall be less than the Renewal and Replacement Fund Requirement, the Issuer shall deposit into or credit to the Renewal and Replacement Fund the balance of all moneys remaining in the Revenue Fund to the extent necessary to cause the moneys in the Renewal and Replacement Fund to equal the Renewal and Replacement Fund Requirement. If at anytime the balance on deposit in the Renewal and Replacement Fund shall exceed the Renewal and Replacement Fund Requirement, such excess shall be withdrawn by the Issuer from the Renewal and Replacement Fund and deposited into the Revenue Fund. The moneys in the Renewal and Replacement Fund shall be applied by the Issuer to the payment of the cost of extensions, improvements and additions to, or renewals and replacements of the capital assets of, the System, or extraordinary repairs of the System; provided, however, that whenever moneys in the Debt Service Fund shall be insufficient to pay all or any part of the principal of, Redemption Price or interest on any of the Bonds, moneys in the Renewal and Replacement Fund shall first be used to supplement the Debt Service Fund to the extent necessary to prevent a default on the Bonds.

(5) Rebate Fund. Next, the Issuer may, at its option, deposit into or credit to the Rebate Fund the amount described in Section 4.07(A) hereof.

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thereof. Any and all income received by the Issuer from the investment of moneys in the Assessments Fund shall be deposited in the Interest Account.

In the event that Assessments are hereafter pledged to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds or one or more Series of Bonds, the Issuer covenants that it will forthwith, whenever it shall first be timely, adopt all resolutions, hold all hearings and perform all acts which are conditions precedent to and are necessary for the lawful levy and collection of the Assessments. The Issuer covenants that if any Assessment shall be either in whole or in part annulled, vacated or set aside by the judgment of any court, or if the Issuer shall be satisfied that any Assessment is so irregular or defective that the same cannot be enforced or collected, or if the Issuer shall have failed to assess any particular parcel of property which should have been assessed within an area designated by the Issuer for such assessments, the Issuer shall take all steps necessary to cause a new and valid non-ad valorem special assessment to be made against such property; and in any case any such second assessment, or an initial assessment for one that shall have been omitted, shall be either in whole or in part annulled, vacated or set aside or be unenforceable or uncollectible by reason of defect or irregularity, the Issuer shall obtain and make other non-ad valorem special assessments until a valid assessment shall be made.

(B) Discretionary Purchase or Redemption. The Issuer, in its discretion, may use moneys in the Principal Account and the Interest Account to purchase or redeem Bonds coming due on the next principal payment date, provided such purchase or redemption does not adversely affect the Issuer's ability to pay the principal or interest coming due on such principal payment date on the Bonds not so purchased or redeemed.

(C) Deposit with Paying Agent. At least one (1) business day prior to the date established for payment of any principal of or Redemption Price, if applicable, or interest on the Bonds, the Issuer shall withdraw from the Debt Service Fund sufficient moneys to pay such principal or Redemption Price, if applicable, or interest and deposit such moneys with the Paying Agent for the Bonds to be paid.

(D) Reimbursement of Credit Bank. In the case of Bonds secured by a Credit Facility, amounts on deposit in any funds or accounts established for such Bonds may be applied as provided in the applicable Supplemental Resolution to reimburse the Credit Bank for amounts drawn under such Credit Facility to pay the principal of or Redemption Price, if applicable, and interest on such Bonds or to pay the purchase price of any such Bonds which are tendered by the Holders thereof for payment.

SECTION 4.07. Rebate Fund. Amounts on deposit in the Rebate Fund shall be held in trust by the Issuer and used solely to make required rebates to the United States Treasury (except to the extent the same may be transferred to the Revenue Fund) and the Bondholders shall have no right to have the same applied for debt service on the Bonds. The Issuer agrees to undertake all actions required of it in its arbitrage certificate, relating to the Bonds, and other instructions from Bond Counsel, delivered in connection with or subsequent to the issuance of the Bonds, including, but not limited to:

(A) making a determination in accordance with the Code of the amount required to be deposited in the Rebate Fund;

(6) Excess Revenues. Finally, the Issuer may withdraw the balance of all moneys remaining on deposit to the credit of the Revenue Fund and apply the same to any lawful county purpose.

(7) Assessments. The Issuer covenants and agrees to establish with one or more Authorized Depositories a separate fund to be known as the "St. Johns County Water and Sewer Assessments Fund." The Assessments Fund shall be used only for the purposes hereinafter provided. All Assessments shall be deposited by the Issuer into the Assessments Fund promptly upon receipt thereof. As a first charge against moneys at any time on deposit to the credit of the Assessments Fund, the Issuer shall reimburse itself for all expenses incurred by the Issuer in connection with its conduct of the proceedings necessary for the imposition, levy and collection of the Assessments in accordance with applicable law. On or before the last day of each month in every Bond Year, all moneys in the Assessments Fund shall be deposited or credited to the Debt Service Fund until the aggregate amount of all such deposits therein during such Bond Year shall equal all of the installments of the Assessments scheduled to be paid to the Issuer during such Bond Year, and all such moneys thus deposited to the Debt Service Fund shall be applied by the Issuer in the same manner as other moneys therein are applied pursuant to the provisions of part (2) of this subsection (A). On each April 1 and October 1, moneys in the Assessments Fund in excess of the aggregate installments of Assessments scheduled to be paid to the Issuer in the current Bond Year shall be applied by the Issuer, promptly thereafter, to the purchase of Assessments Redemption Bonds, at a price not greater than the Redemption Price at which such Assessments Redemption Bonds may be redeemed on the next succeeding Interest Date (or the principal amount of any such Assessments Redemption Bonds which shall be about to mature on the next succeeding June 1), and/or shall be exhausted by the Issuer, to the maximum extent possible, on such next succeeding Interest Date, by application thereof by the Issuer to the mandatory redemption of Assessments Redemption Bonds. The Issuer shall call for redemption the Assessments Redemption Bonds to be redeemed by causing notice to be given as provided in Section 3.03 hereof. The Issuer shall pay out of the Assessments Fund to the Paying Agent for the Assessments Redemption Bonds to be redeemed (or paid at maturity), on or before the day preceding the redemption date (or maturity date) the amount required to pay the principal of or Redemption Price, if applicable, and interest on the assessments Redemption Bonds to be redeemed (or then maturing), and such amount shall be applied by the Paying Agent to such redemption (or payment). All expenses in connection with the purchase, redemption or payment of Assessments Redemption Bonds shall be paid by the Issuer from the Revenue Fund.

Nothing in this part (7) contained shall be construed to limit the source of payment of the principal of or Redemption Price, if applicable, or interest on the Assessments Redemption Bonds to moneys on deposit in the Assessments Fund, the Assessments Redemption Bonds being secured and payable in the same manner as all other Bonds as provided in part (2) of this subsection (A). After all of the Assessments Redemption Bonds of any Series shall have been retired, whether from moneys of the Debt Service Fund or moneys of the Assessments Fund or both, all funds remaining on deposit to the credit of the account for such Series in the Assessments Fund and all Assessments collected by the Issuer for such Series shall be promptly deposited in the Revenue Fund.

The Assessments Fund shall be continuously secured in the manner by which the deposit of public funds are authorized to be secured by the laws of the State. Moneys on deposit in the Assessments Fund may be invested and reinvested in Authorized Investments maturing not later than thirty (30) days from the date of acquisition

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(B) depositing from moneys in the Revenue Fund or from other moneys of the Issuer derived from sources other than ad valorem taxation and legally available for such purpose the amount determined in clause (A) above into the Rebate Fund;

(C) paying on the dates and in the manner required by the Code to the United States Treasury from the Rebate Fund and any other legally available moneys of the Issuer derived from sources other than ad valorem taxation such amounts as shall be required by the Code to be rebated to the United States Treasury; and

(D) keeping such records of the determinations made pursuant to this Section 4.07 as shall be required by the Code, as well as evidence of the fair market value of any investments purchased with proceeds of the Bonds of the Series of which such accounts were created.

The provisions of the above-described instructions of Bond Counsel may be amended from time to time as shall be necessary, in the opinion of Bond Counsel, to comply with the provisions of the Code.

Public Financial Management, Inc., Philadelphia, Pennsylvania, is hereby appointed to serve as rebate administrator hereunder with respect to every Series of the Bonds until the Issuer shall by resolution appoint as successor rebate administrator any Bond Counsel or any certified public accountant, bank or trust company, or other agent of the Issuer who shall be qualified to assure compliance by the Issuer with the requirements of this section. The rebate administrator is hereby authorized to hire counsel, accountants, and other experts which the rebate administrator may, in its sole discretion, determine advisable for the purpose of obtaining the required calculations of the rebate amounts and determinations as to the due dates for the rebate thereof and other matters necessary for compliance with Section 148(f) of the Code as the same relates to the Bonds. The rebate administrator will not be liable for any loss occasioned by its reliance upon the instructions of such experts or upon the Issuer's certification of the amounts earned on nonpurpose investments, as such term is defined in Section 148(b)(2) of the Code, in which gross proceeds of the Bonds shall be invested. The duties and responsibilities of the rebate administrator may be performed by more than one Person.

SECTION 4.08. Investments. The Construction Fund, the Revenue Fund, the Connection Charges Fund, the Debt Service Fund and the Renewal and Replacement Fund shall be continuously secured in the manner by which the deposit of public funds are authorized to be secured by the laws of the State. Moneys on deposit in the Construction Fund, the Revenue Fund, the Connection Charges Fund, the Operation and Maintenance Fund, the Rebate Fund, the Renewal and Replacement Fund and the Debt Service Fund, other than the Reserve Account, may be invested and reinvested in Authorized Investments maturing not later than the date on which the moneys therein will be needed. Moneys on deposit in the Reserve Account may be invested or reinvested in Authorized Investments which shall mature no later than five (5) years from the date of acquisition thereof.

Any and all income received by the Issuer from the investment of moneys in the Construction Fund, in the Rebate Fund, in the Revenue Fund and in the Reserve Account in the Debt Service Fund (to the extent the amount therein is less than the Reserve Account Requirement) shall be retained in such respective fund or account unless otherwise required by applicable law.

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Any and all income received by the Issuer from the investment of moneys in the Interest Account, the Principal Account and the Bond Amortization Account in the Debt Service Fund, in the Current Account and in the Stabilization Account in the Connection Charges Fund, in the Operation and Maintenance Fund and in the Renewal and Replacement Fund shall be deposited in the Revenue Fund.

Any and all income received by the Issuer from the investment of moneys in the Reserve Account in the Debt Service Fund (to the extent the amount therein is greater than the Reserve Account Requirement) shall be deposited in the Interest Account.

All investments shall be valued at cost. Nothing contained in this Resolution shall prevent any Authorized Investments acquired as investments of or security for funds held under this Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

SECTION 4.09. Separate Accounts. The moneys required to be accounted for in each of the foregoing funds and accounts established herein may be deposited in a single bank account, and funds allocated to the various funds and accounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds and accounts as herein provided.

The designation and establishment of the various funds and accounts in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues for certain purposes and to establish certain priorities for application of such revenues as herein provided.

ARTICLE V

SUBORDINATED INDEBTEDNESS ADDITIONAL BONDS, AND COVENANTS OF ISSUER

SECTION 5.01. Subordinated Indebtedness. The Issuer will not issue any other obligations, except under the conditions and in the manner provided herein, payable from the Pledged Funds or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien thereon in favor of the Bonds and the Interest thereon. The Issuer may at any time or from time to time issue evidences of indebtedness that are not Additional Bonds and that are payable in whole or in part out of the Pledged Funds and which may be secured by a pledge of the Pledged Funds; provided, however, that such pledge shall be, and shall be expressed to be, subordinated in all respects to the pledge of the Pledged Funds created by this Resolution. The Issuer shall have the right to covenant with the holders from time to time of any Subordinated Indebtedness to add to the conditions, limitations and restrictions under which any Additional Bonds may be issued pursuant to Section 5.02 hereof.

SECTION 5.02. Issuance of Additional Bonds. No Additional Bonds, payable from the Pledged Funds on a parity with the Bonds then Outstanding pursuant to this

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Service Requirement for all Outstanding Bonds and such Additional Bonds then proposed to be issued, excluding all Outstanding and proposed Assessments Redemption Bonds, and (d) such Net Revenues, adjusted as provided in Section 5.02(E) hereof, not taking into account Assessments or Connection Charges, equal at least one hundred ten percent (110%) of the Maximum Debt Service Requirement for all Outstanding Bonds and such Additional Bonds then proposed to be issued, excluding all Outstanding and proposed Assessments Redemption Bonds; and (5) stating that no Event of Default was disclosed in the report of the most recent Annual Audit, or if such Event of Default was so disclosed, that it shall have been cured.

(C) In computing Maximum Debt Service Requirement for purposes of this Section 5.02, the interest rate on outstanding Variable Rate Bonds, and on additional parity Variable Rate Bonds then proposed to be issued, shall be deemed to be the Maximum Interest Rate applicable thereto.

(D) For the purposes of this Section 5.02, the phrase "Immediately preceding Fiscal Year or any twelve (12) consecutive months selected by the Issuer of the twenty-four (24) months immediately preceding the Issuance of such Additional Bonds" shall be sometimes referred to as "twelve consecutive months."

(E) The Net Revenues and the Connection Charges deposited into the Current Account may be adjusted by the Independent certified public accountant, at the option of the Issuer, as follows:

(1) If the Issuer, prior to the issuance of the proposed Additional Bonds but not prior to the beginning of such twelve consecutive months, shall have increased the Rates and/or shall have begun to derive revenues from newly constructed or acquired facilities of the System or from a new contract with any public or private entity for residential and/or business use of the facilities and services of the System, which contract shall have a duration not less than the final maturity of such Additional Bonds ("capacity agreement"), the Net Revenues for the twelve consecutive months shall be adjusted to show the Net Revenues which would have been derived in such twelve consecutive months if such increased Rates had been in effect and/or such new facilities and/or such capacity agreement had produced revenues during all of such twelve consecutive months.

(2) In the event the Issuer shall have completed additions, extensions or improvements to the System prior to the Issuance of the proposed Additional Bonds but not prior to the beginning of such twelve consecutive months and/or shall be constructing or acquiring additions, extensions or improvements to the System to be financed wholly or in part from the proceeds of such Additional Bonds or from any other source, and/or shall have entered into a capacity agreement, from which capacity agreement and/or from which Project or Projects the Issuer expects to derive revenues within three (3) years after Issuance of such Additional Bonds, such Net Revenues may be adjusted by adding thereto the net revenues estimated by the Consulting Engineers to be derived by reason of such capacity agreement during the first twelve (12) months the Issuer shall receive income thereunder and/or to be derived from existing occupied residential and business development during the first twelve (12) months of operation of such Project or Projects after completion of the construction or acquisition thereof.

(3) If the Issuer, in connection with the issuance of Additional Bonds, shall enter into a capacity agreement, then the Net Revenues of the System during the twelve (12) consecutive months shall be increased by the least amount to be paid to

Resolution, shall be issued except upon the conditions and in the manner herein provided. The Issuer may issue one or more Series of Additional Bonds for any one or more of the following purposes: financing the Cost of an Additional Project, or the completion thereof or of the Initial Project, or refunding any or all Outstanding Bonds or of any Subordinated Indebtedness of the Issuer.

No such Additional Bonds shall be issued unless the following conditions are complied with:

(A) The Issuer shall certify that it is current in all deposits into the various funds and accounts established hereby and all payments theretofore required to have been deposited or made by it under the provisions of this Resolution and has complied with the covenants and agreements of this Resolution.

(B) There shall have been obtained and filed with the Issuer a certificate of an independent certified public accountant: (1) stating that he has examined the books and records of the Issuer relating to the collection and receipt of the Gross Revenues, the Connection Charges and the Assessments; (2) stating for the immediately preceding Fiscal Year or any twelve (12) consecutive months selected by the Issuer of the twenty-four (24) months immediately preceding the Issuance of such Additional Bonds the amount of the Net Revenues, the amount of the Connection Charges deposited into the Current Account and, as to each separate lot of Assessments which shall have been levied for a Project or a part of a Project, the dollar amount of the Assessments deposited into the Assessments Fund, and stating, for each separate lot of Assessments which shall have been levied for a Project or a part of a Project, the dollar amount of the portion of such lot of Assessments to become due and payable to the Issuer during the first full Fiscal Year after the issuance of such Additional Bonds in which installments of such lot of Assessments shall be payable; (3) if no Assessments shall be pledged to the Outstanding Bonds or such Additional Bonds then proposed to be issued, stating that (a) such Net Revenues and such Connection Charges, each adjusted as provided in Section 5.02(E) hereof, equal at least one hundred twenty percent (120%) of the Maximum Debt Service Requirement for all Outstanding Bonds and such Additional Bonds then proposed to be issued, and (b) such Net Revenues, adjusted as provided in Section 5.02(E) hereof, not taking into account Connection Charges, equal at least one hundred ten percent (110%) of the Maximum Debt Service Requirement for all Outstanding Bonds and such Additional Bonds then proposed to be issued; (4) if Assessments shall be pledged to the Outstanding Bonds or such Additional Bonds then proposed to be issued, stating that (a) such Net Revenues, adjusted as provided in Section 5.02(E) hereof, together with the dollar amount of the portion of each lot of Assessments to become due and payable during the first full Fiscal Year after the issuance of such Additional Bonds in which installments of such lot of Assessments shall be payable, but (except for the first Fiscal Year in which such lot of Assessments shall be billed) not exceeding the dollar amount of the portion of such lot of Assessments deposited in the Assessments Fund as stated pursuant to clause (2) of this paragraph, and such Connection Charges, adjusted as provided in Section 5.02(E) hereof, equal at least one hundred twenty percent (120%) of the Maximum Debt Service Requirement for all Outstanding Bonds and such Additional Bonds then proposed to be issued, (b) such Net Revenues, adjusted as provided in Section 5.02(E) hereof, and the amount of the Assessments allowed under clause (4)(a) of this paragraph, without taking into account Connection Charges, equal at least one hundred ten percent (110%) of the Maximum Debt Service Requirement for all Outstanding Bonds and such Additional Bonds then proposed to be issued, (c) such Net Revenues and such Connection Charges, each adjusted as provided in Section 5.02(E) hereof, without taking into account Assessments, equal at least one hundred twenty percent (120%) of the Maximum Debt

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the Issuer in any one year thereunder, after deducting therefrom the proportion of operating expenses and repair, renewal and replacement cost attributable in such year to such capacity agreement.

(4) In the event the Issuer shall be constructing or acquiring additions, extensions or improvements to the System from the proceeds of such Additional Bonds and shall have entered into any capacity agreement and/or established fees, rates or charges to be charged and collected from users of such facilities when service is rendered, such Net Revenues and such Connection Charges may be adjusted by adding thereto the Net Revenues and the Connection Charges (in an amount not exceeding the Connection Charges Debt Service Component for the proposed Additional Bonds for the first Bond Year commencing after completion of the construction or acquisition of said additions, extensions and improvements) estimated by the Consulting Engineers to be derived during the first twelve (12) months of operation after completion of the construction or acquisition of said additions, extensions and improvements pursuant to such capacity agreement and/or from existing residential and business users of the facilities to be financed by such Additional Bonds together with other funds on hand or lawfully obtained for such purpose.

(F) Additional Bonds shall be deemed to have been issued pursuant to this Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to this Resolution; provided, however, any Supplemental Resolution authorizing the issuance of Additional Bonds may provide that any of the covenants herein contained will not be applicable to such Additional Bonds, provided that such provision shall not, in the opinion of Bond Counsel, adversely affect the rights of any Bonds which shall then be Outstanding. Except as provided in Sections 4.02 and 4.06 hereof, all Bonds, regardless of the time or times of their Issuance, shall rank equally with respect to their lien on the Pledged Funds and their sources and security for payment therefrom without preference of any Bonds over any other; provided, however, that the Issuer shall include a provision in any Supplemental Resolution authorizing the issuance of Variable Rate Bonds pursuant to this Section 5.02 that in the event the principal thereof is accelerated due to such Bonds being held by the Issuer of a Credit Facility, the lien of such Bonds on the Pledged Funds shall be subordinate in all respects to the pledge of the Pledged Funds created by this Resolution.

(G) In the event any Additional Bonds are issued for the purpose of refunding any Bonds then Outstanding, the conditions of this Section 5.02 shall not apply, provided that the Issuance of such Additional Bonds shall not result in an increase in the aggregate amount of principal of and interest on the Outstanding Bonds becoming due in the current Fiscal Year and all subsequent Fiscal Years. The conditions of Section 5.02(B) hereof shall apply to Additional Bonds issued to refund Subordinated Indebtedness and to Additional Bonds issued for refunding purposes which cannot meet the conditions of this paragraph.

(H) In the event that the total amount of the Bonds herein authorized to be issued are not issued simultaneously, such Bonds which are subsequently issued shall be subject to the conditions of Section 5.02(B) hereof.

(I) In addition to all of the other requirements specified in this Section 5.02, the Issuer must comply with any applicable provisions of any financing documents

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relating to outstanding Subordinated Indebtedness to the extent such provisions impact on the ability of the Issuer to issue additional Bonds.

SECTION 5.03. Bond Anticipation Notes. The Issuer may issue notes in anticipation of the issuance of Bonds which shall have such terms and details and be secured in such manner, not inconsistent with this Resolution, as shall be provided by resolution of the Issuer.

SECTION 5.04. Accession of Subordinated Indebtedness to Parity Status with Bonds. The Issuer may provide for the accession of Subordinated Indebtedness to the status of complete parity with the Bonds, if (A) the Issuer shall meet all the requirements imposed upon the issuance of additional Bonds by Section 5.02 hereof, assuming, for purposes of said requirements, that such Subordinated Indebtedness shall be additional Bonds, and (B) the Issuer shall provide for the funding of the Reserve Account, upon such accession, in an amount equal to the increase in the amount of the Reserve Account Requirement occasioned by such accession in accordance with Section 4.06(A)-(2)(d) hereof. If the aforementioned conditions are satisfied, the Subordinated Indebtedness shall be deemed to have been issued pursuant to this Resolution the same as the Outstanding Bonds, and such Subordinated Indebtedness shall be considered Bonds for all purposes provided in this Resolution.

SECTION 5.05. Operation and Maintenance. The Issuer will maintain or cause to be maintained the System and all portions thereof in good condition and will operate or cause to be operated the same in an efficient and economical manner, making or causing to be made such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof. The Issuer will obtain and renew to the full extent required by applicable law all permits for acquisition, construction and operation of the System.

SECTION 5.06. Annual Budget. The Issuer shall annually prepare and adopt, prior to the beginning of each Fiscal Year, an Annual Budget in accordance with applicable law. No expenditures for Operating Expenses shall be made in any Fiscal Year in excess of the amount provided therefor in the Annual Budget. (A) without a written finding and recommendation by an Authorized Issuer Officer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures, and (B) until the Governing Body shall have approved such finding and recommendation by resolution.

If for any reason the Issuer shall not have adopted the Annual Budget before the first day of any Fiscal Year, other than the first Fiscal Year, the preliminary budget for such Fiscal Year, if it be approved by the Consulting Engineers, shall be deemed to be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year shall be adopted; and if the preliminary budget shall not have been approved by the Consulting Engineers, the Annual Budget for the preceding Fiscal Year shall be deemed to continue in effect.

The Issuer may at any time adopt an amended Annual Budget for the then current Fiscal Year, but no such amended Annual Budget shall supersede any prior budget until it shall be approved by the Consulting Engineers as being, in their opinion, reasonable and necessary.

The Issuer shall mail copies of such Annual Budgets and amended Annual Budgets and all resolutions authorizing increased expenditures for Operating Expenses to any Holder who shall file an address with the Clerk and request in writing that

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(4) Net Revenues in such Fiscal Year, not taking into account Assessments or Connection Charges, equal to at least one hundred ten percent (110%) of the amount obtained by reducing the Debt Service Requirement for the Bond Year ending in such Fiscal Year by the amount of the debt service for all Assessments Redemption Bonds and at least one hundred percent (100%) of any amounts required by the terms hereof to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year. Such Rates shall not be so reduced that the same will be insufficient to provide Net Revenues in each Fiscal Year fully adequate for the purposes provided therefor by this Resolution, provided, however, anything herein to the contrary notwithstanding, no provision hereof shall be construed to obligate the Issuer to impose or, once imposed, continue Connection Charges; but at any time and while Connection Charges shall be in effect and imposed by the Issuer, the same shall be pledged hereunder to the extent provided herein.

The Issuer covenants and agrees that prior to the beginning of each Fiscal Year, whenever the Rates which shall be projected by the Annual Budget proposed for such Fiscal Year shall be insufficient for the coverages required by the first paragraph of this section, the Issuer shall revise the Rates by adopting a schedule thereof by resolution or ordinance in the manner provided by applicable Florida law.

The Issuer further covenants and agrees that after receipt by the Issuer of each Annual Audit, if the Net Revenues shall be shown by such Annual Audit to have been insufficient in the Fiscal Year audited for the coverages required by the first paragraph of this section, the Issuer shall, prior to the commencement of the next succeeding Fiscal Year, revise the Rates by adopting a schedule thereof by resolution or ordinance in the manner provided by applicable Florida law, with respect to which revised Rates schedule the Issuer shall have obtained a certificate in writing from an independent firm of certified public accountants of suitable qualifications and experience that (1) had such revised schedule been in effect during such immediately preceding Fiscal Year the coverages required by this section would have been met or exceeded, and (2) had the same been in effect since the beginning of the then current Fiscal Year, (a) based upon the current Annual Budget said coverages would be met or exceeded for such current Fiscal Year and (b) estimated Gross Revenues for such current Fiscal Year as reflected in the current Annual Budget would exceed the actual Gross Revenues received in such immediately preceding Fiscal Year as reflected in such Annual Audit by at least the amount that the estimated Operating Expenses for such current Fiscal Year as reflected in the current Annual Budget shall exceed the actual Operating Expenses during such immediately preceding Fiscal Year as reflected in such Annual Audit. If and whenever the Issuer shall be required to increase the Rates by reason of the provisions of this paragraph, the Issuer shall cause the Consulting Engineers to review its Rates, Gross Revenues, Operating Expenses and methods of operation and to make written recommendations as to the means, including further Rate increases, by which the Issuer may best assure Net Revenues in the next succeeding Fiscal Year sufficient for compliance with all of the terms of this Resolution. The Issuer shall implement such recommendations by making any recommended revisions in the Rates in the aforesaid manner, effective at the beginning of the next succeeding Fiscal Year or as soon thereafter as shall be possible, and by taking any other recommended action as soon thereafter as shall be practicable.

The Issuer shall proceed diligently to perform legally and effectively all steps required in the collection of the Connection Charges. Upon the due date of any such Connection Charges, the Issuer shall diligently proceed to collect the same and

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copies of all such Annual Budgets and resolutions be furnished to such Holder and shall make available all such Annual Budgets and resolutions authorizing increased expenditures for Operating Expenses at all reasonable times to any Holder or to any one acting for or on behalf of any Holder. The Issuer shall be permitted to make a reasonable charge for furnishing to any Holder such Annual Budgets and resolutions.

SECTION 5.07. Rates and Connection Charges. The Issuer shall fix, establish, maintain and collect Rates, and revise the same effective at the beginning of each Fiscal Year, in the manner provided in this Section 5.07, to the extent necessary, to provide (A) if no Assessments shall be pledged to the Bonds, (1) Net Revenues in such Fiscal Year, together with any Connection Charges actually on deposit in the Current Account at the beginning of such Fiscal Year, equal to at least one hundred twenty percent (120%) of the Debt Service Requirement for the Bond Year ending in such Fiscal Year and at least one hundred percent (100%) of any amounts required by the terms hereof to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, and (2) Net Revenues in such Fiscal Year, not taking into account Connection Charges, equal to at least one hundred percent (100%) of the Debt Service Requirement for the Bond Year ending in such Fiscal Year and at least one hundred percent (100%) of any amounts required by the terms hereof to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, or (B) if Assessments shall be pledged to the Bonds, (1) Net Revenues in such Fiscal Year, together with the dollar amount of the Assessments to be collected in such Fiscal Year (but as to each separate lot of Assessments levied for any improvements which shall be part of a Project, except for the first Fiscal Year in which such lot of Assessments shall be billed, not exceeding the dollar amount of the portion of such lot of Assessments actually collected by the Issuer in the immediately preceding Fiscal Year) and any Connection Charges actually on deposit in the Current Account at the beginning of such Fiscal Year, equal to at least one hundred twenty percent (120%) of the Debt Service Requirement for the Bond Year ending in such Fiscal Year and at least one hundred percent (100%) of any amounts required by the terms hereof to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, (2) Net Revenues in such Fiscal Year, together with the dollar amount of the Assessments to be collected in such Fiscal Year (but as to each separate lot of Assessments levied for any improvements which shall be part of a Project, except for the first Fiscal Year in which such lot of Assessments shall be billed, not exceeding the dollar amount of the portion of such lot of Assessments actually collected by the Issuer in the immediately preceding Fiscal Year), without taking into account Connection Charges, equal to at least one hundred ten percent (110%) of the Debt Service Requirement for the Bond Year ending in such Fiscal Year and at least one hundred percent (100%) of any amounts required by the terms hereof to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, (3) Net Revenues in such Fiscal Year, together with any Connection Charges actually on deposit in the Current Account at the beginning of such Fiscal Year, without taking into account Assessments, equal to at least one hundred twenty percent (120%) of the amount obtained by reducing the Debt Service Requirement for the Bond Year ending in such Fiscal Year by the amount of the debt service for all Assessments Redemption Bonds and at least one hundred percent (100%) of any amounts required by the terms hereof to be deposited in the Reserve Account or in the Renewal and Replacement Fund or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, and

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shall exercise all legally available remedies to enforce such collections now or hereafter available under State law.

SECTION 5.08. Books and Records. The Issuer will keep books, records and accounts of the receipt of the Pledged Funds in accordance with generally accepted accounting principles, and any Credit Bank, Insurer, or Holder of any Bonds Outstanding or the duly authorized representatives thereof shall have the right at all reasonable times to inspect all books, records and accounts of the Issuer relating thereto.

The Issuer covenants that within one hundred eighty (180) days of the close of each Fiscal Year it will cause to be prepared and filed with the Clerk and mailed to all Credit Banks, Insurers and Holders who shall have filed their names and addresses with the Clerk for such purpose a statement setting forth in respect of the preceding Fiscal Year: (A) the amount of the Pledged Funds received in the preceding Fiscal Year; (B) the total amounts deposited to the credit of each fund and account created under the provisions of this Resolution; (C) the principal amount of all Bonds issued, paid, purchased or redeemed; and (D) the amounts on deposit at the end of such Fiscal Year to the credit of each such fund or account.

SECTION 5.09. Annual Audit. The Issuer shall, immediately after the close of each Fiscal Year, cause the financial statements of the Issuer to be properly audited by a recognized independent firm of certified public accountants, and shall require such accountants to complete their report of such Annual Audit in accordance with applicable law. Such Annual Audits shall contain, but not be limited to, a balance sheet, an income statement, a statement of changes in financial position, a statement of change in retained earnings, a statement of insurance coverage, and any other statements as required by law or accounting convention, and a certificate by such accountants disclosing any material default on the part of the Issuer of any covenant or agreement herein. Each Annual Audit shall be in conformity with generally accepted accounting principles. A copy of each Annual Audit shall regularly be furnished to any Credit Bank, to any Insurer and to any Holder who shall have furnished an address to the Clerk and requested in writing that the same be furnished to such Holder. The Issuer shall be permitted to make a reasonable charge for furnishing to any Holder such Annual Audit.

SECTION 5.10. Mortgage, Sale or Closing of Facilities. The Issuer irrevocably covenants, binds and obligates itself not to sell, lease, encumber or in any manner dispose of any facilities of the System except as provided in this section, until all of the Bonds and all interest thereon shall have been paid in full or provision for payment has been made in accordance with Section 8.01 hereof.

The Issuer shall have and hereby reserves the right to close any facility of the System or part thereof and/or sell, lease or otherwise dispose of any site, facilities or property comprising a part of the System in the manner provided in this Section 5.10, if in the judgment of the Issuer such closing or disposition will not adversely affect the security for the Bondholders and any one of the following conditions exist: (A) such site, facilities or property is not necessary for the operation of the System, (B) such site, facilities or property is not useful in the operation of the System, (C) such site, facilities or property is not profitable in the operation of the System, or (D) in the case of a lease of such site, facilities or property, such lease will be advantageous to the System.

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Prior to the Issuer's closing, sale, lease or other disposition of any facility of the System or part thereof, an Authorized Issuer Officer shall first make a finding in writing and the Consulting Engineers shall first make an engineering finding in writing determining that one or more of the conditions for the closing, sale, lease or other disposition of property provided for in the second paragraph of this Section 5.10 have been met, and the Governing Body shall, by resolution, duly adopt, approve and concur in such finding. Prior to any such sale, lease or other disposition of said property: (1) if the value thereof at original cost is not in excess of one-half (1/2) of one percent (1%) of the value of the gross plant of the System at original cost, an Authorized Issuer Officer shall make a finding in writing determining that one or more of the conditions for the closing, sale, lease or other disposition of property provided for in the second paragraph of this Section 5.10 have been met; or (2) if the value of said property at original cost shall be in excess of one-half (1/2) of one percent (1%) of the value of the gross plant of the System at original cost, an Authorized Issuer Officer shall first make a finding in writing and the Consulting Engineers shall first make an engineering finding in writing determining that one or more of the conditions for the closing, sale, lease or other disposition of property provided for in the second paragraph of this Section 5.10 have been met, and the Governing Body shall, by resolution, duly adopt, approve and concur in such findings.

The proceeds from any such sale, lease or other disposition shall be deposited into the Revenue Fund.

The transfer of the System as a whole from the control of the Governing Body to some other board or authority which may hereafter be created for such purpose and which constitutes a governmental entity, interest on obligations issued by which is excluded from gross income of the holders thereof for federal income tax purposes under Section 103 of the Code, shall not be deemed prohibited by this Section 5.10 and such successor board or authority shall fall within the definition of "Issuer" in Section 1.01 hereof.

Notwithstanding the foregoing provisions of this Section 5.10, the Issuer shall have the authority to sell for fair and reasonable consideration any land comprising a part of the System which is no longer necessary or useful in the operation of the System and the proceeds derived from the sale of such land shall be deposited into the Revenue Fund.

The Issuer may make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the System if such contract, license, easement or right does not, in the opinion of the Consulting Engineers, as evidenced by a certificate to that effect filed with the Issuer, impede or restrict the operation by the Issuer of the System, but any payments to the Issuer under or in connection with any such contract, license, easement or right in respect of the System or any part thereof shall constitute Gross Revenues.

SECTION 5.11. Insurance. So long as the Net Revenues are pledged hereunder, the Issuer will carry, with a reputable insurance carrier or carriers, such insurance as is ordinarily carried by private or public corporations owning and operating water and sewer facilities similar to the System, including public liability insurance, in such amounts as the Issuer shall determine to be sufficient. The property loss or damage insurance shall at all times be in an amount or amounts equal to the fair appraisal value of the buildings, furniture, fixtures and equipment of the System.

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any act which would cause the interest on such Series of Bonds to become includable in the gross income of the Holder thereof for federal income tax purposes.

(C) The Issuer hereby covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that it will use its best efforts to comply with all provisions of the Code necessary to maintain the exclusion of interest on the Bonds from the gross income of the Holder thereof for federal income tax purposes, including, in particular, the payment of any amount required to be rebated to the United States Treasury pursuant to the Code.

(D) The Issuer may, if it so elects, issue one or more Series of Taxable Bonds the interest on which is (or may be) includable in the gross income of the Holder thereof for federal income taxation purposes, so long as each Bond of such Series states in the body thereof that interest payable thereon is (or may be) subject to federal income taxation and provided that the Issuer thereof will not cause the interest on any other Bonds theretofore issued hereunder to be or become includable in the gross income of the Holder thereof for federal income tax purposes. The covenants set forth in subsections (A), (B) and (C) of this Section 5.15 shall not apply to any Taxable Bonds.

SECTION 5.16. Financial Guaranty as Insurer. Notwithstanding any provisions to the contrary contained herein, the following provisions shall apply so long as the Bond Insurance Policy issued by Financial Guaranty, as hereinafter defined, shall be in full force and effect:

(A) Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto ("Financial Guaranty"), shall be deemed the Insurer of the Series 1989 Bonds.

(B) The notice address for Financial Guaranty shall be: Financial Guaranty Insurance Company, 175 Water Street, New York, New York 10038, Attention: President.

(C) Financial Guaranty shall be provided with the Annual Budget pursuant to Section 5.06 hereof, the Annual Audit pursuant to Section 5.09 hereof and in addition Financial Guaranty shall be provided with the following information:

- (1) Official statements, if any, prepared in connection with the issuance of additional debt, whether or not such debt is on a parity with the Bonds within 30 days of the sale thereof;
- (2) Notice of any draw upon or deficiency due to market fluctuation in the Reserve Account;
- (3) Notice of the redemption, other than mandatory sinking fund redemption, of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;
- (4) On an annual basis commencing October 1, 1989:

- (a) The number of System users as of the end of the Fiscal Year;

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The Issuer may establish certain minimum levels of insurance for which the Issuer may self-insure. Such minimum levels of insurance shall be in amounts as recommended in writing by an insurance consultant who has a favorable reputation and experience and is qualified to survey risks and to recommend insurance coverage for Persons engaged in operations similar to the System.

SECTION 5.12. No Impairment. The pledging of the Pledged Funds in the manner provided herein shall not be subject to repeal, modification or impairment by any subsequent ordinance, resolution or other proceedings of the Governing Body. This provision shall not, however, be deemed to prohibit the reduction or elimination of the Rates in the manner provided in Section 5.07 hereof.

SECTION 5.13. Special Covenants Relating to Reserve Account Insurance Policy or Reserve Account Letter of Credit.

(A) The Issuer shall annually submit to the Issuer of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit, records of withdrawals on such Reserve Account Insurance Policy or such Reserve Account Letter of Credit, as the case may be, received by the Paying Agent and remaining unpaid, the respective dates of such withdrawals, the interest accrued on such withdrawals and the aggregate amount of interest due by the Issuer to the Issuer of such Reserve Account Insurance Policy or such Reserve Account Letter of Credit, as the case may be.

(B) The Issuer hereby acknowledges that the Issuer of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit shall be deemed a third-party beneficiary of this Resolution for the purpose of enforcing the terms, conditions and obligations of the Resolution which benefit the Issuer of such Reserve Account Insurance Policy or such Reserve Account Letter of Credit, as the case may be.

SECTION 5.14. Covenants with Credit Banks and Insurers. The Issuer may make such covenants as it may in its sole discretion, determine to be appropriate with any Insurer, Credit Bank or other financial institution that shall agree to insure or to provide for Bonds of any one or more Series credit or liquidity support that shall enhance the security or the value of such Bonds. Such covenants may be set forth in the applicable Supplemental Resolution and shall be binding on the Issuer, the Registrar, the Paying Agent and all the Holders of Bonds the same as if such covenants were set forth in full in this Resolution.

SECTION 5.15. Federal Income Tax Covenants: Taxable Bonds.

(A) The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds), that it shall not use the proceeds of such Series of Bonds in any manner which would cause the interest on such Series of Bonds to be or become includable in the gross income of the Holder thereof for federal income tax purposes.

(B) The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that neither the Issuer nor any Person under its control or direction will knowingly make any use of the proceeds of such Series of Bonds (or amounts deemed to be proceeds under the Code) in any manner which would cause such Series of Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and neither the Issuer nor any such other Person shall knowingly do any act or fail to do

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- (b) Notification of the withdrawal of any major System users (defined as a user comprising 4% or more of System sales measured in terms of revenue dollars) since the last reporting date;
- (c) Since the last reporting date any significant plant retirements or expansions planned or undertaken; and

(5) Such additional information as Financial Guaranty may reasonably request from time to time.

(D) For the purposes of Article VI hereof, Financial Guaranty shall be deemed the sole Holder of Bonds insured by Financial Guaranty, and the prior written consent of Financial Guaranty shall be required for any waiver of an Event of Default.

(E) For the purposes of Section 8.01 hereof, only cash or Federal Securities shall be used to accomplish defeasance of the Bonds, provided, however, that Pre-refunded Obligations may be used with the prior written consent of Financial Guaranty, and in the event of an advance refunding, there shall be provided a verification report of an independent nationally recognized certified public accounting firm.

ARTICLE VI

DEFAULTS AND REMEDIES

SECTION 6.01. Events of Default. The following events shall each constitute an "Event of Default" hereunder:

(A) Default shall be made in the payment of the principal of, Amortization Installment, redemption premium or interest on any Bond when due by the Issuer.

(B) There shall occur the dissolution or liquidation of the Issuer, or the filing by the Issuer of a voluntary petition in bankruptcy, or the commission by the Issuer of any act of bankruptcy, or adjudication of the Issuer as a bankrupt, or assignment by the Issuer for the benefit of its creditors, or appointment of a receiver for the Issuer, or the entry by the Issuer into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Issuer in any proceeding for its reorganization instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter enacted.

(C) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Resolution on the part of the Issuer to be performed, and such default shall continue for a period of thirty (30) days after written notice of such default shall have been received from any Insurer or the Holders of not less than twenty-five percent (25%) of the aggregate principal amount of Bonds Outstanding or any Credit Bank. Notwithstanding the foregoing, the Issuer shall not be deemed in default hereunder if such default can be cured within a reasonable period of time and if the Issuer in good faith institutes curative action and diligently pursues such action until the default has been corrected.

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SECTION 6.02. Remedies. Any Holder of Bonds issued under the provisions of this Resolution or any trustee or receiver acting for such Bondholders may either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights under the laws of the State, or granted and contained in this Resolution, and may enforce and compel the performance of all duties required by this Resolution or by any applicable statutes to be performed by the Issuer or by any officer thereof. This paragraph shall not be deemed to be a waiver by the Issuer of its venue rights.

The Holder or Holders of Bonds in an aggregate principal amount of not less than twenty-five percent (25%) of the Bonds then Outstanding may by a duly executed certificate in writing appoint a trustee for Holders of Bonds issued pursuant to this Resolution with authority to represent such Bondholders in any legal proceedings for the enforcement and protection of the rights of such Bondholders and such certificate shall be executed by such Bondholders or their duly authorized attorneys or representatives, and shall be filed in the office of the Clerk. Notice of such appointment, together with evidence of the requisite signatures of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of Bonds Outstanding and the trust instrument under which the trustee shall have agreed to serve shall be filed with the Issuer and the trustee and notice of appointment shall be given to all Holders of Bonds in the same manner as notices of redemption are given hereunder. After the appointment of the first trustee hereunder, no further trustees may be appointed; however, the Holders of a majority in aggregate principal amount of all the Bonds then Outstanding may remove the trustee initially appointed and appoint a successor and subsequent successors at any time.

SECTION 6.03. Directions to Trustee as to Remedial Proceedings. The Holders of a majority in principal amount of the Bonds then Outstanding (or any Insurer insuring, or any Credit Bank providing a Credit Facility for, any then Outstanding Bonds) have the right, by an instrument or concurrent instruments in writing executed and delivered to the trustee, to direct the method and place of conducting all remedial proceedings to be taken by the trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions hereof, and that the trustee shall have the right to decline to follow any such direction which in the opinion of the trustee would be unjustly prejudicial to Holders of Bonds not parties to such direction.

SECTION 6.04. Remedies Cumulative. No remedy herein conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

SECTION 6.05. Waiver of Default. No delay or omission of any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by Section 6.02 of this Resolution to the Bondholders may be exercised from time to time, and as often as may be deemed expedient.

SECTION 6.06. Application of Moneys After Default. If an Event of Default shall happen and shall not have been remedied, the Issuer or a court-appointed trustee or receiver shall apply all Pledged Funds as follows and in the following order:

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the enforcement of all rights and remedies with respect to the Bonds it shall insure or for which such Credit Facility is provided.

ARTICLE VII

SUPPLEMENTAL RESOLUTIONS

SECTION 7.01. Supplemental Resolution Without Bondholders' Consent. The Issuer, from time to time and at any time, may adopt such Supplemental Resolutions without the consent of the Bondholders (which Supplemental Resolution shall thereafter form a part hereof) for any of the following purposes:

(A) To cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in this Resolution or to clarify any matters or questions arising hereunder.

(B) To grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders.

(C) To add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of this Resolution other conditions, limitations and restrictions thereafter to be observed.

(D) To add to the covenants and agreements of the Issuer in this Resolution other covenants and agreements thereafter to be observed by the Issuer or to surrender any right or power herein reserved to or conferred upon the Issuer.

(E) To specify and determine at any time prior to the first delivery of any Series of Bonds the matters and things referred to in Sections 2.01, 2.02 or 2.09 hereof, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with this Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination.

(F) To authorize Additional Projects or to change or modify the description of the Initial Project or any Additional Project.

(G) To specify and determine matters necessary or desirable for the issuance of Capital Appreciation Bonds or Variable Rate Bonds.

(H) To authorize Additional Bonds or Subordinated Indebtedness.

(I) To make any other change that, in the opinion of Bond Counsel, would not materially adversely affect the security for the Bonds. In making such determination, Bond Counsel shall not take into consideration any Bond Insurance Policy.

Except Supplemental Resolutions described in subsections (E), (F) and (H) of this Section 7.01 and Supplemental Resolutions adopted for the purpose of authorizing Additional Bonds in compliance with all applicable provisions hereof, no Supplemental Resolution adopted pursuant to this Article VII shall become effective unless approved by every Insurer; and the Issuer covenants and agrees to furnish to each Insurer an executed original transcript of the Issuer's proceedings with respect to the adoption of each Supplemental Resolution.

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(A) To the payment of the reasonable and proper charges, expenses and liabilities of the trustee or receiver, Registrar and Paying Agent hereunder; and

(B) To the payment of the amounts required for reasonable and necessary Operation Expenses, and for the reasonable renewals, repairs and replacements of the System necessary to prevent loss of Gross Revenues, as certified by the Consulting Engineers; and

(C) To the payment of the interest and principal or Redemption Price, if applicable, then due on the Bonds, as follows:

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

SECOND: to the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of Section 8.01 of this Resolution), in the order of their due dates, with interest upon such Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the Persons entitled thereto without any discrimination or preference; and

THIRD: to the payment of the Redemption Price of any Bonds called for optional redemption pursuant to the provisions of this Resolution.

(2) If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with interest thereon as aforesaid, 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, to the Persons entitled thereto without any discrimination or preference.

SECTION 6.07. Control by Insurer or Credit Bank. Upon the occurrence and continuance of an Event of Default, each Insurer or Credit Bank, if such Insurer or Credit Bank shall have honored all of its commitments under its Bond Insurance Policy or its Credit Facility, as the case may be, shall be entitled to direct and control

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SECTION 7.02. Supplemental Resolution With Bondholders' Insurer's and Credit Bank's Consent. Subject only to the terms and provisions contained in this Section 7.02 and Section 7.01 hereof, the Holder or Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the adoption of such Supplemental Resolution or Resolutions hereto as shall be deemed necessary or desirable by the Issuer for the purpose of supplementing, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Resolution; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series or maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section 7.02. Any Supplemental Resolution which is adopted in accordance with the provisions of this Section 7.02 shall also require the written consent of the Insurer of, or any Credit Bank providing a Credit Facility for, any Bonds which are Outstanding at the time such Supplemental Resolution shall take effect. No Supplemental Resolution may be approved or adopted which shall permit or require (A) an extension of the maturity of the principal of or the payment of the interest on any Bond issued hereunder, (B) reduction in the principal amount of any Bond or the Redemption Price or the rate of interest thereon, (C) the creation of a lien upon or a pledge of the Pledged Funds which adversely affects the rights granted by the Bonds or this Resolution in favor of any Bondholders, (D) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (E) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution.

Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders, the Insurer or the Credit Bank of the adoption of any Supplemental Resolution as authorized in Section 7.01 hereof.

If at any time the Issuer shall determine that it is necessary or desirable to adopt any Supplemental Resolution pursuant to this Section 7.02, the Clerk shall cause the Registrar to give notice of the proposed adoption of such Supplemental Resolution and the form of consent to such adoption to be mailed, postage prepaid, to all Bondholders at their addresses as they appear on the registration books and to all Insurers of, and Credit Banks providing a Credit Facility for, Bonds Outstanding. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the offices of the Clerk and the Registrar for inspection by all Bondholders. The Issuer shall not, however, be subject to any liability to any Bondholder by reason of its failure to cause the notice required by this Section 7.02 to be mailed and any such failure shall not affect the validity of such Supplemental Resolution when consented to and approved as provided in this Section 7.02.

Whenever the Issuer shall deliver to the Clerk an instrument or instruments in writing purporting to be executed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Issuer may adopt such Supplemental Resolution in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

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If the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the adoption of such Supplemental Resolution shall have consented to and approved the adoption thereof as herein provided, no Holder of any Bond shall have any right to object to the adoption of such Supplemental Resolution, or 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 adoption thereof, or to enjoin or restrain the Issuer from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption of any Supplemental Resolution pursuant to the provisions of this Section 7.02, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the Issuer and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of this Resolution as so modified and amended.

SECTION 7.03. Amendment with Consent of Insurer and/or Credit Bank Only. If all of a Series of Bonds Outstanding hereunder are insured or secured as to payment of principal and interest by an Insurer or Insurers and/or by a Credit Facility provided by a Credit Bank or Credit Banks, and the Insurer or Insurers and/or the Credit Bank or Credit Banks, as applicable, are not in default, and such Bonds, at the time of the hereinafter described amendment, shall be rated by the rating agencies which shall have rated the bonds at the time such Bonds were insured or such Credit Facility was provided no lower than the ratings assigned thereto by such rating agencies on the date such Bonds were insured or such Credit Facility was provided, the Issuer may enact one or more Supplemental Resolutions amending all or any part of Articles I, IV, V, VI and VIII hereof with the written consent of said Insurer or Insurers and/or said Credit Bank or Credit Banks, as applicable, and the acknowledgment by said Insurer or Insurers and/or said Credit Bank or Credit Banks that its Bond Insurance Policy or its Credit Facility, as the case may be, will remain in full force and effect. If the Issuer shall provide to Moody's Investors Service, and Standard & Poor's Corporation notice of an amendment and a copy thereof at least 15 days in advance of its adoption, the consent of the Holders of any Bonds shall not be necessary. The foregoing right of amendment, however, does not apply to any amendment to Section 5.15 hereof with respect to the exclusion, if applicable, of interest on said Bonds from the gross income of the Holders thereof for federal income tax purposes nor may any such amendments deprive the Holders of any Bond or right to payment of the Bonds from, and their lien on, the Pledged Funds and any additional security pledged hereunder. Upon filing with the Clerk of evidence of such notice to such rating agencies and such consent of the Insurer or Insurers and/or the Credit Bank or Credit Banks as aforesaid, the Issuer may adopt such Supplemental Resolution. After the adoption by the Issuer of such Supplemental Resolution, notice thereof shall be mailed in the same manner as notice of an amendment under Section 7.02 hereof. Anything contained in this section to the contrary notwithstanding, any Supplemental Resolution or other amendment or supplement to the Original Instrument or to this Resolution shall be subject to the prior written consent of Financial Guaranty Insurance Company so long as any Bonds insured by Financial Guaranty Insurance Company shall remain Outstanding.

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of such Variable Rate Bonds in order to satisfy this Section 8.01, such excess shall be paid to the Issuer free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under this Resolution.

In the event the Bonds for which moneys are to be deposited for the payment thereof in accordance with this Section 8.01 are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall cause the Registrar to mail a notice to the Holders of such Bonds that the deposit required by this Section 8.01 of moneys or Securities has been made and said Bonds are deemed to be paid in accordance with the provisions of this Section 8.01 and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of or Redemption Price, if applicable, and interest on said Bonds.

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

In the event that the principal of or Redemption Price, if applicable, and interest due on the Bonds or any portion thereof shall be paid by an Insurer or Insurers or a Credit Bank or Credit Banks and such Insurer or Credit Bank shall not have been reimbursed by the Issuer, such Bonds or any portion thereof shall remain Outstanding, shall not be defeased and shall not be considered paid by the Issuer, and the pledge of the Pledged Funds and any additional security pledged hereunder, and all covenants, agreements and other obligations of the Issuer to the Bondholders shall continue to exist and such Insurer or Insurers or such Credit Bank or Credit Banks shall be subrogated to the rights of such Bondholders.

SECTION 8.02. Capital appreciation Bonds. For the purposes of (A) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (B) receiving payment of a Capital Appreciation Bond if the principal of all Bonds becomes due and payable under the provisions of this Resolution, or (C) computing the amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to the Issuer or any trustee or receiver appointed to represent the Bondholders any notice, consent, request or demand pursuant to this Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

SECTION 8.03. General Authority. The members of the Governing Body and the Issuer's officers, attorneys and other agents and employees are hereby authorized to do all acts and things required of them by this Resolution or desirable or consistent with the requirements hereof for the full, punctual and complete performance of all of the terms, covenants and agreements contained in the Bonds and this Resolution, and they are hereby authorized to execute and deliver all documents which shall be required by Bond Counsel or the initial purchasers of the Bonds to effectuate the sale of the Bonds to said initial purchasers.

SECTION 8.04. No Personal Liability. No representation, statement, covenant, warranty, stipulation, obligation or agreement herein contained, or contained in the Bonds, or in any certificate or other instrument to be executed on behalf of the Issuer in connection with the issuance of the Bonds, shall be deemed to be a representation, statement, covenant, warranty, stipulation, obligation or agreement of any member of the Governing Body, officer, employee or agent of the Issuer in his or her individual capacity, and none of the foregoing persons nor any officer of the Issuer

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SECTION 8.01. Defeasance. If the Issuer shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of the Pledged Funds and any additional security pledged hereunder, and all covenants, agreements and other obligations of the Issuer to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Paying Agents shall pay over or deliver to the Issuer all money or securities held by them pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Except as otherwise provided in Section 5.15 hereof, any Bonds or interest installments appertaining thereto, whether at or prior to the maturity or redemption date of such Bonds, shall be deemed to have been paid within the meaning of this Section 8.01 if (A) in case any such Bonds are to be redeemed prior to the maturity thereof, there shall have been taken all action necessary to call such Bonds for redemption and notice of such redemption shall have been duly given or provision shall have been made for the giving of such notice, and (B) there shall have been deposited in irrevocable trust with a banking institution or trust company by or on behalf of the Issuer either moneys in an amount which shall be sufficient, or Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with such bank or trust company at the same time shall be sufficient, to pay the principal of or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be. Neither the Securities nor any moneys so deposited with such bank or trust company nor any moneys received by such bank or trust company on account of principal of or Redemption Price, if applicable, or interest on said Securities shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for and be applied to, the payment, when due, of the principal of or Redemption Price, if applicable, of the Bonds for the payment or redemption of which they were deposited and the interest accruing thereon to the date of maturity or redemption thereof; provided, however, the Issuer may substitute new Securities and moneys for the deposited Securities and moneys if the new Securities and moneys are sufficient to pay the principal of or Redemption Price, if applicable, and interest on such Bonds, and any trust agreement governing the deposit of such Securities and moneys may provide for the investment of moneys unclaimed by Bondholders and for the payment to the Issuer of such unclaimed moneys and the investment earnings thereon.

For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or the redemption date thereof, as the case may be, by the deposit of moneys, or specified Securities and moneys, if any, in accordance with this Section 8.01, the interest to come due on such Variable Rate Bonds on or prior to the maturity or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than the Maximum Interest Rate for any period, the total amount of moneys and specified Securities on deposit for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect

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executing the Bonds or any certificate or other instrument to be executed in connection with the issuance of the Bonds, shall be liable personally thereon or be subject to any personal liability or accountability by reason of the execution or delivery thereof.

SECTION 8.05. No Third Party Beneficiaries. Except such other Persons as may be expressly described herein or in the Bonds, nothing in this Resolution, or in the Bonds, expressed or implied, is intended or shall be construed to confer upon any Person other than the Issuer, the Insurer and the Holders any right, remedy or claim, legal or equitable, under and by reason of this Resolution or any provision hereof, or of the Bonds, all provisions hereof and thereof being intended to be and being for the sole and exclusive benefit of the Issuer, the Insurer and the Persons who shall from time to time be the Holders. The Insurer shall be entitled to (i) give notice of the occurrence of an Event of Default and (ii) intervene in judicial proceedings that affect the Bonds or the security therefor.

SECTION 8.06. Sale of Bonds. The Bonds shall be issued and sold at public or private sale at one time or in installments from time to time and at such price or prices as shall be consistent with the provisions of the act, the requirements of this Resolution and other applicable provisions of law.

SECTION 8.07. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

SECTION 8.08. Repeal of Inconsistent Resolutions. Resolution No. 88-241 and Resolution No. 88-253 of the Issuer are hereby repealed. All other resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

SECTION 8.09. Table of Contents and Headings not Part Hereof. The Table of Contents preceding the body of this Resolution and the headings preceding the several articles and sections hereof shall be solely for convenience of reference and shall not constitute a part of this Resolution or affect its meaning, construction or effect.

SECTION 8.10. Effective Date. This Resolution shall become effective immediately upon its passage.

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APPENDIX E

[FORM OF BOND COUNSEL LEGAL OPINION]

_____, 1990

The Honorable Chairman and Members
of the Board of County Commis-
sioners of St. Johns County, Florida
St. Augustine, Florida

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Board of County Commissioners (the "Board") of St. Johns County, Florida (the "Issuer"), and other proofs submitted relative to the authorization, issuance and sale of and the security for the following described bonds (the "Bonds"):

\$ _____
ST. JOHNS COUNTY, FLORIDA
WATER AND SEWER REVENUE BONDS
SERIES 1990B-I and SERIES 1990B-II
Dated as of November 1, 1990

The Bonds are issued pursuant to the Constitution and laws of the State of Florida, including particularly Chapter 125, Part I, Florida Statutes, as amended, Chapter 90-498, Laws of Florida, Special Acts of 1990, St. Johns County Ordinance No. 86-89, and Resolution No. 89-84 duly adopted by the Board on April 25, 1989, as amended and supplemented, particularly as amended and supplemented by Resolution No. 90-61 duly adopted by said Board on March 27, 1990 and by Resolution No. 90-____ duly adopted by said Board on _____, 1990 (the "Resolution"), to finance the cost of the acquisition and construction of various additions and extensions to the public water and sewer system of the Issuer (the "System"), the cost of refunding certain outstanding bonds described in the Resolution, the cost of funding a debt service reserve for the Bonds and the costs of issuance of the Bonds. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

The principal of, premium, if any, and interest on the Bonds are payable solely from and secured by a prior lien upon and a pledge of the Net Revenues (as such term is defined in the Resolution) of the System, (2) certain Connection Charges (as

The Honorable Chairman and Members
of the Board of County Commis-
sioners of St. Johns County, Florida
_____, 1990

such term is defined in and to the extent provided in the Resolution) and (3) until applied in accordance with the provisions of the Resolution, the proceeds of the Bonds, all moneys and investments thereof in certain of the funds and accounts established pursuant to the Resolution and the earnings on such investments, all in the manner and to the extent described in the Resolution (collectively, the "Pledged Funds").

The Bonds and the interest thereon do not constitute a general indebtedness of the Issuer or a pledge of its faith and credit, but are payable solely from the Pledged Funds in the manner provided in the Resolution. No owner of any of the Bonds shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer to pay the Bonds or interest thereon or be entitled to payment of the Bonds or interest thereon from any moneys of the Issuer except the Pledged Funds.

The Bonds are payable on a parity, equally and ratably, from the Pledged Funds with the Issuer's outstanding Water and Sewer Revenue Bonds, Series 1989 (the "Parity Obligations").

The Issuer has reserved the right to issue additional parity bonds to be payable from and secured by the Pledged Funds equally and ratably with the Parity Obligations and the Bonds, upon the terms and conditions prescribed in the Resolution.

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Resolution and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is a duly created and validly existing political subdivision of the State of Florida with the power to adopt the Resolution, perform the agreements on its part contained therein and issue the Bonds.

2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer in accordance with its terms.

The Honorable Chairman and Members
of the Board of County Commis-
sioners of St. Johns County, Florida
_____, 1990

3. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer enforceable in accordance with their terms.

4. The Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes on interest, income or profits on debt obligations owned by corporations, as defined by Chapter 220, Florida Statutes, as amended.

5. Interest on the Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax applicable to all taxpayers; provided, however, that interest on the Bonds is included in calculating "adjusted net book income" ("adjusted current earnings" for taxable years beginning after 1989) for purposes of calculating the alternative minimum tax imposed on corporations. The opinion set forth in clause (a) above is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements.

We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

6. The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Resolution is exempt from qualification as an indenture under the Trust Indenture Act of 1939, as amended.

It is to be understood that if it shall be ultimately determined in the pending litigation styled City of St. Augustine v. Harry Waldron et al. and H. L. "Herbie" Wiles and William R. Adams v. Harry Waldron et al., currently on appeal in the Fifth District Court of Appeal of the State of Florida as consolidated case numbers 90-1251 and 90-1252, that the expansion of the County Seat of the Issuer therein complained of was improper, such determination could have an adverse effect upon the validity of the proceedings of the Board relative to the issuance of the Bonds.

The Honorable Chairman and Members
of the Board of County Commis-
sioners of St. Johns County, Florida
_____, 1990

In our opinion, if it shall be ultimately determined in such liti-
gation that the expansion of the County Seat of the Issuer was
improper, such determination shall not cause the Bonds to be or
become invalid or unenforceable or invalidate the pledge of the
Pledged Funds for their payment.

It is to be understood further that the rights of the
owners of the Bonds and the enforceability of the Bonds and the
Resolution may be subject to bankruptcy, insolvency, reorganiza-
tion, moratorium and other similar laws affecting creditors'
rights heretofore or hereinafter enacted to the extent constitu-
tionally applicable and that their enforcement may also be sub-
ject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

FOLEY & LARDNER

GF01C42

Financial Guaranty Insurance
Company
175 Water Street
New York, NY 10038-4972
212-607-3000
800-352-0001



A GE Capital Company

Municipal Bond New Issue Insurance Policy

Issuer:

Policy Number:

Control Number:

Bonds:

Premium:

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to Citibank, N.A., or its successor, as its agent, the "Fiscal Agent", for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a

SM: Service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation

Financial Guaranty Insurance
Company
175 Water Street
New York, NY 10038-4972
212 607-3000
800 352-0001



A GE Capital Company

Municipal Bond New Issue Insurance Policy

Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officers in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in black ink, appearing to be "A. B. ...", written over the "PRESIDENT" title.

President

A handwritten signature in black ink, appearing to be "K. J. ...", written over the "Senior Vice President" title.

Senior Vice President

Effective Date:

Authorized Representative

Citibank, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

A handwritten signature in black ink, appearing to be "D. ...", written over the "Authorized Officer" title.

Authorized Officer

Financial Guaranty Insurance
Company
175 Water Street
New York, NY 10038-4972
212 607-3000
800 352-0001



A GE Capital Company

Endorsement To Financial Guaranty Insurance Company Insurance Policy

Policy Number:

Control Number:

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officers in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Senior Vice President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer
Citibank, N.A., as Fiscal Agent

SM: Service mark used by Financial Guaranty Insurance Company under license from its parent company, FGIC Corporation

EXHIBIT B

Bond Purchase Agreement

BOND PURCHASE AGREEMENT

November 14, 1990

Board of County Commissioners
of St. Johns County, Florida
St. Johns County Administration
Building
4020 Lewis Speedway
St. Augustine, Florida 32085

Re: \$21,265,000 St. Johns County, Florida Water and Sewer
Revenue Bonds, Series 1990B-I and Series 1990B-II

Ladies and Gentlemen:

The Underwriter hereby delivers as Attachment I hereto the disclosure statement required by Chapter 218, Part III, Florida Statutes and proposes to purchase all of the Bonds from the County and to make a public offering of the Bonds subject to the acceptance of this proposal by the County on or before 5:00 o'clock p.m. local time then prevailing in St. Augustine, Florida, on November 14, 1990 and subject to the following provisions:

Section 1. Definitions. The following terms shall have the following meanings in this Agreement unless another meaning is plainly intended:

(a) "Accountants" means Price Waterhouse, independent certified public accountants;

(b) "Agreement" means this Bond Purchase Agreement between the Underwriter and the County;

(c) "Bond Counsel" means Foley & Lardner.

(d) "Bonds" means the County's \$21,265,000,000 Water and Sewer Revenue Bonds, Series 1990B-I and Series 1990B-II. The Bonds shall be issued under and secured as provided in the Resolution and shall have the maturities and interest rates and be subject to redemption as set forth on Annex A hereto.

(e) "Closing" refers to the transaction at which the Bonds are delivered by the County to the Underwriter, and paid for by the Underwriter, pursuant to this Agreement;

(f) "Closing Documents" means the documents described in Section 9 hereof and required to be delivered to the Underwriter at the Closing;

(g) "Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder and otherwise in effect;

(h) "Comfort Letter" means the letter from the Accountants to the County and the Underwriter, in form and content satisfactory to the Underwriter and the County, dated the date of Closing, generally to the effect of Annex B hereto;

(i) "Consulting Engineer's Report" means that certain study in the form of a letter dated November 5, 1990 or later prepared by Camp Dresser & McKee Inc. relating to the water and sewer system of the County which is attached to the Preliminary Official Statement as Appendix A and is attached to the Final Official Statement as Appendix A;

(j) "County" means St. Johns County, Florida, a political subdivision organized and existing under the laws of the State of Florida;

(k) "County's Counsel" means James G. Sisco, Esquire;

(l) "County Seat Litigation" means the legal proceedings concerning the county seat of the County described in the Official Statements under the heading "LITIGATION."

(m) "Final Official Statement" means the Official Statement of the County, relating to the Bonds, dated the date hereof;

(n) "Official Statements" means the Final Official Statement and the Preliminary Official Statement;

(o) "Preliminary Official Statement" means the Preliminary Official Statement of the County relating to the Bonds dated November 8, 1990;

(p) "Refunded Bonds" means, the County's \$7,455,000 Water and Sewer Revenue Bonds, Series 1990A and the Anastasia Sanitary District's \$5,250,000 outstanding Water and Sewer Revenue Bonds, Series 1989 and the \$5,020,000 outstanding Water and Sewer Refunding Revenue Bonds, Series 1986;

(q) "Resolution" means Resolution No. 89-84 of the County, as amended and supplemented, authorizing the issuance of the Bonds;

(r) "Underwriter" means William R. Hough & Co., acting for and on behalf of itself and such other securities dealers, if any, as may from time to time be designated by the Underwriter;

(s) "Underwriter's Counsel" means Rogers, Towers, Bailey, Jones & Gay.

(t) "Verification Report" means the report, dated the date of the Closing, of Ernst & Young to the effect that it has verified (a) the sufficiency of the maturing principal amounts of the eligible investments on deposit in the escrow accounts established pursuant to the escrow deposit agreement executed in connection with the defeasance of the Refunded Bonds and interest to be earned on such eligible investments, to pay, when due, interest on the Refunded Bonds and to pay, on the respective due dates or call dates the principal of or redemption price of the respective Refunded Bonds, and (b) certain mathematical computations supporting conclusions that the Bonds are not "arbitrage bonds" under the Code.

Section 2. Purchase Price. Upon the terms and conditions and upon the basis of the representations herein set forth, the Underwriter shall purchase and the County shall sell all, but not less than all, of the Bonds at an aggregate purchase price of \$20,818,015.55 (net of an underwriting discount of \$264,961.90 and an original issue discount of \$182,022.55) plus accrued interest thereon from November 1, 1990 to the date of Closing.

Section 3. Public Offering. The Underwriter shall make a bona fide public offering of the Bonds at prices not in excess of the initial offering price or prices (or at yields not lower than the yield or yields) set forth in the Final Official Statement, plus accrued interest on the Bonds. The Underwriter represents that, based on prevailing market conditions, it has no reason to believe that any of the Bonds will be initially sold to the public (excluding bond houses, brokers or similar organizations acting in the capacity of underwriters or wholesalers) at prices greater than the prices (or yields lower than the yields) shown on the cover of the Final Official Statement. The Underwriter shall sell at least 10% of the Bonds of each series and maturity to the public (excluding such bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at initial offering prices not greater than the respective prices shown on the cover of the Final Official Statement, or in the case of discount obligations sold on a yield basis, at yields no lower than the yields shown on such cover, plus accrued interest on the Bonds. The Underwriter reserves the right to change such initial public offering prices as the Underwriter deems necessary in connection with the marketing of the Bonds.

Section 4. Good Faith Check. Delivered to the County herewith is a check payable to the order of the County in the amount of \$208,500 as security for the performance by the Underwriter of its obligation to accept and pay for the Bonds on the Closing Date referred to in Section 8 hereof (the "Closing Date") in accordance with the provisions hereof. The County shall hold such check uncashed until the Closing Date. The amount of such check is hereinafter called "Earnest Money." In the event of the Underwriter's compliance with its obligations hereunder, the Earnest Money shall be returned to the Underwriter on the Closing Date upon payment to the County as provided in Section 8 hereof, of the purchase price of the Bonds plus accrued interest. In the event of the County's failure to tender the Bonds on the Closing Date, or if the County shall be unable on the Closing Date to satisfy the conditions to the obligations of the Underwriter contained herein, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Agreement, the Earnest Money shall be immediately returned to the Underwriter. If the Underwriter fails (other than for a reason permitted hereunder) to accept and pay for the Bonds upon tender thereof by the County on the Closing Date as herein provided, the Earnest Money shall be retained by the County as and for full agreed upon liquidated damages to the County, and not as a penalty, for such failure it being understood and agreed by the parties hereto that the actual amount of damages caused by such failure to accept and pay for the Bonds may be difficult to ascertain.

Section 5. Representations of County. The County represents to the Underwriter that: (a) on the date hereof and on the date of the Closing the statements and information contained in the Official Statements are and will be true and complete in all material respects, and the Official Statements do not and will not omit any statement or information which is necessary to make the statements and information therein, in light of the circumstances under which they are made, not misleading; (b) the Official Statements do not and will not omit any information with respect to the County or its business, properties and affairs which might in a material respect adversely or unfavorably affect the transactions contemplated by the Official Statements; (c) when delivered to and paid for by the Underwriter at the Closing in accordance with the provisions of this Agreement and assuming that the County will continue to prevail in the County Seat Litigation, the Bonds will have been duly authorized, executed, issued and delivered by the County and, upon being authenticated by the Registrar, will constitute valid, binding and enforceable obligations of the County of the character referred to in the Official Statements, in conformity with, and entitled to the benefit and security of, the Resolution, except that the

enforceability of such obligations are subject to applicable bankruptcy, reorganization, insolvency and other similar laws affecting creditors' rights generally; (d) the County is empowered and has been duly authorized to enter into this Agreement and to adopt the Resolution; (e) assuming that the County will continue to prevail in the County Seat Litigation, the execution and delivery of this Agreement, the Bonds and compliance with the provisions thereof, under the circumstances contemplated herein and therein, will not in any material respect conflict with or constitute on the part of the County a breach of or default under any agreement or other instrument to which the County is a party, or any existing law, administrative regulation, court order or consent decree to which the County is subject; (f) the County has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon; (g) the County has never been in default at any time after December 31, 1975, as to principal of or interest on any obligation pledging the ad valorem taxes or the revenues of the County which it has issued, and to the best of its knowledge, has never been in default at any time after December 31, 1975, as to principal or interest on any other obligation which it has issued; (h) except for certain permits necessary to construct or operate certain of the improvements to the System (as defined in the Resolution) which permits are expected to be obtained, all approvals, consents and orders, if any, of any governmental body having jurisdiction in any matter which would constitute a condition precedent to the performance by the County of its obligations under the Resolution and this Agreement have been obtained and are in full force and effect; (i) subsequent to the date of the last audited financial statements contained in the Official Statements, there have been no material adverse changes in the assets, liabilities or condition of the County, financial or otherwise, and neither the business, the properties, nor the affairs of the County have been adversely affected in any substantial way as the result of any fire, explosion, accident, strike, riot, flood, windstorm, earthquake, embargo, war or act of God or of the public enemy; and (j) the Preliminary Official Statement is deemed final within the meaning of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended, as of its date, except for omissions of no more than the following information: the offering price(s), the interest rate(s), selling compensation, aggregate principal amount, amount per maturity, delivery date, ratings and other terms depending on such matters.

Section 6. Final Official Statement. The County shall prepare and deliver to the Underwriter as promptly as practicable, but in any event, not later than within seven (7) business days after the acceptance by the County of this Agreement 500 copies of

the Final Official Statement, together with all supplements and amendments thereto, substantially in the form of the Preliminary Official Statement, with only such changes therein as shall have been accepted by the Underwriter (acceptance to be conclusively presumed by the Underwriter's payment for the Bonds), ten copies of which shall be signed on behalf of the County by the Chairman or the Vice Chairman of its Board of County Commissioners. The County agrees that the Official Statements and copies of the Resolution, comparative financial statements of the County and the Consulting Engineer's Report may be used by the Underwriter in the public offering of the Bonds; and that they will cooperate with the Underwriter if the Underwriter decides to qualify the Bonds under the securities acts of any state; provided, however, the County shall not be required to register as a dealer or broker in any such state or to qualify to do business in connection with any such qualification of the Bonds for sale in any state.

Section 7. Comfort Letter. The County will cause the Comfort Letter to be delivered to the Underwriter on the date of Closing.

Section 8. Closing, Delivery and Payment. The Bonds shall be printed or lithographed on steel engraved borders as fully registered Bonds in the denomination of \$5,000 each or integral multiples thereof as requested by the Underwriter prior to the Closing, and shall be made available for checking and packaging by representatives of the Underwriter in New York, New York, at a place designated by the Underwriter, not less than 24 hours prior to the Closing.

The Closing shall be held beginning at 9:00 o'clock a.m., December 13, 1990, at the offices of Financial Guaranty Insurance Company, New York, New York, or at such later time and other place as is mutually agreeable to the Underwriter and the County. At the Closing, the Underwriter shall accept the delivery of the Bonds from the County and shall make payment therefor as provided herein in federal funds or other immediately available funds upon (i) tender of the definitive Bonds to the Underwriter by the County; and (ii) the delivery by the County to the Underwriter of all of the Closing Documents.

Section 9. Closing Documents. The Closing Documents shall consist of the following, each properly executed, certified or otherwise verified, dated as of the date of Closing, and in such form, as may be satisfactory to Bond Counsel, the Underwriter and Underwriter's Counsel, including, but not limited to, the matters hereinafter set forth:

(a) A certified copy of the Resolution as amended and supplemented to the date of Closing;

(b) The County's closing certificate confirming (i) the representations made by the County herein; (ii) other than as disclosed in the Final Official Statement, that there is no litigation pending or, to its knowledge, threatened to restrain or enjoin the issuance or delivery of the Bonds or in any way contesting or affecting any authority for the issuance of the Bonds, or the validity of the Bonds, the Resolution, or in any way contesting the existence or the powers of the County; (iii) other than as disclosed in the Final Official Statement, that there is no litigation pending or, to its knowledge, threatened against or affecting the County or involving any of the businesses, properties or affairs of the County which involves the possibility of any judgment or liability which may result in any material adverse change in the properties, businesses or assets or in the condition, financial or otherwise, of the County; (iv) the application of the proceeds of the sale of the Bonds as described in the Resolution; and (v) other than as disclosed in the Final Official Statement the adoption and present effectiveness of all resolutions considered necessary, in the opinion of Bond Counsel and Underwriter's Counsel, in connection with the transactions contemplated hereby, together with copies of said resolutions;

(c) Evidence satisfactory to Bond Counsel to the effect that Section 5.02 of the Resolution has been complied with to enable the Bonds to be on a parity as to lien on the Pledged Funds (as defined in the Resolution) with all bonds issued and outstanding under the Resolution;

(d) The unqualified approving opinion of Bond Counsel, dated the date of Closing, substantially in the form of Appendix E of the Preliminary Official Statement;

(e) An opinion of Bond Counsel in form satisfactory to the Underwriter and Underwriter's Counsel regarding the federal income tax treatment of the original issue discount;

(f) A reliance letter of Bond Counsel, dated the date of Closing, addressed to the Underwriter to the effect that the Underwriter may rely on the opinion of Bond Counsel described in paragraph (d) above as if such opinion were addressed to it;

(g) A supplemental opinion of Bond Counsel, dated the date of Closing, addressed to the Underwriter and the County to the effect that: (i) the information contained in the Final Official Statement under the headings "SUMMARY STATEMENT--Authority and Security for the 1990B Bonds," "REFUNDING PLAN," "DESCRIPTION OF THE 1990B BONDS," "AUTHORITY AND SECURITY FOR THE 1990B BONDS," "TAX MATTERS," and "APPENDIX D--The Resolution" are accurate

statements or summaries of the matters set forth therein and fairly present the information purported to be shown, and nothing has come to their attention which would lead them to believe that such sections of the Final Official Statement contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such statements, in light of the circumstances in which they were made, not misleading; and (ii) the Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Resolution is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(h) An opinion of the County's Counsel (which may assume that the interest on the Bonds is excluded from gross income for federal income tax purposes and that neither the Bonds, this Agreement, the Resolution, or any other matter or documents need to be registered or qualified under the Securities Act of 1933, as amended, the Trust Indenture Act of 1939, as amended, Chapter 517, Florida Statutes, or the securities or blue sky laws of any jurisdiction) to the effect that (i) the County is a political subdivision organized and validly existing under the laws of the State of Florida and has all the necessary power and authority to issue the Bonds and enter into this Agreement; (ii) other than as disclosed in the Final Official Statement, this Agreement and the Bonds have been duly authorized, executed and delivered by the County and, with respect to this Agreement, assuming due execution hereof by the Underwriter and, with respect to the Bonds, assuming proper authentication thereof by the Registrar, constitute legal, valid and binding obligations of the County enforceable in accordance with their respective terms, except as the enforceability thereof may be limited by applicable bankruptcy, reorganization, insolvency and other similar laws affecting the enforcement of creditors' rights generally, and no opinion need be expressed as to the availability of any discretionary equitable remedy; (iii) the County has approved the Final Official Statement and the execution and delivery thereof to the purchasers of the Bonds; (iv) other than as disclosed in the Final Official Statement, the execution and delivery of the Bonds and this Agreement, the adoption of the Resolution and the issuance of the Bonds pursuant thereto, and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the County a breach of or default under any existing law, regulation, court order or consent decree to which the County is subject; (v) nothing has come to his attention which would lead him to believe that the Final Official Statement (with the exception of financial and statistical information) contains an untrue statement of a material fact, or omits to state a material fact required to be stated therein or necessary to make the statements therein, in

light of the circumstances under which they were made, not misleading; (vi) other than as disclosed in the Final Official Statement, no litigation or proceeding is pending or to the best of his knowledge is threatened against or affecting the County to restrain or enjoin the issuance or delivery of the Bonds or in any way contesting or affecting any authority for the issuance of the Bonds, or the validity of the Bonds or of this Agreement, or in any way contesting the existence or the powers of the County; (vii) other than as disclosed in the Final Official Statement, no litigation or proceeding is pending or to the best of his knowledge is threatened against or affecting the County or involving any of the business, property or affairs of the County which involves the possibility of any judgment or liability which may result in any material adverse change in the financial condition of the County and (viii) except for certain permits necessary to construct or operate certain of the improvements to the System (as defined in the Resolution), the County has obtained the consents, approvals, authorizations or other orders of all municipal, state or regulatory authorities required for the issuance of the Bonds and the completion of the Project 1990B as described in the Resolution;

(i) A copy of all historical financial statements included in the Final Official Statement, together with the report issued in connection therewith, manually signed by the Accountants, and the Accountants' consent to the use of their report in the Final Official Statement and to the references to their firm therein;

(j) A copy of the Consulting Engineer's Report manually signed by Camp Dresser & McKee Inc., together with its consent to the use of such report in the Official Statements and to the references to the firm therein, and its certificate, dated the date of the Closing, as to the accuracy of the Consulting Engineer's Report and to the effect that the information contained in the Official Statements under the headings "SUMMARY STATEMENT, Financial Information," "HISTORICAL AND PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE," "THE SYSTEM" and "THE PROJECT" are accurate statements and fairly present the information purported to be shown, and nothing has come to its attention which would lead it to believe that such sections of the Official Statements contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such statements, in light of the circumstances in which they were made, not misleading;

(k) Appropriate arbitrage certifications and agreements by the County in form and substance satisfactory to Bond Counsel and Underwriter's Counsel;

(l) A municipal bond insurance policy issued by Financial Guaranty Insurance Company insuring the payment of the principal of and interest on the Bonds when due;

(m) Appropriate evidence that the Bonds have been assigned ratings of Aaa by Moody's Investors Service and AAA by Standard & Poor's Corporation;

(n) The Verification Report manually signed by Ernest & Young;

(o) A certificate of the Registrar and Paying Agent relating to the incumbency of its officers and its power to serve as Registrar and Paying Agent in form and substance acceptable to Bond Counsel and Underwriter's Counsel;

(p) A certificate of the escrow agent for the Refunded Bonds relating to the incumbency of its officers and its power to serve as escrow agent in form and substance as acceptable to Bond Counsel and Underwriter's Counsel;

(q) The opinion of Underwriter's Counsel, dated the date of Closing, in form and substance acceptable to the Underwriter;

(r) Such additional legal opinions, certificates, instruments and other documents and such multiple copies of the above listed documents as the Underwriter, Underwriter's Counsel or Bond Counsel may reasonably request to evidence compliance by the County with legal requirements; the truth and accuracy, as of the date of Closing, of the respective representations contained herein and in the Final Official Statement; and the due performance or satisfaction by them of all agreements to be performed by them and all conditions to be satisfied by them at or prior to the Closing.

Section 10. Termination by Underwriter. This Agreement may be terminated in writing prior to the Closing by the Underwriter if any of the following shall occur: (i) this Agreement shall not have been accepted by the County within the time herein provided; (ii) the signed Final Official Statement and the Comfort Letter shall not have been provided within the time required by this Agreement; (iii) the Bonds and all of the Closing Documents shall not have been delivered to the Underwriter as of 2:00 p.m. (unless such time shall have been extended by mutual agreement of the parties hereto) on the date of Closing; (iv) (a) legislation shall have been enacted by the Congress, or introduced in the Congress, or recommended to the Congress for passage by the President of the United States or the United States Department of the Treasury or the Internal Revenue Service or any member of the

United States Congress, or favorably reported for passage to either House of Congress by any Committee of such House to which such legislation has been referred for consideration, or (b) a decision shall have been rendered by a court established under Article III of the Constitution of the United States, or the United States Tax Court, or (c) an order, ruling, regulation or communication (including a press release) shall have been issued by the Treasury Department of the United States, the Internal Revenue Service or the Securities and Exchange Commission, or (d) any action shall be taken or statement made by or on behalf of the President of the United States or the United States Department of the Treasury or the Internal Revenue Service or any member of the United States Congress, which indicates or implies that interest on obligations such as the Bonds may not be excludable from gross income for federal income tax purposes or that legislation will be introduced in the next scheduled session of the United States Congress, in each case referred to in clauses (a), (b), (c) and (d), with the purpose or effect, directly or indirectly, of (x) imposing federal income taxation upon interest to be received by any holders of the Bonds or (y) requiring the offer or sale of the Bonds to be registered under the Securities Act of 1933 or the Resolution to be qualified as an indenture under the Trust Indenture Act of 1939; (v) there shall exist any event or circumstance which, in the reasonable opinion of the Underwriter, either makes untrue or incorrect in a material respect any statement or information contained in the Final Official Statement, or any event or circumstance is not reflected in the Final Official Statement but should be reflected therein in order to make the statements and information contained therein not misleading in a material respect; (vi) there shall have occurred any outbreak of hostilities or other national or international calamity or crisis, the effect of such outbreak, calamity or crisis on the financial markets of the United States of America being such as in the reasonable opinion of the Underwriter, would make it impracticable for the Underwriter to sell the Bonds; (vii) there shall be in force a general suspension of trading on the New York Stock Exchange, or any other major United States stock exchange, or minimum or maximum prices for trading shall have been fixed and be in force; (viii) in the reasonable judgment of the Underwriter the market price of the Bonds, or the market price generally of obligations of the general character of the Bonds, might be adversely affected because: (a) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any United States governmental authority or by any United States national securities exchange, or (b) the New York Stock Exchange or other United States national securities exchange, or any United States governmental authority, shall impose, as to the Bonds or similar obligations, any material restrictions not now in force, or increase materially those now in force, with respect to the

extension of credit by, or the charge to the net capital requirements of, the Underwriter; (ix) a general banking moratorium shall have been declared by either federal, New York or Florida authorities having jurisdiction, and shall be in force; or (x) there shall have occurred any material adverse change in the affairs of the County.

Section 11. Termination by County. This Agreement may be terminated in writing by the County in the event that the Underwriter shall fail to accept delivery of the Bonds on the Closing Date upon tender thereof to the Underwriter by the County, and delivery to the Underwriter of all of the Closing Documents.

Section 12. Changes Affecting the Final Official Statement After the Closing. After the Closing, and so long as the Underwriter or any participating dealer shall be offering Bonds which constitute the whole or a part of their unsold participations, but in no event later than 90 days after the Closing, the County will not adopt any amendment of or supplement to the Final Official Statement except with the written consent of the Underwriter, which consent shall not be unreasonably withheld; and during such period of time, if any event relating to or affecting the County shall occur the result of which shall make it necessary, in the reasonable opinion of the (i) County or (ii) Underwriter or Underwriter's Counsel, to amend or supplement the Final Official Statement in order to make it not misleading in the light of the circumstances existing at that time, the County shall forthwith prepare and furnish to the Underwriter, at the County's expense, a reasonable number of copies of an amendment of or supplement to the Final Official Statement in form and substance satisfactory to the Underwriter, so that it then will not contain an untrue statement of material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances existing at that time, not misleading.

Section 13. Expenses. The Underwriter shall pay its own out-of-pocket expenses, the fees and expenses of Underwriter's Counsel, and the fees and expenses in connection with the preparation of the Legal Investment Survey and Blue Sky Memorandum and the registration of the Bonds for "Blue Sky" purposes.

The County shall pay all of the other costs and expenses in connection with the financing contemplated by this Agreement, including, but not limited to: (i) the fees and expenses of Bond Counsel, Counsel to the County and the expenses of the County, if any; (ii) fees and expenses incurred for the preparation of the Comfort Letter, the Consulting Engineer's Report, the Verification Report, and the fees and expenses of any other experts or consultants; (iii) the cost of preparation and printing of the

Board of County Commissioners
of St. Johns County, Florida
November 14, 1990
Page 13

Bonds; (iv) the cost of printing and duplication for the Official Statements and any amendments or supplements thereto; (v) bond rating agency fees; and (vi) premium and fees for the municipal bond insurance policy.

Section 14. Notices. Any notice or other communication to be given to the County under this Agreement may be given by delivering the same in writing to the address set forth above; and any such notice or other communication to be given to the Underwriter may be given by delivering the same in writing to the Underwriter addressed to William R. Hough & Co., 1440 First Union Building, Jacksonville, Florida 32202.

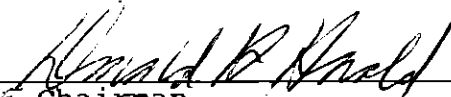
Section 15. Parties and Interests; County's Undertakings; Survival of Representations. This Agreement is made solely for the benefit of the County and the Underwriter, including the successors and assigns of the Underwriter, and no other person, partnership, association or corporation shall acquire or have any rights hereunder or by virtue hereof except as provided in Section 13 hereof. All representations and agreements by the County in this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of the Underwriter, and shall survive the delivery of and payment for the Bonds.

WILLIAM R. HOUGH & CO.

By: 
Senior Vice President

Accepted by the Board of County Commissioners of St. Johns County, Florida on
November 14, 1990

(SEAL)

By: 
Vice Chairman

ANNEX A

MATURITIES, AMOUNTS AND INTEREST RATES
\$7,645,000,000 Serial Bonds

Series 1990B-I
Maturity
June 1,

Amount

Interest
Rate

1991	\$ 75,000	5.85 %
1992	325,000	5.95
1993	340,000	6.00
1994	360,000	6.00
1995	385,000	6.10
1996	405,000	6.20
1997	430,000	6.30
1998	460,000	6.40
1999	490,000	6.50
2000	520,000	6.60
2001	550,000	6.70
2002	590,000	6.80

Series 1990B-II
Maturity
June 1,

Amount

Interest
Rate

1991	\$ 25,000	5.85 %
1992	175,000	5.95
1993	185,000	6.00
1994	200,000	6.00
1995	210,000	6.10
1996	225,000	6.20
1997	240,000	6.30
1998	255,000	6.40
1999	265,000	6.50
2000	290,000	6.60
2001	315,000	6.70
2002	330,000	6.80

\$2,025,000 7% Series 1990B-I Term Bonds due June 1, 2005
\$1,125,000 7% Series 1990B-II Term Bonds due June 1, 2005
\$6,730,000 7% Series 1990B-I Term Bonds due June 1, 2011
\$3,740,000 7% Series 1990B-II Term Bonds due June 1, 2011

REDEMPTION PROVISIONS

The Bonds maturing June 1 of the years 1991 through 1996, inclusive, are not subject to redemption prior to maturity. The Bonds maturing June 1, 1997, through June 1, 2011, are redeemable, at the option of the County, in part, by such method as the Registrar shall deem fair and appropriate, within a maturity if less than an entire maturity is to be redeemed, on December 1, 1996 or on any interest payment date thereafter, or as a whole on December 1, 1996 or at any time thereafter, at the following redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus accrued interest to the redemption date:

<u>Redemption Periods</u> <u>(both dates inclusive)</u>	<u>Redemption Prices</u>
December 1, 1996 to November 30, 1997	103%
December 1, 1997 to November 30, 1998	102
December 1, 1998 to November 30, 1999	101
December 1, 1999 and thereafter	100

The Bonds maturing June 1, 2005, are subject to mandatory redemption prior to maturity by such method as the Registrar shall deem fair and appropriate at a redemption price equal to the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, from amounts on deposit in the Bond Amortization Account as follows:

<u>June 1,</u>	<u>1990B-I Bonds</u> <u>Principal Amount</u>	<u>1990B-II Bonds</u> <u>Principal Amount</u>
2003	\$630,000	\$350,000
2004	675,000	375,000
2005*	720,000	400,000

* Maturity

The Bonds maturing June 1, 2011, are subject to mandatory redemption prior to maturity by such method as the Registrar shall deem fair and appropriate at a redemption price equal to the principal amount thereof and accrued interest thereon to the date fixed for redemption, without premium, from amounts on deposit in the Bond Amortization Account as follows:

<u>June 1,</u>	<u>1990B-I Bonds</u> <u>Principal Amount</u>	<u>1990B-II Bonds</u> <u>Principal Amount</u>
2006	\$ 775,000	\$ 425,000
2007	825,000	460,000
2008	885,000	490,000
2009	945,000	525,000
2010	1,600,000	885,000
2011*	1,700,000	955,000

* Maturity

ATTACHMENT 1

*WILLIAM R. HOUGH & CO.
200 W. Forsyth Street, Suite 1440
Jacksonville, Florida 32202*

November 14, 1990

Chairman and Members of the
Board of County Commissioners
of St. Johns County, Florida
St. Augustine, Florida

Re: St. Johns County, Florida Water and Sewer Revenue Bonds,
Series 1990B-I and Series 1990B-II

Ladies and Gentlemen:

Pursuant to Florida Statutes, Section 218.385(4), the following information is provided in connection with the sale of the captioned obligations (the "Bonds").

1. The estimated amount of expenses which the managing underwriter expects to incur with respect to the Bonds is as follows:

Clearance.....	\$.50 per \$1,000
Underwriter's Counsel...	\$1.00 per \$1,000
Structuring and Computer Fee...	\$.70 per \$1,000
Miscellaneous Expenses....	\$.86 per \$1,000

2. There are no finders, as defined in Section 218.386, Florida Statutes, who have been employed by the managing underwriter in connection with the issuance of the Bonds.

3. The amount of underwriting spread expected to be realized with respect to the Bonds is \$12.46 per \$1,000 which includes \$.75 per \$1,000 for risk and \$7.15 per \$1,000 for takedown.

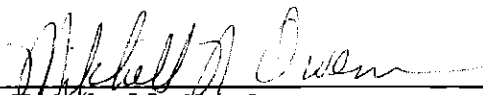
4. The management fee expected to be charged by the managing underwriter is \$1.50 per \$1,000.

5. No fee, bonus or other compensation is expected to be paid by the managing underwriter in connection with the Bonds to any person not regularly employed or retained by it, other than underwriter's counsel as described above.

6. The managing underwriter is William R. Hough & Co., 200 W. Forsyth Street, Suite 1440, Jacksonville, Florida 32202.

Very truly yours,

WILLIAM R. HOUGH & CO.

By: 

Mitchell N. Owens
Senior Vice President

DRAFT

December __, 1990

To the Board of County Commissioners
of St. Johns County, Florida
and
William R. Hough & Co.

Dear Sirs:

This letter is being written in response to Section 7 of the Bond Purchase Agreement (the "Agreement") dated November __, 1990 between St. Johns County, Florida (the "County") and William R. Hough & Co. We have audited the component unit financial statements of the Board of County Commissioners of St. Johns County, Florida (the "Board") as of and for the year ended September 30, 1989. These financial statements and our report thereon dated December 18, 1989 are included in the Official Statement dated November __, 1990 of the \$__,000,000 St. Johns County, Florida Water and Sewer Revenue Bonds, Series 1990B-I and Series 1990B-II (the "Official Statement"). As to the aforementioned financial statements, we are independent accountants with respect to the Board within the meaning of Rule 101 of the Code of Professional Ethics of the American Institute of Certified Public Accountants.

In connection with the Official Statement:

1. We have not audited any financial statements of the Board as of any date or for any period subsequent to September 30, 1989. Therefore, we are unable to and do not express any opinion on the financial position, results of operations or changes in financial position of the Board for any period subsequent to September 30, 1989.
2. For purposes of this letter, we have read the minutes of the meetings of the Board of County Commissioners of St. Johns County, Florida for the period October 1, 1989 through [A DATE FIVE DAYS PRIOR TO THE DATE OF THIS LETTER] as set forth in the minute books at [A DATE FIVE DAYS PRIOR TO THE DATE OF THIS LETTER], officials of the Board having advised us that the

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December __, 1990
To the Board of County Commissioners
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minutes of all such meetings through that date were set forth therein, and have carried out other procedures to [A DATE FIVE DAYS PRIOR TO THE DATE OF THIS LETTER] (our work did not extend to the period from [A DATE FOUR DAYS PRIOR TO THE DATE OF THIS LETTER] to [THE DATE OF THIS LETTER], inclusive) as follows:

- a. Board officials have advised us that no combined financial statements as of any date or for any period subsequent to September 30, 1989 are available. We have made inquiries of certain officials of the Board who have responsibility for financial and accounting matters as to whether (i) there was any change at September 30, 1990 in the long term debt or decrease in the fund balance of the County as compared with amounts shown on the September 30, 1989 combined balance sheet of the Board or (ii) for the period from October 1, 1989 to September 30, 1990, there were any decreases, as compared with the corresponding period in the preceding year, in the combined revenues of the Board. On the basis of these inquiries and our reading of the minutes as described above, nothing came to our attention that caused us to believe that there was any such change or decrease, except as described in the following sentence. Board officials have informed us that the balance of long term debt at September 30, 1990 has increased compared to the balance at September 30, 1989 due to the issuance of the St. Johns County, Florida Sales Tax Revenue Bonds, Series 1989 issued November 9, 1989 in the original principal amount of \$21,095,000; the St. Johns County, Florida Water and Sewer Revenue Bonds, Series 1990A issued April 11, 1990 in the original principal amount of \$7,455,000; [AND THE ST. JOHNS COUNTY, FLORIDA SOLID WASTE DISPOSAL REVENUE BONDS, SERIES 1990 IN THE ORIGINAL PRINCIPAL AMOUNT OF \$13,215,000.]

The foregoing procedures do not constitute an audit made in accordance with generally accepted auditing standards. Also, they would not necessarily reveal matters of significance with respect to the comments in the following paragraph. Accordingly, we make no representations as to the sufficiency of the foregoing procedures for your purposes.

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December __, 1990
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Page 3

3. For purposes of this letter, we have also read the following information (set forth in the Official Statement on pages 13-14 as indicated) and have performed the additional procedures stated below with respect to such information. Our audit of the financial statements for the period referred to in the introductory paragraph of this letter comprised audit tests and procedures deemed necessary for the purpose of expressing an opinion on such financial statements taken as a whole. For neither the period referred to therein nor any other period did we perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions such as those enumerated below and, accordingly, we express no opinion thereon.

Item Page Description, Procedures and Findings

"St. Johns County Mainland Utility System
Summary of Revenues and Expenses"

- a. 13. "Operating Revenues." We compared the dollar amounts for "Bulk to ASD" (water sales), "TOTAL" (water sales), "Sewer Service Charges" and "Meter Installations (Tapping Fees)" for each of the fiscal years ended September 30, 1986 through 1989 to the audited component unit financial statements of the Board for the respective years and found them to be in agreement.
- b. 13. "Operating Expenses." We recalculated the dollar amounts for operating expenses by summing the financial statement captions "Contractual Services," "Operating Expenses" and "Maintenance" for each of the fiscal years ended September 30, 1986 through 1989 from the audited component unit financial statements of the Board for the respective years and found them to be mathematically correct.

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Item Page Description, Procedures and Findings

- c. 13. "Non-Operating Revenue." We compared the dollar amounts for non-operating revenue for each of the fiscal years ended September 30, 1986 through 1989 to the audited component unit financial statements of the Board for the respective years and found them to be in agreement.
- d. 13. "Pledged Unit Connection Fees ('UCF')." We compared the dollar amount for pledged unit connection fees for the fiscal year ended September 30, 1989 to the audited component unit financial statements of the Board for the year and found it to be in agreement.
- e. 13. "Total Debt Service Requirement." We compared the amounts for total debt service requirement for each of the fiscal years ended September 30, 1986 through 1989 to a schedule of debt service payments prepared by the Board and found them to be in agreement. We a) compared the amounts on the schedule to corresponding amounts appearing in the accounting records and found such amounts to be in agreement and b) determined that the schedule was mathematically correct.

Item Page Description, Procedures and Findings

- "St. Johns County Anastasia Sanitary District Summary of Revenues and Expenses"
- a. 14. "Operating Revenues." We compared the dollar amounts for "Water Sales," "Sewer Service Charges" and "Meter Installations (Tapping Fees)" for each of the fiscal years ended September 30, 1986 through 1989 to the audited component unit financial statements of the Board for the respective years and found them to be in agreement.

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Item Page Description, Procedures and Findings

- b. 14. "Operating Expenses." We recalculated the dollar amounts for operating expenses by summing the financial statement captions "Contractual Services," "Salaries and Benefits," "Operating Expenses" and "Maintenance" for each of the fiscal years ended September 30, 1986 through 1989 from the audited component unit financial statements of the Board for the respective years and found them to be mathematically correct.
- c. 14. "Non-Operating Revenue." We compared the dollar amounts for non-operating revenue for each of the fiscal years ended September 30, 1986 through 1989 to the audited component unit financial statements of the Board for the respective years and found them to be in agreement.
- d. 14. "Pledged Unit Connection Fees." We compared the dollar amount for pledged unit connection fees for the fiscal year ended September 30, 1989 to the audited component unit financial statements of the Board for the year and found it to be in agreement.
- e. 14. "Total Debt Service Requirement." We compared the amounts for total debt service requirement for each of the fiscal years ended September 30, 1987 through 1989 to a schedule of debt service payments prepared by the Board and found them to be in agreement. We a) compared the amounts on the schedule to corresponding amounts appearing in the accounting records and found such amounts to be in agreement and b) determined that the schedule was mathematically correct.

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December __, 1990
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4. It should be understood that we make no representations as to questions of legal interpretation or as to the sufficiency for your purposes of the procedures enumerated in the preceding paragraph; also, such procedures would not necessarily reveal any material misstatement of the amounts listed above. Further, we have addressed ourselves solely to the foregoing data as set forth in the Official Statement and make no representations as to the adequacy of disclosure or as to whether any material facts have been omitted.

This letter is solely for the information of the Board of County Commissioners and for the information of, and assistance to, William R. Hough & Co. in conducting and documenting their investigation of the affairs of the Board in connection with the offering of the securities covered by the Official Statement and is not to be used, circulated, quoted, or otherwise referred to within or without the underwriting group for any other purpose, including but not limited to the registration, purchase or sale of securities, nor is it to be filed with or referred to in whole or in part in the Official Statement or any other document, except that reference may be made to it in the underwriting agreement or in any list of closing documents pertaining to the offering of the securities covered by the Official Statement.

Certified Public Accountants

ST\STJOHN\AG5

EXHIBIT C

Insurer's Commitment

Financial Guaranty Insurance
Company
175 Water Street
New York, NY 10038-4972
(212) 607-3000
(800) 352-0001



Commitment For Municipal Bond Insurance

Issuer: St. Johns County, Florida

Date of Commitment:
November 2, 1990

Expiration Date:
January 2, 1991*

Bonds

Insured: Not to Exceed
\$20,800,000 in aggregate principal
amount of Water and Sewer Revenue
Bonds, Series 1990B-I and Series
1990B-II

Premium: .55% of total
debt service on the Bonds
Insured**

FINANCIAL GUARANTY INSURANCE COMPANY ("Financial Guaranty")

A Stock Insurance Company

hereby commits to issue a Municipal Bond New Issue Insurance Policy (the "Policy"), in the form attached hereto as Exhibit A, relating to the above-described debt obligations (the "Bonds"), subject to the terms and conditions contained herein or added hereto.

To keep this Commitment in effect after the expiration date set forth above, a request for renewal must be submitted to Financial Guaranty prior to such expiration date. Financial Guaranty reserves the right to refuse wholly or in part to grant a renewal.

THE MUNICIPAL BOND NEW ISSUE INSURANCE POLICY SHALL BE ISSUED IF THE FOLLOWING CONDITIONS ARE SATISFIED:

- * Subject to written acceptance of this Commitment being furnished to Financial Guaranty by the earlier of the date on which the disclosure document relating to the Bonds is circulated and November 9, 1990.
- ** The amount of Bond proceeds deposited with the Paying Agent at closing for the payment of accrued interest shall not be applied as a credit in calculating total debt service on the Bonds Insured.

1. The documents to be executed and delivered in connection with the issuance and sale of the Bonds shall not contain any untrue or misleading statement of a material fact and shall not fail to state a material fact necessary in order to make the information contained therein not misleading.
2. No event shall occur which would permit any purchaser of the Bonds, otherwise required, not to be required to purchase the Bonds on the date scheduled for the issuance and delivery thereof.
3. There shall be no material change in or affecting the Bonds (including, without limitation, the security for the Bonds) or the financing documents or the official statement (or any similar disclosure documents) to be executed and delivered in connection with the issuance and sale of the Bonds from the descriptions or forms thereof approved by Financial Guaranty.
4. The Bonds shall contain no reference to Financial Guaranty, the Policy or the municipal bond insurance evidenced thereby except as may be approved by Financial Guaranty.
5. Financial Guaranty shall be provided with:
 - (a) Executed copies of all financing documents, the official statement (or any similar disclosure document), and all Bond documentation evidencing the Issuer's ability and intent to comply with the Internal Revenue Code of 1986 (if in the opinion of bond counsel (described below) on-going compliance would be necessary to maintain the exemption from federal income taxation of interest on the Bonds), which shall be in form and substance acceptable to Financial Guaranty, and the various legal opinions delivered in connection with the issuance and sale of the Bonds, including, without limitation, the unqualified approving opinion of bond counsel rendered by a law firm acceptable to Financial Guaranty, which opinion shall include a statement to the effect that the interest on the Bonds is exempt from federal income taxation under the Internal Revenue Code of 1986 except for any alternative minimum tax which may be imposed upon interest on the Bonds. Copies of all drafts of such documents (blacklined as appropriate) prepared subsequent to the date of this Commitment shall be furnished to Financial Guaranty. Final drafts of such documents shall be provided to Financial Guaranty at least five (5) business days prior to the issuance of the Policy unless Financial Guaranty shall approve a shorter period.

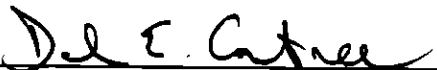
- (b) A letter from bond counsel addressed to Financial Guaranty to the effect that Financial Guaranty may rely on the approving opinion of bond counsel as if such opinion were addressed to Financial Guaranty.
- (c) Evidence of wire transfer in federal funds in an amount equal to the insurance premium, unless alternative arrangements for the payment of the premium acceptable to Financial Guaranty have been made prior to the delivery date of the Bonds.

ADDITIONAL CONDITIONS

- 6. The Resolution authorizing the Series 1990B Bonds shall provide that Financial Guaranty Insurance Company shall be designated as the Bond Insurer for the Series 1990B Bonds and as such, shall be given the same rights to receive notices, grant consents and direct actions as it has as Bond Insurer in respect of the Series 1990A Bonds.
- 7. Financial Guaranty shall be provided with the following information:
 - (i) Budget for each year and annual audited financial statements, preferably within 120 days after the end of the Issuer's fiscal year;
 - (ii) Official statement, if any, prepared in connection with the issuance of additional debt, whether or not it is on a parity with the insured issue within 30 days of the bond sale;
 - (iii) Notice of any draw upon or deficiency due to market fluctuation in the amount, if any, on deposit in the Debt Service Reserve Fund;
 - (iv) Simultaneously with the delivery of the annual audited financial statements, (A) the number of system users as of the end of the fiscal year, (B) notification of the withdrawal of any system user comprising 4% or more of system sales measured in terms of revenue dollars since the last reporting date, and (C) any significant plant retirements or expansions planned or undertaken since the last reporting date;
 - (v) Notice of the redemption, other than mandatory sinking fund redemption, of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof; and
 - (vi) Such additional information as Financial Guaranty may reasonably request from time to time.

8. Resolution 89-84 shall be revised by amending the second paragraph of Section 4.06 (A)(Z)(d) to provide that upon the issuance of an additional Series of Bonds, the Reserve Account shall be increased an amount equal to the Reserve Account Requirement for all Outstanding Bonds. In addition, any deficiency in the amount on deposit in the Reserve Account, due to a draw or market value fluctuation, shall be restored within one year after the occurrence of such deficiency in twelve equal monthly payments.
9. On or prior to the delivery of the Policy Financial Guaranty shall be provided with an opinion of bond counsel acceptable to and addressed to Financial Guaranty stating that to the extent that it is determined that the expansion of the County Seat was improper, such adverse outcome would not cause the Bonds to be or become invalid or unenforceable or invalidate the pledge of any revenues designated for their payment.
10. (a) The Escrow Agreement (the "Escrow Agreement") providing for the refunding of the Series 1986, Series 1989 and Series 1990A Bonds (collectively, the "Prior Bonds") shall permit the deposit solely of cash or direct non-callable obligations of the United States of America ("Direct Obligations") and shall permit substitution of Direct Obligations for other Direct Obligations solely upon the receipt by the escrow agent of (i) a new verification of the sufficiency of the escrowed securities (assuming such substitution has been made) to provide for the payment of the Prior Bonds in accordance with the terms of the escrow agreement and (ii) an opinion of bond counsel to the effect that such substitution shall not affect the tax-exempt status of interest on the Prior Bonds or the Bonds Insured. Modification of the Escrow Agreement shall not be permitted unless the holders of all of the Prior Bonds consent to such modification.

- (b) At least five business days prior to the proposed date for delivery of the Policy, Financial Guaranty shall receive for its review and approval (i) the verification by independent certified public accountants satisfactory to Financial Guaranty of the accuracy of the mathematical computation of the adequacy of the escrow established to provide for the payment of the Prior Bonds in accordance with the terms and provisions of the Escrow Agreement, (ii) copies of the subscription forms and purchase and issue of U.S. Treasury Securities - State and Local Government Series which have been stamped as received by the Federal Reserve Bank and (iii) the form of an opinion of bond counsel addressed to Financial Guaranty (or a reliance letter relating thereto) to the effect that, upon the making of the required deposit to the escrow, the legal defeasance of the Prior Bonds shall have occurred. An executed copy of such opinion shall be forwarded to Financial Guaranty, together with the documentation requested by Condition 5(a) hereof.
11. The Bonds shall bear a Statement of Insurance in the form attached hereto as Exhibit B. BOND PROOFS SHALL BE APPROVED BY FINANCIAL GUARANTY PRIOR TO PRINTING.
12. The official statement shall (a) be satisfactory in form and substance to Financial Guaranty and (b) shall contain the language attached hereto as Exhibit C and only such other references to Financial Guaranty as we shall supply or approve.
13. Promptly after the closing of the Bonds, Financial Guaranty shall receive three completed sets of executed documents (one original and two photocopies), copies of which we will deliver to each agency rating the Bonds.

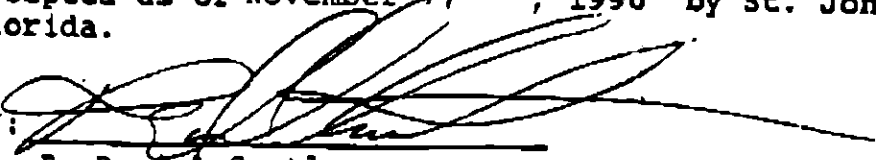


David E. Covintree
First Vice President
Deputy Director of Risk Management

To keep this commitment in effect to the Expiration Date set forth on the first page, Financial Guaranty must receive a duplicate of this Commitment executed by an appropriate officer of St. Johns County, Florida by the earlier of the date on which the disclosure document relating to the Bonds is circulated and November 9, 1990.

The undersigned agrees that if the Bonds are insured by a policy of municipal bond insurance, such insurance shall be provided by Financial Guaranty in accordance with the terms of this Commitment.

Accepted as of November 7, , 1990 by St. Johns County,
Florida.

BY: 

R. Daniel Castle

TITLE: County Administrator

The undersigned representative of William R. Hough & Co., the underwriter of the St. Johns County, Florida Water and Sewer Revenue Bonds, Series 1990B-I and Series 1990B-II (collectively, the "Bonds") hereby agrees that if the Bonds are insured by a policy of municipal bond insurance, such insurance shall be provided by Financial Guaranty Insurance Company in accordance with the terms and provisions of the Commitment for Municipal Bond Insurance dated November 2, 1990 provided by Financial Guaranty Insurance Company with respect to the Bonds.

WILLIAM R. HOUGH & CO.

By: _____

Title: _____

Dated: _____

Financial Guaranty Insurance
Company
175 Water Street
New York, NY 10038-4972
212 607-3000
800 352-0001

A GE Capital Company



EXHIBIT A

Municipal Bond New Issue Insurance Policy

Issuer:

Policy Number:

Control Number:

Bonds:

Premium:

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to Citibank, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a

Financial Guaranty Insurance
Company
175 Water Street
New York, NY 10038-4072
212 607-3000
800 352-0001



A GE Capital Company

Municipal Bond New Issue Insurance Policy

Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officers in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

A handwritten signature in black ink, appearing to read "A. B. ...", positioned above the title "President".

President

A handwritten signature in black ink, appearing to read "K. J. ...", positioned above the title "Senior Vice President".

Senior Vice President

Effective Date:

Authorized Representative

Citibank, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

A handwritten signature in black ink, appearing to read "S. ...", positioned above the title "Authorized Officer".

Authorized Officer

Financial Guaranty Insurance
Company
175 Water Street
New York, NY 10038-4972
212 607-3000
800 352-0001



A GE Capital Company

Endorsement To Financial Guaranty Insurance Company Insurance Policy

Policy Number:

Control Number:

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officers in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Senior Vice President

Effective Date:

Authorized Representative

Acknowledged as of the Effective Date written above:

Authorized Officer
Citibank, N.A., as Fiscal Agent

EXHIBIT B

(To be printed on the Bonds)

STATEMENT OF INSURANCE

Financial Guaranty Insurance Company ("Financial Guaranty") has issued a policy containing the following provisions with respect to the St. Johns County, Florida Water and Sewer Revenue Bonds, Series 1990B-I and Series 1990B-II (collectively, the "Bonds"), such policy being on file at the principal office of the Paying Agent, as paying agent (the "Paying Agent"):

Financial Guaranty hereby unconditionally and irrevocably agrees to pay for disbursement to the Bondholders that portion of the principal of and interest on the Bonds which is then due for payment and which the issuer of the Bonds (the "Issuer") shall have failed to provide. Due for payment means, with respect to the principal, the stated maturity date thereof, or the date on which the same shall have been duly called for mandatory sinking fund redemption, but not any earlier date on which the payment of principal of the Bonds is due by reason of acceleration, and with respect to interest, the stated date for payment of such interest.

Upon receipt of telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or the Paying Agent to Financial Guaranty that the required payment of principal or interest has not been made by the Issuer to the Paying Agent, Financial Guaranty 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 Citibank, N.A., or its successor as its agent (the "Fiscal Agent"), sufficient to make the portion of such payment not paid by the Issuer. Upon presentation to the Fiscal Agent of evidence satisfactory to it of the Bondholder's right to receive such payment and any appropriate instruments of assignment required to vest all of such Bondholder's right to such payment in Financial Guaranty, the Fiscal Agent will disburse such amount to the Bondholder.

As used herein the term "Bondholder" means the person other than the Issuer who at the time of nonpayment of a Bond is entitled under the terms of such Bond to payment thereof.

The policy is non-cancellable for any reason.

FINANCIAL GUARANTY INSURANCE COMPANY

EXHIBIT C

(Disclosure Language For Official Statement)

Bond Insurance

Concurrently with the issuance of the Bonds, Financial Guaranty Insurance Company ("Financial Guaranty") will issue its Municipal Bond New Issue Insurance Policy for the Bonds (the "Policy"). The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the County. Financial Guaranty will make such payments to Citibank, N.A., or its successor as its agent (the "Fiscal Agent"), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Bonds or the Paying Agent of the nonpayment of such amount by the County. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal and interest shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Bond includes any payment of principal or interest made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Policy covers failure to pay principal of the Bonds on their respective stated maturity dates, or dates on which the same shall have been duly called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a wholly-owned subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is domiciled in the State of New York and is subject to regulation by the State of New York Insurance

EXHIBIT C
Continued

Department. As of June 30, 1990, the total capital and surplus of Financial Guaranty was approximately \$458,300,000. Copies of Financial Guaranty's financial statements, prepared on the basis of statutory accounting principles, and the Corporation's financial statements, prepared on the basis of generally accepted accounting principles, may be obtained by writing to Financial Guaranty at 175 Water Street, New York, New York 10038, Attention: Communications Department. Financial Guaranty's telephone number is (212) 607-3000.

STJOHNFL.DOC

FINANCIAL GUARANTY INSURANCE COMPANY
PROCEDURES FOR
PAYMENT OF PREMIUM

Financial Guaranty's issuance of its Municipal Bond New Issue Insurance Policy at bond closing is contingent upon its receipt of the premium. NO POLICY MAY BE RELEASED UNTIL RECEIPT OF SUCH AMOUNT HAS BEEN CONFIRMED. Set forth below are the procedures to be followed for confirming the amount of the premium to be paid and for paying such amount:

Confirmation of
Amount to be Paid:

Upon determination of the final debt service schedule, provide such schedule to Financial Guaranty, Attention: Erin Ronan at (212) 607-5728 and subsequently confirm with her the amount of the premium.

Payment Date:

Date of delivery of the insured bonds.

Method of
Payment of Premium:

Wire Transfer of Federal Funds.

Wire Transfer
Instructions:

ABA Routing #: Manufacturers Hanover Trust
021000306
270 Park Avenue, New York, New York
For credit to Financial Guaranty Insurance
Company
Account #144-0-37056

CONFIRMATION OF RECEIPT OF PREMIUM

Financial Guaranty will accept as confirmation of the premium payment a wire transfer number and the name of the sending bank, to be communicated on the closing date to Carolanne Gardner (212) 607-3017.

Upon confirmation of the premium payment and satisfaction of the other conditions set forth in the commitment letter, Financial Guaranty will release the Policy.

REQUESTS FOR FURTHER INFORMATION OR
ALTERNATIVE PAYMENT ARRANGEMENTS

Requests for additional information regarding the procedures described above or as to the acceptability of alternate payment procedures should be directed to Carolanne Gardner (212) 607-3017 at least two business days prior to the closing date.

NOTICE

CHANGE IN COLLECTION AND PAYMENT OF RATING AGENCY FEES ON INSURED TRANSACTIONS

Effective May 29, 1990, Moody's Investors Service and Standard & Poor's Corporation have agreed with Financial Guaranty and other major municipal bond insurers to implement a change in their billing and collection of rating agency fees on insured transactions.

Prior to closing, an invoice for the rating agency fee will be prepared by each rating agency and will be delivered to the Issuer by such rating agency. If the Issuer has previously applied and paid for a rating from either rating agency on the issue to be insured by such rating agency, no further fee will be payable to such rating agency.

Payment of the fees owed, if any, should be made directly to each rating agency. Financial Guaranty will not seek to confirm the Issuer's payment of such fees and the release of the bond insurance policy will not be subject to payment of such fees.

3121K

Logo Presentation for Official Statement

All offering circulars relating to securities insured by Financial Guaranty are required to bear our "FGIC" Logo, attached. It is essential that the following legend accompany the Logo on all such materials:

Service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. government agency."

The legend must appear in bold face type, adjacent to the Logo, and not as a footnote.

Thank you for your cooperation in this matter and do not hesitate to contact us with any questions on the use of the Logo.

Logotype for Official Statements and Tombstones

Financial Guaranty Insurance Company



Service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. government agency.

Financial Guaranty Insurance Company



Service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. government agency.

Financial Guaranty Insurance Company



Service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. government agency.

Financial Guaranty Insurance Company



Service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. government agency.

Financial Guaranty Insurance Company



Service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. government agency.

Financial Guaranty Insurance Company



Service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. government agency.

Financial Guaranty Insurance Company



Service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. government agency.

EXHIBIT D
Escrow Deposit Agreement

GF03C157

Exhibit D

ESCROW DEPOSIT AGREEMENT

In consideration of the facts hereinafter recited and of the mutual covenants and agreements herein contained, ST. JOHNS COUNTY, a political subdivision created and existing under the laws of the State of Florida (the "Issuer"), and CITIZENS AND SOUTHERN TRUST COMPANY (FLORIDA), NATIONAL ASSOCIATION, Fort, Lauderdale, Florida, a national banking association organized and existing under the laws of the United States of America, as Escrow Holder (the "Escrow Holder"), do hereby agree as follows:

Section 1. Definitions. Terms used herein shall have the respective meanings assigned in and by the Resolution hereinafter defined, and the following terms which are not defined in the Resolution shall have the following meanings, unless the text clearly otherwise requires:

"Aggregate Debt Service" shall mean, as of any particular date, the sum of the amounts of Annual Debt Service for all years with respect to which the Annual Debt Service shall remain unpaid. Aggregate Debt Service as of the date of the delivery of this Agreement is stated on Exhibit A attached hereto.

"Agreement" shall mean this Escrow Deposit Agreement.

"Annual Debt Service" shall mean, with respect to any year, the interest on the Refunded Bonds becoming due in such year and the principal of the Refunded Bonds maturing in such year according to Exhibit A attached hereto.

"Escrow Account" shall mean the Escrow Account created pursuant to the provisions of Section 3 of this Agreement.

"Escrow Requirement" shall mean, as of any particular date, the sum of an amount in cash in the Escrow Account and the principal amount of the Federal Securities held by the Escrow Holder pursuant to Section 4 hereof which, together with the interest which shall thereafter become payable on the Federal Securities, will be sufficient to pay Aggregate Debt Service, as each of the respective installments thereof shall become due.

"Federal Securities" shall mean direct obligations of the United States of America, none of which permit redemption prior to maturity at the option of the obligor, which obligations are set forth in Exhibit B attached hereto and hereby made a part hereof, and such other obligations as may be purchased in accordance with Section 8 hereof.

"Refunded Bonds" shall mean the outstanding Water and Sewer Revenue Bonds, Series 1990A (the "Series 1990A Bonds"), of the Issuer and the outstanding Water and Sewer Revenue Refunding Bonds, Series 1986 (the "Series 1986 Bonds") and Water and Sewer Revenue Bonds, Series 1989 (the "Series 1989 Bonds"), of the Anastasia Sanitary District.

"Resolution" shall mean Resolution No. 90-____ adopted by the Issuer on November 14, 1990, as amended and supplemented from time to time, authorizing issuance of the Series 1990B Bonds and the execution and delivery of this Agreement, a copy of which is attached hereto as Exhibit C and incorporated herein by this reference.

Section 2. Recitals.

(a) The Issuer adopted the Resolution for the purpose of authorizing the issuance of the Series 1990B Bonds for the purpose of financing a part of the cost of refunding the Refunded Bonds and acquiring and constructing Project 1990B.

(b) The Resolution authorized the Issuer to enter into this Agreement for the purposes expressed therein and herein, and all acts and things have been done and performed to make this Agreement valid and binding for the security of the Refunded Bonds.

(c) The Escrow Holder has the powers and authority of a trust company under the laws of the United States of America and, accordingly, the power to execute the trust hereby created.

Section 3. Deposit of Funds. There is hereby created and established with the Escrow Holder a special account to be known as the "Escrow Account." Simultaneously with the execution and delivery of this Agreement, the Issuer has deposited with the Escrow Holder, for deposit by the Escrow Holder to the Escrow Account, a portion of the proceeds of the Series 1990B-I Bonds in the sum of \$_____, a portion of the proceeds of the Series 1990B-II Bonds in the sum of \$_____, \$_____ heretofore held by the Issuer for the payment of the principal of and interest on the Series 1990A Bonds, \$_____ heretofore held by the Issuer for the payment of the principal of and interest on the Series 1986 Bonds and \$_____ heretofore held by the Issuer for the payment of the principal of and interest on the Series 1989 Bonds, which when invested to the extent required to purchase the Federal Securities, the uninvested portion of such funds and the principal amount of such Federal Securities and the interest to become due thereon, based upon the verification report issued by Ernst & Young, certified public accountants, in connection with issuance of the Series 1990B Bonds, equals or exceeds the Escrow Requirement as of the date of the delivery of this Agreement. Such Federal Securities shall mature and such interest shall be payable on or before the funds represented thereby shall be required for

timely payment of the principal of and interest on the Refunded Bonds as the same shall mature and become payable in accordance with their terms.

The Escrow Holder shall hold the Escrow Account as a separate trust account wholly segregated from all other funds held by the Escrow Holder in any capacity and shall make disbursements from the Escrow Account only in accordance with the provisions of this Agreement. The Federal Securities described in Exhibit B shall not be sold or otherwise disposed of or reinvested except as provided in Section 8 hereof. All moneys and Federal Securities held at any time by the Escrow Holder pursuant to any provision of this Agreement are hereby irrevocably pledged by the Issuer to the payment of the principal of premium, if any, and interest on the Refunded Bonds, subject to the provisions of Section 5(a) hereof relating to the release of moneys in the Escrow Account in excess of the Escrow Requirement. The owners of the Refunded Bonds are hereby granted a first and prior lien on the principal of and interest on such Federal Securities until the same shall be used and applied in accordance with the provisions of this Agreement.

Section 4. Use and Investment of Funds. The Escrow Holder acknowledges receipt of the cash described in Section 3 of this Agreement and agrees:

(a) to hold the same in irrevocable escrow during the term of this Agreement.

(b) to apply such cash and the proceeds of such Federal Securities in the manner provided in this Agreement, and only in such manner.

(c) to invest immediately \$_____ thereof by purchasing the Federal Securities described in Exhibit B attached hereto.

(d) to deposit in the Escrow Account, as received, the principal of all of such Federal Securities described in Exhibit B attached hereto and any other Federal Securities acquired hereunder which shall mature during the term of this Agreement, all interest which shall be derived during the term of this Agreement from such Federal Securities described in Exhibit B attached hereto and any other Federal Securities acquired hereunder, and the proceeds of any sale, transfer, redemption or other disposition of such Federal Securities described in Exhibit B attached hereto and any other Federal Securities acquired hereunder.

All moneys held by the Escrow Holder pursuant to any provision of this Agreement, on deposit in the Escrow Account or otherwise, shall at all times be continually secured in the manner provided by Florida law for the securing of municipal funds.

Section 5. Payment of the Refunded Bonds and Expenses.

The owners of the Refunded Bonds shall have a first and prior lien on the principal of and interest on the Federal Securities and all moneys held by the Escrow Holder in the Escrow Account, until all such moneys shall be used and applied by the Escrow Holder as follows:

(a) Refunded Bonds. On each date which shall be an interest payment date for any of the Refunded Bonds, the Escrow Holder shall pay to First Union National Bank of Florida, Jacksonville, Florida, its successors and assigns, as the Paying Agent for the Series 1990A Bonds, or such other paying agent as the Issuer shall hereafter appoint, from moneys on deposit in the Escrow Account, a sum sufficient to pay that portion of the Annual Debt Service due on the Series 1990A Bonds on such date, as shown in Exhibit A attached hereto, and to Barnett Banks Trust Company, N.A., Jacksonville, Florida, its successors and assigns, as the Paying Agent for the Series 1986 Bonds and the Series 1989 Bonds, or such other paying agent as the Issuer shall hereafter appoint, from the moneys on deposit in the Escrow Account, a sum sufficient to pay that portion of Annual Debt Service due on the Series 1986 Bonds and the Series 1989 Bonds on such date, as shown in Exhibit A attached hereto. After making such payments from the Escrow Account, the Escrow Holder shall notify the Issuer of any moneys remaining in said account in excess of the Escrow Requirement which, based upon the debt service and cash flow schedules relating to the Escrow Requirement, are not required for Aggregate Debt Service, and, upon the written request of the Issuer, signed by the Chairman, pay to the Issuer such excess moneys remaining in said account, for the Issuer to use for any lawful purpose, provided that, prior to any such payment, the Escrow Holder shall have also received a verification report prepared by a nationally recognized firm of independent certified public accountants verifying the Escrow Requirement and that such moneys to be paid to the Issuer are in excess of the Escrow Requirement.

(b) Fees, Expenses and Indemnity.

- (i) In consideration of the services rendered by the Escrow Holder under this Agreement, the Issuer upon the execution hereof has paid to the Escrow Holder a fee of \$_____ for all services and ordinary expenses to be incurred as Escrow Holder in connection with such services. The term "ordinary expenses" means expenses of holding, investing and disbursing the Escrow Account as provided herein.
- (ii) The Issuer shall also reimburse the Escrow Holder for any extraordinary expenses incurred by it in connection herewith. The term "extraordinary expenses" includes (a) expenses arising out of the assertion of any third party to any interest in the

Escrow Account or any challenge to the validity hereof, including reasonable attorneys' fees, (b) expenses relating to any substitution under Section 8 hereof, and (c) expenses (other than ordinary expenses) not occasioned by the Escrow Holder's misconduct or negligence.

- (iii) The fees and expenses payable by the Issuer under this section shall not be paid from the Escrow Account, but shall be paid by the Issuer as an Operating Expense of the System. The Escrow Holder shall have no lien for the payment of its fees or expenses or otherwise for its benefit on the Escrow Account and hereby waives any rights of set off against the Escrow Account which it may lawfully have or acquire.

Section 6. Notice of Advance Refunding. Promptly after the issuance of the Series 1990B Bonds, the Escrow Holder shall give or cause to be given notice of the advance refunding of the Refunded Bonds, which notice shall be substantially in the form of the Notices of Advance Refunding attached hereto as Exhibit D. An appropriate notice shall be sent by first class mail, postage prepaid, to each owner of Refunded Bonds at the address of such owner shown on the registration books maintained by the Paying Agents for the Refunded Bonds and to Depository Trust Company of New York, New York, Midwest Securities Trust Company of Chicago, Illinois, and Philadelphia Depository Trust Company of Philadelphia, Pennsylvania and to one or more national information services that disseminate notices of advance refunding of obligations such as the Refunded Bonds.

Section 7. No Redemption or Acceleration of Maturity. The Issuer will not accelerate the maturity of, or exercise any option to redeem before maturity, any Refunded Bonds.

Section 8. Reinvestment. Except as provided in Section 4 of this Agreement and in this Section, the Escrow Holder shall have no power or duty to invest any funds held under this Agreement or to sell, transfer or otherwise dispose of or make substitutions for any Federal Securities held hereunder.

At the written request of the Issuer and upon compliance with the conditions stated in this Section, the Escrow Holder shall sell, transfer, or otherwise dispose of or request the redemption of any of the Federal Securities acquired hereunder and shall purchase other Federal Securities to be substituted for such Federal Securities disposed of or redeemed.

The Issuer will not request the Escrow Holder to exercise any of the powers described in the preceding sentence in any manner which will cause the Series 1990B Bonds to be "arbitrage

bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable regulations proposed or promulgated thereunder.

The Escrow Holder may, at the written direction of the Issuer, substitute other noncallable Federal Securities ("Substitute Federal Securities") in lieu of the Federal Securities then on deposit in the Escrow Account provided that, prior to any such substitution, the Escrow Holder and the Issuer shall have received:

- (a) New debt service and cash flow schedules showing (i) the dates and amounts of all principal and interest payments thereafter to become due on the Refunded Bonds, (ii) the cash and Federal Securities to be on deposit in the Escrow Account upon making such substitution, (iii) the dates and amounts of maturing principal and interest to be received by the Escrow Holder from such Federal Securities, and (iv) that the cash on hand in the Escrow Account plus cash to be derived from the maturing principal and interest of such Federal Securities shall be sufficient to pay when due all remaining debt service payments on the Refunded Bonds (the most recent debt service and cash flow schedules shall be considered to be the applicable "Debt Service and Cash Flow Schedules").
- (b) A new verification report prepared by a nationally recognized firm of independent certified public accountants verifying the accuracy of the new Debt Service and Cash Flow Schedules (the most recent verification report shall be considered to be the applicable "Verification Report" for purposes hereof); and
- (c) An opinion of nationally recognized bond counsel that such substitution is permissible hereunder and that (based on said new Debt Service and Cash Flow Schedules and new Verification Report as to sufficiency) the substitution will not adversely affect the defeasance of the Refunded Bonds and will not adversely affect the exclusion from gross income of interest on the Refunded Bonds and the Series 1990B Bonds for federal income tax purposes.

Section 9. Indemnity. Whether or not any action or transaction authorized or contemplated hereby shall be undertaken or consummated, the Issuer hereby agrees to the extent allowed by Florida law to indemnify, protect, save and keep harmless the Escrow Holder and its respective successors, agents and servants, from and against any and all liabilities, obligations, losses,

damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and attorneys' disbursements and expenses) of whatsoever kind and nature which may be imposed on, incurred by or asserted against the Escrow Holder at any time, whether or not the same may be indemnified against by the Issuer or any other Person under any other agreement or instrument, by reason of or arising out of the execution and delivery of this Agreement, the establishment of the Escrow Account, the acceptance by the Escrow Holder of the funds herein described, the purchase, retention or disposition of the Federal Securities or the proceeds thereof, or any payment, transfer or other application of funds or securities by the Escrow Holder in accordance with the provisions of this Agreement; provided, however, that the Issuer shall not be required to indemnify the Escrow Holder for any expense, loss, costs, disbursements, damages or liability resulting from its own negligence or misconduct. The indemnities contained in this Section shall survive the termination of this Agreement.

Nothing in this Section contained shall give rise to any liability on the part of the Issuer in favor of any Person other than the Escrow Holder.

Section 10. Responsibilities of Escrow Holder. The Escrow Holder and its respective successors, agents and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, by reason of the establishment of the Escrow Account, including the accuracy of the calculations as to the sufficiency of the moneys and the Federal Securities held therein for the payment of the Refunded Bonds, deficiencies in the Escrow Account, the acceptance and disposition of the various moneys and funds described herein, the purchase, retention or disposition of the Federal Securities or the proceeds thereof, or any payment, transfer or other application of funds or securities by the Escrow Holder in accordance with the provisions of this Agreement or by reason of any non-negligent act, omission or error of the Escrow Holder made in good faith in the conduct of its duties. The Escrow Holder shall, however, be liable to the Issuer and to holders of the Refunded Bonds to the extent of their respective damages for negligent or willful acts, omissions or errors of the Escrow Holder which violate or fail to comply with the terms of this Agreement. The duties and obligations of the Escrow Holder shall be determined by the express provisions of this Agreement. The Escrow Holder may consult with counsel, who may or may not be counsel to the Issuer, and be entitled to receive from the Issuer reimbursement of the reasonable fees and expenses of such counsel, and in reliance upon the opinion of such counsel have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Holder shall

deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the Issuer.

Section 11. Resignation of Escrow Holder. The Escrow Holder may resign and thereby become discharged from the duties and obligations hereby created, by notice in writing given to the Issuer and published once in a newspaper of general circulation published in the territorial limits of the Issuer, and in a daily newspaper of general circulation or a financial journal published in the Borough of Manhattan, City and State of New York, not less than sixty (60) days before such resignation shall take effect. Such resignation shall take effect immediately upon the appointment of a new Escrow Holder hereunder, if such new Escrow Holder shall be appointed before the time limited by such notice and shall then accept the duties and obligations of the Escrow Holder hereunder.

Section 12. Removal of Escrow Holder.

(a) The Escrow Holder may be removed at any time by an instrument or concurrent instruments in writing, executed by the owners of not less than fifty-one per centum (51%) in aggregate principal amount of the Refunded Bonds then outstanding, such instrument or instruments to be filed with the Issuer, and notice published once in a newspaper of general circulation published in the territorial limits of the Issuer, and in a daily financial journal published in the Borough of Manhattan, City and State of New York, not less than sixty (60) days before such removal is to take effect as stated in said instrument or instruments. A photographic copy of any instrument filed with the Issuer under the provisions of this paragraph shall be delivered by the Issuer to the Escrow Holder.

(b) The Escrow Holder may also be removed at any time by any court of competent jurisdiction upon the application of the Issuer or the owners of not less than five per centum (5%) in aggregate principal amount of the Refunded Bonds then outstanding for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Agreement with respect to the duties or obligations of the Escrow Holder.

Section 13. Successor Escrow Holder.

(a) If at any time hereafter the Escrow Holder shall resign, be removed, be dissolved or otherwise become incapable of acting, or shall be taken over by any governmental official, agency, department or board, the position of Escrow Holder shall thereupon become vacant. If the position of Escrow Holder shall

become vacant for any of the foregoing reasons or for any other reason, the Issuer shall appoint a successor Escrow Holder to fill such vacancy. The Issuer shall publish notice of any such appointment once in each week for four (4) successive weeks in a newspaper of general circulation published in the territorial limits of the Issuer and in a daily financial journal published in the Borough of Manhattan, City and State of New York.

(b) At any time within one year after such vacancy shall have occurred, the owners of not less than fifty-one per centum (51%) in aggregate principal amount of Refunded Bonds then outstanding, by an instrument or concurrent instruments in writing, executed by such owners and filed with the Governing Body of the Issuer, may appoint a successor Escrow Holder, which shall supersede any successor Escrow Holder theretofore appointed by the Issuer. Photographic copies of each such instrument shall be promptly delivered by the Issuer to the predecessor Escrow Holder to the Escrow Holder so appointed by such owners.

(c) If no appointment of a successor Escrow Holder shall be made pursuant to the foregoing provisions of this Section, the owner of any Refunded Bonds then outstanding, or the retiring Escrow Holder may apply to any court of competent jurisdiction to appoint a successor Escrow Holder. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Escrow Holder.

(d) Every successor Escrow Holder appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Issuer an instrument in writing accepting such appointment hereunder, and thereupon such successor Escrow Holder, without any further act, shall become full vested with all of the duties and obligations of its predecessor under this Agreement.

Section 14. Predecessor Escrow Holder. Every predecessor Escrow Holder shall deliver to its successor and also to the Issuer an accounting of all moneys and securities held by it under this Agreement, and shall deliver to its successor all such moneys and securities held by it as Escrow Holder hereunder.

Section 15. Term; Modification. This Agreement shall commence upon its execution and delivery and shall terminate when the Refunded Bonds and the interest thereon shall have been paid and discharged in accordance with the proceedings authorizing the Refunded Bonds and all excess moneys have been paid to the Issuer. This Agreement shall not be modified without the prior written consent of all owners on the Refunded Bonds then outstanding which shall be adversely affected by such modification.

Section 16. Severability. If any of the covenants, agreements or provisions of this Agreement on the part of the Issuer or the Escrow Holder to be performed should be determined

by a court of competent jurisdiction to be contrary to law, such covenant, agreement or provision shall be null and void, shall be deemed separable from the remaining covenants, agreements and provisions of this Agreement and shall in no way affect the validity of the remaining covenants, agreements or provisions of this Agreement.

Section 17. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as the original and shall constitute and be but one and the same instrument.

Section 18. Governing Law. This Agreement shall be construed under the laws of the State of Florida.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers and

their seals to be hereunto affixed and attested, all as of the
_____ day of December, 1990.

ST. JOHNS COUNTY, FLORIDA

(SEAL)

By _____
Chairman of the Board of
County Commissioner

ATTEST:

Clerk of the Board of
County Commissioner

CITIZENS AND SOUTHERN TRUST
COMPANY (FLORIDA), NATIONAL
ASSOCIATION, as Escrow Holder

(SEAL)

By _____
Title: _____

ATTEST:

Title: _____

GF04C110

EXHIBIT A

ANNUAL DEBT SERVICE AND AGGREGATE
DEBT SERVICE FOR REFUNDED BONDS

EXHIBIT B

FEDERAL SECURITIES

EXHIBIT C

RESOLUTION AUTHORIZING SERIES 1990B BONDS

EXHIBIT D

NOTICES OF ADVANCE REFUNDING