

RESOLUTION NO. 91-118

RESOLUTION SUPPLEMENTING RESOLUTION NO. 89-84 ADOPTED BY THE BOARD OF COUNTY COMMISSIONERS OF ST. JOHNS COUNTY, FLORIDA, ON APRIL 25, 1989, ENTITLED "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 \$10,000,000 PRINCIPAL AMOUNT OF WATER AND SEWER REVENUE BONDS, SERIES 1989A AND SERIES 1989B, 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," AS HERETOFORE AMENDED AND SUPPLEMENTED; FOR THE PURPOSE OF AUTHORIZING THE ISSUANCE BY THE COUNTY OF ~~\$14,680,397~~⁵⁶ PRINCIPAL AMOUNT OF WATER AND SEWER REVENUE BONDS, SERIES 1991A, TO PAY A PART OF THE COST OF THE ACQUISITION OF PRIVATELY-OWNED WATER AND SEWER FACILITIES OPERATING WITHIN THE COUNTY AND THE CONSTRUCTION OF ADDITIONS AND EXTENSIONS THERETO AND OF FACILITIES TO CONNECT THE ACQUIRED WATER SYSTEM TO SAID SYSTEM, THE COST OF A RESERVE ACCOUNT INSURANCE POLICY RELATING TO SAID SERIES 1991A BONDS, AND THE COSTS OF ISSUANCE OF SAID SERIES 1991A BONDS; PLEDGING TO SECURE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SAID SERIES 1991A BONDS

SAID PLEDGED FUNDS INCLUDING CERTAIN ASSESSMENTS THAT MAY BE LEVIED AND COLLECTED AGAINST SPECIALLY BENEFITTED LOTS AND PARCELS OF REAL PROPERTY; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SAID SERIES 1991A BONDS; MAKING CERTAIN COVENANTS AND AGREEMENTS WITH THE HOLDERS OF SAID SERIES 1991A BONDS; ACCEPTING THE COMMITMENTS OF THE INSURER OF SAID SERIES 1991A BONDS; ACCEPTING THE DISCLOSURE STATEMENT OF THE BOND PURCHASERS AND AUTHORIZING A NEGOTIATED SALE OF SAID SERIES 1991A BONDS AND THE EXECUTION AND DELIVERY OF A PURCHASE CONTRACT WITH RESPECT TO SAID SERIES 1991A BONDS; APPROVING A PRELIMINARY OFFICIAL STATEMENT WITH RESPECT TO SAID SERIES 1991A BONDS AND AUTHORIZING A FINAL OFFICIAL STATEMENT WITH RESPECT THERETO; APPOINTING THE REGISTRAR AND PAYING AGENT FOR SAID SERIES 1991A BONDS; AND PROVIDING AN EFFECTIVE DATE.

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Exhibit A -- Preliminary Official Statement

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Exhibit C -- Municipal Bonds Investors Assurance Corporation
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BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF ST. JOHNS COUNTY, FLORIDA:

ARTICLE I

GENERAL

SECTION 1.01. Definitions. When used in this Resolution, the terms defined in the Original Instrument shall have the respective meanings assigned thereto by the Original Instrument and the following terms shall have the following meanings, unless the context clearly otherwise requires:

"Bond Counsel" shall mean Foley & Lardner, Jacksonville, Florida, bond counsel to the Issuer with respect to the issuance of the Series 1991A Bonds.

"Insurer" shall mean Municipal Bond Investors Assurance Corporation, committed to issue a Bond Insurance Policy insuring the Series 1991A Bonds.

"Maturity Amount" means, with respect to each Series 1991A Capital Appreciation Bond, the Accreted Value required to be paid to the Holder thereof on the Maturity Date thereof.

"Maturity Date" means the final maturity date of each Series 1991A Bond as indicated on the face of each Series 1991A Bond.

"Original Instrument" shall mean St. Johns County Resolution No. 89-84 adopted by the Governing Body on April 25, 1989, the title of which is quoted in the title of this Resolution, as amended by St. Johns County Resolution No. 89-189 adopted by the Governing Body on August 9, 1989, St. Johns County Resolution No. 90-61 adopted by the Governing Body on March 27, 1990, St. Johns County Resolution No. 90-208 adopted by the Governing Body on November 14, 1990, and St. Johns County Resolution No. 91-113 adopted by the Governing Body on July 23, 1991.

"Parity Obligations" shall mean the Series 1989 Bonds and the Series 1990B Bonds.

"Preliminary Official Statement" shall mean the preliminary official statement relating to the Series 1991A Bonds attached hereto as Exhibit A.

"Project 1991A" shall mean the acquisition of the privately-owned water and sewer system serving the area of the Issuer known as "St. Augustine Shores" and the construction and erection of additions and extensions thereto and of facilities to connect the acquired water system to the System. Project 1991A shall be an Additional Project.

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

"Purchasers" shall mean William R. Hough & Co., Smith Barney, Harris Upham & Co., Incorporated, Lehman Brothers and Summit Capital Markets, Inc., the purchasers of the Series 1991A Bonds.

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

"Series 1989 Bonds" shall mean the Issuer's outstanding Water and Sewer Revenue Bonds, Series 1989, authorized to be issued pursuant to the Original Instrument.

"Series 1990B Bonds" shall mean the Issuer's outstanding Water and Sewer Revenue Bonds, Series 1990B-I and Series 1990B-II, authorized to be issued pursuant to the Original Instrument.

"Series 1991A Bonds" shall mean the Water and Sewer Revenue Bonds, Series 1991A, authorized to be issued by the Issuer pursuant to Section 2.01 hereof.

"Series 1991A Capital Appreciation Bonds" means the Series 1991A Bonds scheduled to mature on Maturity Dates commencing on June 1, 2012 and occurring on each June 1 thereafter to and including June 1, 2021.

"Series 1991A Current Interest Bonds" means the Series 1991A Bonds scheduled to mature on Maturity Dates commencing on June 1, 1994 and occurring on each June 1 thereafter to and including June 1, 2011.

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 and other applicable provisions of law.

SECTION 1.03. Resolution to Constitute Contract. In consideration of the purchase and acceptance of any or all of the Series 1991A 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 Series 1991A Bonds and shall be a part of the contract of the Issuer with any Credit Bank and any Insurer that pertains to the Series 1991A Bonds. 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 Series 1991A Bonds and for the benefit, protection and security of any Credit Bank and any Insurer insuring the Series 1991A Bonds. All of the Series 1991A 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 Series 1991A 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 presently owns and operates a water and sewer system for the health, benefit and welfare of its citizens and inhabitants, and it is in the best interest of the Issuer and said citizens and inhabitants that the Issuer acquire and construct Project 1991A and finance a part of the cost of such acquisition and construction through the issuance of the Series 1991A Bonds in the manner herein provided. The balance of such cost shall be financed by the issuance of the Issuer's Subordinated Water and Sewer Revenue Bonds, Series 1991.

(B) After publication of notice thereof by the Issuer, a public hearing on the acquisition of the water and sewer facilities serving the area of St. Johns County known as "St. Augustine Shores" was duly held by the Governing Body on July 23, 1991; and the Governing Body, having considered each and all of the elements listed in Section 125.3401, Florida Statutes, as amended, as well as other factors bearing upon the matter, has found and determined, in and by St. Johns County Resolution No. 91-111, that the acquisition of such facilities is in the public interest; and the Issuer has prepared and filed in the minutes of the Governing Body a statement showing that the acquisition of such facilities is in the public interest, including a summary of the Issuer's experience in water and sewer utilities operation and a showing of financial ability to provide the service.

(C) It is in the best interest of the Issuer and said citizens and inhabitants that provision be made to allow a portion of the Cost of Project 1991A to be financed through the levy and collection of non-ad valorem special assessments against the lots and parcels of real property to be specially benefitted by the acquisition of such facilities and the construction and erection of the additions and extensions to such facilities and the facilities to connect the same with the System; and it is appropriate that such non-ad valorem special assessments, if levied, be pledged to the payment of the principal of and interest on the Series 1991A Bonds.

(D) The Issuer deems it necessary, desirable and in the best interest of the Issuer that the Pledged Funds and such special assessments be pledged to the payment of the principal of and interest on the Series 1991A Bonds. No part of the Pledged Funds and such special assessments shall be pledged or encumbered in any manner, except that the Pledged Funds have been pledged and such special assessments will be hereby pledged as security for the Parity Obligations and concurrently with the issuance of the Series 1991A Bonds the Issuer will issue Subordinated Indebtedness for which the Pledged Funds will be pledged; and the Original

Instrument, in Section 5.02 thereof, provides for the issuance of Additional Bonds payable from the Pledged Funds on a parity with the Parity Obligations under the terms, limitations and conditions provided therein. The Issuer will issue the Series 1991A Bonds as Additional Bonds within the authorization contained in Section 5.02 of the Original Instrument, as amended herein. The Series 1991A Bonds shall be payable on a parity and rank equally as to lien on and source and security for payment from the Pledged Funds and such special assessments, and in all other respects, with the Parity Obligations.

(E) No Bondholder shall ever be entitled to compel the payment of the principal of and interest on the Series 1991A 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 Series 1991A Bonds or to make any other payments provided for in this Resolution, and the Series 1991A 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 and such special assessments.

(F) The Issuer deems it necessary, desirable and in the best interest of the Issuer that any Connection Charges pertaining to Project 1991A which shall be collected by the Issuer be pledged for the payment of the principal of and interest on the Series 1991A Bonds and the Parity Obligations to the extent provided in the Original Instrument.

(G) The Issuer has received from the Insurer its commitments to provide a Bond Insurance Policy and a Reserve Account Insurance Policy with respect to the Series 1991A Bonds, copies of which commitments are attached hereto as Exhibit C; pursuant to Section 4.06(A)(2)(d) of the Original Instrument, Financial Guaranty Insurance Company, the Insurer of the Parity Obligations, has approved in writing said Reserve Account Insurance Policy, a copy of which approval is attached hereto as Exhibit D; and it is in the best financial interest of the Issuer that the Issuer accept said commitments of the Insurer.

(H) The Governing Body is advised that due to the present volatility of the market for tax-exempt public obligations such as the Series 1991A Bonds, it is in the best interest of the Issuer to sell the Series 1991A 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 1991A Bonds and, accordingly, the Governing Body does hereby find and determine that it is in the best financial interest of the Issuer that a negotiated sale of the Series 1991A Bonds be authorized. The Purchasers have offered to purchase the Series 1991A Bonds and have submitted to the Issuer the Purchase Contract expressing the terms of such offer; and the Governing Body 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.

(I) 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 1991A 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 1991A 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 1991A Bonds.

(J) It is necessary and appropriate that the Issuer appoint a registrar and a paying agent for the Series 1991A Bonds, and the institution hereinafter named is acceptable to the Issuer; and it appears to the Governing Body that the same is qualified to serve as Registrar and Paying Agent for the Series 1991A Bonds in accordance with the terms hereof.

SECTION 1.05. Additional Project Authorized. The application by the Issuer of the portion of the proceeds to be derived from the sale of the Series 1991A Bonds designated for the acquisition and construction of Project 1991A is hereby authorized.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF SERIES 1991A BONDS

SECTION 2.01. Authorization of Series 1991A 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, Series 1991A," in an aggregate principal amount of \$14,680,397¹²; for the principal purpose of paying a part of the Cost of Project 1991A, the cost of a Reserve Account Insurance Policy relating to the Series 1991A Bonds and the costs of issuance incurred with respect to the Series 1991A Bonds.

SECTION 2.02. Description of Series 1991A Bonds. The Series 1991A Current Interest Bonds shall be dated as of August 1, 1991 or the first day of any month thereafter which shall be prior to the date of the delivery of the Series 1991A Bonds to the Purchasers; 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 denominations of \$5,000 and integral multiples of \$5,000; and shall bear interest at the rates, not exceeding the maximum rate permitted by law (calculated on the basis of a 360-day year of twelve 30-day months), payable on June 1 and December 1 in each year (commencing December 1, 1991), shall mature on June 1 in such years not exceeding forty (40) years from their date, shall contain such redemption provisions, and shall have such other terms as are provided in the Purchase Contract.

The Series 1991A Capital Appreciation Bonds shall be dated the date of delivery thereof to the Purchasers; shall be issued as fully registered Bonds; shall be numbered

consecutively from one upward in order of maturity preceded by the letters "CA;" and shall be in denominations of \$5,000 Maturity Amount and integral multiples thereof. Interest on the Series 1991A Capital Appreciation Bonds shall not be payable currently but shall accrete from the date of delivery hereof to the Purchasers, which interest shall be compounded semiannually commencing on December 1, 1991, and on each June 1 and December 1 thereafter until such Bonds shall no longer be Outstanding, and shall be payable on the Maturity Date or earlier upon redemption prior to the Maturity Date. The total amount of principal and accreted interest in all instances applicable to the Series 1991A Capital Appreciation Bonds shall be equal to the Accreted Value which is determined by reference to the Table of Accreted Value set forth in the Series 1991A Capital Appreciation Bonds and otherwise in accordance with this Resolution. Interest on the Series 1991A Capital Appreciation Bonds shall accrete in the manner set forth above at the rates, not exceeding the maximum rate permitted by law (calculated on the basis of 360-day year of twelve 30-day months) set forth in the Purchase Contract. The Series 1991A Capital Appreciation Bonds shall mature in full as to the applicable Maturity Amounts on Maturity Dates not exceeding forty (40) years from their date, shall contain such redemption provisions, and shall have such other terms as are provided in the Purchase Contract.

The principal of Series 1991A Current Interest Bonds and the Accreted Value of Series 1991A Capital Appreciation Bonds or the Redemption Price, if applicable, of the Series 1991A Bonds is payable upon presentation and surrender of the Series 1991A Bonds at the office of the Paying Agent. Interest payable on any Series 1991A Current Interest Bond on any Interest Date will 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 1991A Current Interest 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 1991A Current Interest Bonds and all payments of Accreted Value or Redemption Price, if applicable, of the Series 1991A Capital Appreciation 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.

From and after any maturity date of any of the Bonds, whether at fixed maturity, or by redemption, or otherwise (deposit of moneys and/or Securities for the payment of the principal and interest on such Series 1991A Current Interest Bonds and the Accreted Value of Series 1991A Capital Appreciation Bonds having been made by the Issuer with the Paying Agent), notwithstanding that any of such Series 1991A 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 or accrete upon the Accreted Value on

such date, and such Series 1991A 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 Series 1991A Bonds except to receive payment of such principal and unpaid interest accrued to the maturity date or Accreted Value on the maturity date.

Redemption of the Series 1991A Bonds shall be in accordance with and governed by the provisions of Article III of the Original Instrument.

SECTION 2.03. Application of Series 1991A Bond Proceeds. The proceeds derived from the sale of the Series 1991A Bonds, including accrued interest and premium, if any, shall, simultaneously with the delivery of the Series 1991A Bonds to the initial purchaser or purchasers thereof, be applied by the Issuer as follows:

(A) Accrued interest 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) of the Original Instrument, 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, Series 1991A, 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 1991A 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 said account, and all such costs and expenses shall be promptly paid by the Issuer from said account to the Persons respectively entitled to receive the same. When all moneys on deposit to the credit of said account shall have been disbursed by the Issuer for the payment of such costs and expenses, said account shall be closed; provided, however, that if any balance shall remain in said account six months after issuance of the Series 1991A Bonds, such moneys shall be transferred by the Issuer to the Construction Account and the special account created pursuant to this subsection shall be closed. After said account shall be closed, the Issuer may pay from the Construction Account any unpaid issuance expenses.

(D) The balance of the Series 1991A Bonds proceeds shall be deposited by the Issuer into a separate account in the Construction Fund established pursuant to Section 4.04 of the Original Instrument for payment of a part of the Cost of the acquisition and construction of Project 1991A, which costs shall include the fees and expenses of attorneys, appraisers and others whose services were required in connection with eminent domain proceedings brought by the Issuer with respect to the acquisition of the St. Augustine Shores utilities.

SECTION 2.04. Execution of Series 1991A Bonds. The Series 1991A Bonds shall be executed in the name of the Issuer with the manual or facsimile signature of the Chairman or any other member of the Governing Body whose signature shall have been filed with the Florida Department of State pursuant to Section 116.34, Florida Statutes, as amended, and the official seal of the Issuer shall be imprinted thereon, attested and countersigned with the manual or facsimile signature of the Clerk or a deputy clerk. In case any one or more of the officers who shall have signed or sealed any of the Series 1991A Bonds or whose facsimile signature shall appear thereon shall cease to be such officer of the Issuer before the Series 1991A Bonds so signed and sealed have been actually sold and delivered such Series 1991A Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Series 1991A Bonds had not ceased to hold such office. Any Series 1991A Bond may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such Series 1991A Bond shall hold the proper office of the Issuer, although at the date of such Series 1991A 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 Series 1991A Bonds shall be actually sold and delivered.

SECTION 2.05. Authentication. No Series 1991A Bond 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 Series 1991A 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 Series 1991A Bond has been duly authenticated and delivered under this Resolution. The form of such certificate shall be substantially in the form provided in Section 2.09 hereof.

SECTION 2.06. Temporary Bonds. Until the definitive Series 1991A Bonds 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 Series 1991A Bonds, but subject to the same provisions, limitations and conditions as the definitive Series 1991A Bonds, except as to the denominations thereof, one or more temporary Series 1991A Bonds substantially of the tenor of the definitive Series 1991A Bonds in lieu of which such temporary Series 1991A Bond or Bonds are issued, in denominations approved by the officers of the Issuer who shall execute such temporary Series 1991A Bond or Bonds, and with such omissions, insertions and variations as may be appropriate to temporary Series 1991A Bonds. The Issuer, at its own expense, shall prepare and execute definitive Series 1991A Bonds, which shall be authenticated by the Registrar. Upon the surrender of such temporary Series 1991A Bonds for exchange, the Registrar, without charge to the Holder thereof, shall deliver in exchange therefor definitive Series 1991A Bonds, of the same aggregate principal amount and Series and maturity as the temporary Series 1991A Bonds surrendered. Until so exchanged, the temporary Series 1991A Bonds shall in all respects be entitled to the same benefits and security as definitive Series 1991A Bonds issued pursuant to this Resolution. All temporary Series 1991A Bonds surrendered in exchange for another temporary Series 1991A

Bond or Bonds or for a definitive Series 1991A Bond or Bonds shall be forthwith canceled by the Registrar.

SECTION 2.07. Series 1991A Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 1991A 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 Series 1991A Bond of like tenor as the Series 1991A Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Series 1991A Bond upon surrender and cancellation of such mutilated Series 1991A Bond or in lieu of and substitution for the Series 1991A 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 Series 1991A Bonds so surrendered or otherwise substituted shall be canceled by the Registrar. If any of the Series 1991A Bonds shall have matured or be about to mature, instead of issuing a substitute Series 1991A Bond, the Issuer may pay the same or cause the Series 1991A Bond to be paid, upon being indemnified as aforesaid, and if such Series 1991A Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Series 1991A 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 Series 1991A Bond be at any time found by anyone, and such duplicate Series 1991A 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 Series 1991A Bonds issued hereunder and shall be entitled to the same benefits and security as the Series 1991A Bond so lost, stolen or destroyed.

SECTION 2.08. Interchangeability, Negotiability and Transfer. Series 1991A 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 or Maturity Amount, as applicable, of registered Series 1991A Bonds of the same maturity of any other authorized denominations.

The Series 1991A Bonds 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 Series 1991A Bonds. So long as any of the Series 1991A Bonds shall remain Outstanding, the Issuer shall maintain and keep, at the office of the Registrar, books for the registration and transfer of the Series 1991A Bonds.

Each Series 1991A 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 Series 1991A Bond, the Issuer shall issue, and cause to be authenticated, in the name of the transferee a new Series 1991A Bond or Bonds of the same aggregate principal amount or Maturity Amount, as applicable, and maturity as the surrendered Series 1991A 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 Series 1991A Bond shall be registered upon the books of the Issuer as the absolute owner of such Series 1991A Bond, whether such Series 1991A 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 Series 1991A 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 Series 1991A 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 the event it is not also the Paying Agent for the Series 1991A Bonds, shall forthwith (a) following the fifteenth day of the calendar month next preceding an interest payment date for the Series 1991A Bonds, (b) following the fifteenth day next preceding the date of first mailing of notice of redemption of any Series 1991A Bonds, and (c) at any other time as reasonably requested by the Paying Agent of the Series 1991A Bonds, 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 Series 1991A 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 Series 1991A Bonds or transferring Series 1991A Bonds is exercised, the Issuer shall execute and the Registrar shall authenticate and deliver such Series 1991A Bonds in accordance with the provisions of this Resolution. Execution of Series 1991A Bonds, by the officers of the Issuer described in Section 2.04 above, for purposes of exchanging, replacing or transferring Series 1991A Bonds may occur at the time of the original delivery of the Series of which such Series 1991A Bonds are a part. All Series 1991A Bonds surrendered in any such exchanges or transfers shall be canceled by the Registrar. For every such exchange or transfer of Series 1991A 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 Series 1991A Bonds which shall have been selected for redemption or of Series 1991A Bonds during the fifteen (15) days next preceding an Interest Date on the Series 1991A Bonds (other than Capital Appreciation Bonds and Variable Rate Bonds), or, in the case of any proposed redemption of Series 1991A Bonds, during the fifteen (15) days next preceding the date of selection of Series 1991A Bonds to be redeemed.

The Issuer may elect to issue any Series 1991A Bonds as uncertificated registered public obligations (not represented by instruments), commonly known as book-entry obligations,

provided it shall establish a system of registration therefor by resolution of the Governing Body.

SECTION 2.09. Form of Bonds. Except for Variable Rate Bonds, the form of which shall be provided by supplemental resolution of the Governing Body, the Series 1991A Bonds shall be in substantially the following forms with such omissions, insertions and variations as may be necessary and/or desirable and approved by the officers of the Issuer described in Section 2.04 above, prior to the issuance thereof (which necessity and/or desirability and approval shall be evidenced conclusively by the Issuer's delivery of the Series 1991A Bonds to the initial purchaser or purchasers thereof):

[FORM OF SERIES 1991A CURRENT INTEREST BOND]

No. R-_____ \$ _____

UNITED STATES OF AMERICA
STATE OF FLORIDA
COUNTY OF ST. JOHNS
WATER AND SEWER REVENUE BOND, SERIES 1991A

Interest Rate	Maturity Date	Date of Original Issue	CUSIP
_____ %	June 1, _____	August 1, 1991	_____

Registered Holder:

Principal Amount:

KNOW ALL MEN BY THESE PRESENTS, that St. Johns County, a political subdivision created and existing under and by virtue of the laws of the State of Florida (the "Issuer"), for value received, hereby promises to pay, solely from the sources of payment hereinafter described, to the Registered Holder identified above, or registered assigns as hereinafter provided, the Principal Amount identified above on the Maturity Date identified above and interest (calculated on the basis of a 360-day year of twelve 30-day months) on such Principal Amount from the Date of Original Issue identified above or from the most recent interest payment date to which interest has been paid, at the Interest Rate per annum identified above, on June 1 and December 1 of each year commencing December 1, 1991 until such Principal Amount shall have been paid or provided for, except as the provisions hereinafter set forth with respect to redemption prior to maturity may be or become applicable hereto.

Such Principal Amount and interest and the premium, if any, on this bond are payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts. Such Principal Amount and the premium, if any, on this bond, are payable, upon presentation and surrender hereof, at the principal office of Barnett Banks Trust Company, N.A., Jacksonville, Florida, as paying agent, or such other paying agent as the Issuer shall hereafter duly appoint (the "Paying Agent"). Payment of each installment of interest shall be made to the person in whose name this bond shall be registered on the registration books of the Issuer maintained by Barnett Banks Trust Company, N.A., Jacksonville, Florida, as registrar, or such other registrar as the Issuer shall hereafter duly appoint (the "Registrar"), 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 each interest payment date and shall be paid by a check or draft of the Paying Agent mailed to such Registered Holder at the address appearing on such registration books or, at the option of the Paying Agent, and at the request and expense of such Registered Holder, by bank wire transfer for the account of such Holder. In the event interest payable on this bond is not punctually paid or duly provided for by the Issuer on such interest payment date, payment of each installment of such defaulted interest shall be made to the person in whose name this 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 Registered Holder, not less than ten (10) days preceding such special record date.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF AND SUCH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH IN THIS PLACE.

This bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been manually signed by the Registrar.

IN WITNESS WHEREOF, St. Johns County, Florida, has issued this bond and has caused the same to be executed by the manual or facsimile signature of the Chairman of its Board of County Commissioners and attested and countersigned by the manual or facsimile signature of the Clerk of said Board and its official seal or a facsimile thereof to be affixed or

reproduced hereon, all as of the ____ day of August, 1991.

ST. JOHNS COUNTY, FLORIDA

(SEAL)

By _____
Chairman of the Board of
County Commissioners

ATTESTED AND COUNTERSIGNED:

Clerk of the Board of
County Commissioners

CERTIFICATE OF AUTHENTICATION

This bond is one of the Bonds of the issue described in the within-mentioned Resolution.

DATE OF AUTHENTICATION:

BARNETT BANKS TRUST COMPANY,
N.A., Registrar

By: _____
Authorized Signatory

(Provisions on Reverse Side of Bond)

This bond is one of an authorized issue of bonds of the Issuer in the aggregate principal amount of \$_____ (the "Bonds") of like tenor and effect, except as to date, maturity date, interest rate, denomination and number. The Bonds maturing in the years ____ through ____ are issuable in fully registered form in the denominations of \$5,000 or any integral multiple thereof (the "Current Interest Bonds"). The Bonds maturing in years ____ through ____ are issuable in fully registered form in the denominations of \$5,000 Maturity Amount (as

defined in the Resolution hereinafter described) and any integral multiple thereof (the "Capital Appreciation Bonds").

The Bonds are issued to finance a part of the cost of the acquisition of certain privately-owned water and sewer facilities operating within St. Johns County and the construction of additions and extensions thereto and of facilities to connect the acquired water system to the public water and sewer system of the Issuer (the "System," as defined in the Resolution hereinafter described), the cost of a reserve account insurance policy relating to the Bonds and the costs of issuance of the Bonds, under the authority of and in full compliance with the Constitution and laws of the State of Florida, particularly Chapter 125, Part I, Florida Statutes, as amended, other applicable provisions of law, St. Johns County Ordinance No. 86-89, and Resolution No. 89-84 duly adopted by the Board of County Commissioners of the Issuer on April 25, 1989, as amended and supplemented, particularly as supplemented by Resolution No. 91-__ adopted by said Board on August __, 1991 (the "Resolution"), and is subject to all the terms and conditions of the Resolution.

The principal of and interest on this bond are payable solely from and secured by a prior lien upon and a pledge of (1) the Net Revenues (as defined in the Resolution) of the System, (2) certain Connection Charges (defined in the Resolution) 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 (collectively, the "Pledged Funds") and any Assessments (defined in the Resolution), all in the manner and to the extent described in the Resolution. It is expressly agreed by the Registered Holder of this bond that the full faith and credit of the Issuer is not pledged to the payment of the principal of or premium, if any, or interest on this bond and that the Registered Holder shall never have the right to require or compel the exercise of the ad valorem taxing power of the Issuer to the payment of such principal, premium, if any, and interest. This bond and the obligation evidenced hereby shall not constitute a lien upon the System or any other property of the Issuer, except the Pledged Funds and the Assessments, and shall be payable solely from the Pledged Funds and the Assessments in accordance with the terms of the Resolution.

The Bonds are payable on a parity, equally and ratably, from the Pledged Funds and the Assessments with the Issuer's outstanding Water and Sewer Revenue Bonds, Series 1989 and Water and Sewer Revenue Bonds, Series 1990B-I and Series 1990B-II.

Neither the members of the Board of County Commissioners of the Issuer nor any person executing this bond shall be liable personally hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

(INSERT REDEMPTION PROVISIONS)

Notice of redemption, unless waived, is to be given by the Registrar by mailing an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered holders of the Bonds to be redeemed at such holders' addresses shown on the registration books maintained by the Registrar or at such other addresses as shall be furnished in writing by such registered holders to the Registrar; provided, however, that no defect in any such notice to any registered holder of Bonds to be redeemed nor failure to give such notice to any such registered holder nor failure of any such registered holder to receive such notice shall in any manner defeat the effectiveness of a call for redemption as to all other registered holders of Bonds to be redeemed. Notice of redemption having been given 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.

This bond is transferable in accordance with the terms of the Resolution only upon the books of the Issuer kept for that purpose at the office of the Registrar by the Registered Holder hereof in person or by such Holder's attorney duly authorized in writing, upon the surrender of this bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Holder or such Holder's attorney duly authorized in writing, and thereupon a new bond or bonds in the same aggregate principal amount or Maturity Amount, as applicable, shall be issued to the transferee in exchange therefor, and upon the payment of the charges, if any, prescribed in the Resolution. The Issuer, the Registrar and any Paying Agent may treat the Registered Holder of this bond as the absolute owner hereof for all purposes, whether or not this bond shall be overdue, and shall not be affected by any notice to the contrary. The Issuer and the Registrar shall not be obligated to make any exchange or transfer of any Bonds which shall have been selected for redemption or of Bonds during the fifteen (15) days next preceding an interest payment date on the Bonds (other than Capital Appreciation 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.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in connection with the issuance of this bond, exist, have happened and have been performed, in regular and due form and time as required by the Constitution and laws of the State of Florida applicable thereto, and that the issuance of the Bonds does not violate any constitutional or statutory limitations or provisions.

This bond is and has all the qualities and incidents of a negotiable instrument under the laws of the State of Florida.

LEGAL OPINION

[Insert appropriate approving opinion of bond counsel.]

The above is a true copy of the opinion rendered by Foley & Lardner, Jacksonville, Florida, in connection with the issuance of, and dated as of the original delivery of, the Bonds of the issue of which this bond is one. An executed copy of that opinion is on file in my office.

Clerk of the Board of County Commissioners

The following abbreviations, when used in the inscription on the face of the within bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survivorship and not as
tenants in common

UNIF TRANS MIN ACT -- _____
(Cust.)

Custodian for _____

under Uniform Transfer to Minors Act of _____
(State)

Additional abbreviations may also be used though not in list above.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and

transfers unto _____

Insert Social Security or Other
Identifying Number of Assignee

(Name and Address of Assignee)

the within bond and does hereby irrevocably constitute and appoint _____, as attorneys to register the transfer of the said bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be
guaranteed by a member firm
of the New York Stock Exchange
or a commercial bank or trust
company.

NOTICE: The signature to this assignment must correspond with the name of the Registered Holder as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever and the Social Security or other identifying number of such assignee must be supplied.

[FORM OF SERIES 1991A CAPITAL APPRECIATION BOND]

[The form of Series 1991A Capital Appreciation Bond shall be the same as the form for the Series 1991A Current Interest Bonds set forth above, with the following modifications: (1) The caption and first and second paragraphs of the foregoing form shall be deleted and the caption and paragraph set forth below shall be substituted therefor; and (2) the Table of Accreted Value set forth below shall be inserted in such form of Bond immediately preceding the Legal Opinion.]

No. CA-_____

Accreted Value at Maturity
\$ _____

**UNITED STATES OF AMERICA
STATE OF FLORIDA
COUNTY OF ST. JOHNS
WATER AND SEWER REVENUE BOND, SERIES 1991A**

Interest Rate	Maturity Date	Date of Original Issue	Original Prin- cipal Amount per \$5,000 Accreted Value at Maturity	CUSIP
_____ %	June 1, _____	August __, 1991	_____	_____

Registered Holder:

Accreted Value at Maturity:

KNOW ALL MEN BY THE PRESENTS, that St. Johns County, a political subdivision created and existing under and by virtue of the laws of the State of Florida (the "Issuer"), for value received, hereby promises to pay, solely from the sources of payment hereinafter described, to the Registered Holder identified above, or registered assigns as hereinafter provided, the Accreted Value at Maturity identified above on the Maturity Date identified above, upon presentation and surrender hereof, at the principal corporate trust office of Barnett Banks Trust Company, N.A., Jacksonville, Florida, as paying agent, or such other paying agent as the Issuer shall hereafter duly appoint (hereinafter referred to as the "Registrar" or the "Paying Agent"), the Accreted Value at Maturity identified above representing the principal amount hereof plus interest accreted thereon (compounded on the basis of a 360-day year consisting of twelve-30 day months) at the Interest Rate per annum identified above compounded semiannually on June 1 and December 1 of each year from the Original Issue Date

identified above to the Maturity Date identified above as shown on the Table of Accreted Value made a part of this bond, in any coin or currency of the United States of America which, on the date of payment, shall be legal tender for the payment of public and private debts, except as the provisions hereinafter set forth with respect to redemption prior to maturity may be or become applicable hereto.

TABLE OF ACCRETED VALUE

The Accreted Values of the Capital Appreciation Bonds per \$5,000 Maturity Amount are the following amounts on the following dates:

Interest Compounding <u>Dates</u>	Bonds Due <u>June 1, _____</u>	Bonds Due <u>June 1, _____</u>	Bonds Due <u>June 1, _____</u>
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ARTICLE III

SECURITY, SPECIAL FUNDS AND APPLICATION THEREOF

SECTION 3.01. Series 1991A Bonds not to be Indebtedness of Issuer. The Series 1991A 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 and the Assessments in accordance with the terms of this Resolution and the Original Instrument. No Holder of any Series 1991A 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 Series 1991A Bond or be entitled to payment of such Series 1991A Bond from any moneys of the Issuer except the Pledged Funds and the Assessments, in the manner provided herein and in the Original Instrument.

SECTION 3.02. Security for Series 1991A Bonds.

(A) Non-ad valorem special assessments that may hereafter be levied by the Issuer, on its own behalf or as the governing body of a municipal services benefit unit, against the lots and parcels of real property to be specially benefitted by Project 1991A for the purpose

of raising revenue to assist in the financing of Project 1991A are hereby declared to be Assessments as defined in the Original Instrument.

(B) The payment of the principal of or Redemption Price, if applicable, and interest on the Series 1991A Bonds shall be secured forthwith equally and ratably by a pledge of and prior lien upon the Pledged Funds and the Assessments. The Pledged Funds and the Assessments shall be subject to the lien of this pledge immediately upon the issuance and delivery of the Series 1991A Bonds, without any physical delivery by the Issuer of the Pledged Funds and the Assessments 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 tort, contract or otherwise. The Issuer does hereby irrevocably pledge the Pledged Funds and the Assessments to the payment of the principal of or Redemption Price, if applicable, and interest on the Series 1991A Bonds in the manner provided in this Resolution and the Original Instrument. The Issuer further irrevocably pledges the Assessments to the payment of the principal of, or Redemption Price, if applicable, and interest on the Parity Obligations. The Series 1991A Bonds are payable from the Pledged Funds and the Assessments on a parity, equally and ratably, with the Parity Obligations.

SECTION 3.03. Additional Security. Anything herein to the contrary notwithstanding, however, the Series 1991A Bonds will be payable from and secured by a Bond Insurance Policy of the Insurer, and the Issuer may cause the Series 1991A Bonds to be payable from and secured by a Credit Facility or any other insurance policy of an Insurer not applicable to any one or more other Series of Bonds, as shall be provided by supplemental resolution of the Governing Body, in addition to the security of the Pledged Funds and the Assessments provided herein.

SECTION 3.04. Application of Provisions of Original Instrument. The Series 1991A Bonds shall for all purposes be considered to be Additional Bonds issued under the authority of Section 5.02 of the Original Instrument and shall be entitled to all the protection and security provided in and by the Original Instrument, as herein amended, for the Parity Obligations, and the Series 1991A Bonds shall be in all respects entitled to the same security, rights and privileges enjoyed by the Parity Obligations. The covenants and pledges contained in Articles IV, V, VI and VII of the Original Instrument and in Sections 8.01 and 8.02 of Article VIII thereof shall be applicable to the Series 1991A Bonds in like manner as applicable to the Parity Obligations. The principal of, interest on and redemption premiums on the Series 1991A Bonds shall be payable from the Debt Service Fund established by the Original Instrument on a parity with the Parity Obligations, and deposits shall be made into the Debt Service Fund by the Issuer in amounts fully sufficient to pay the principal of and interest on the Series 1991A Bonds and on the Parity Obligations as such principal and interest become due. The Reserve Account established by the Original Instrument shall be applicable pro rata to the Series 1991A Bonds in the same manner as applicable to the Parity Obligations.

ARTICLE IV

MISCELLANEOUS

SECTION 4.01. Acceptance of Insurance Commitments. The Issuer does hereby accept the Insurer's commitments to provide a Bond Insurance Policy and a Reserve Account Insurance Policy with respect to the Series 1991A Bonds, copies of which commitments are attached hereto as Exhibit C. The Insurer is hereby designated as the Insurer for the Series 1991A Bonds; and as the Insurer for the Series 1991A Bonds, the Insurer shall have the same rights to receive notices, grant consents and direct actions as the Insurer of the Parity Obligations.

The Reserve Account Insurance Policy issued by the Insurer shall be in the amount specified in the Reserve Account Insurance Policy. Such amount, together with the other amounts on deposit in or credited to the Reserve Account, shall equal not less than the Reserve Account Requirement. Such amount may equal an amount which, together with the other amounts on deposit in or credited to the Reserve Account, is greater than the Reserve Account Requirement in order to comply with the terms of the Insurer's commitments.

The Chairman or Vice Chairman and the Clerk or any deputy clerk are hereby authorized to execute and deliver a Financial Guaranty Agreement in favor of the Insurer substantially in the form attached to the Insurer's commitments attached hereto as Exhibit C (the "Agreement") with such omissions, insertions and variations as may be necessary or desirable and approved by the Chairman or Vice Chairman and the Clerk or any deputy clerk prior to the delivery thereof, such necessity or desirability and approval by the Chairman or Vice Chairman and the Clerk or any deputy clerk to be presumed by their execution and delivery thereof; and all of the provisions of the Agreement, when executed and delivered by the Issuer as authorized herein, and by the Insurer, shall be deemed to be a part of this Resolution and the Original Instrument as fully and to the same extent as if incorporated verbatim herein and therein.

SECTION 4.02. Municipal Bond Investors Assurance Corporation as Insurer. The following provisions shall apply with respect to the Series 1991A Bonds as to which Municipal Bond Investors Assurance Corporation, the Insurer, has issued a Bond Insurance Policy:

(A) In the event that, on the second business day, and again on the business day, prior to the payment date on the Series 1991A Bonds, the Paying Agent for such Bonds has not received sufficient moneys to pay all principal of and interest on such Bonds due on the second following or following, as the case may be, business day, the Paying Agent shall immediately notify the Insurer or its designee on the same business day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

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

(C) In addition, if the Paying Agent has notice that any Holder of the Series 1991A Bonds has been required to disgorge payments of principal or interest on such Bonds to a trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes a voidable preference to such Holder within the meaning of any applicable bankruptcy laws, then the Paying Agent shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

(D) The Paying Agent is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for the Holders of the Series 1991A Bonds as follows:

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

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

(E) Payments with respect to claims for interest on and principal of the Series 1991A Bonds disbursed by the Paying Agent from proceeds of the Bond Insurance Policy shall

not be considered to discharge the obligation of the Issuer with respect to such Bonds, and the Insurer shall become the owner of such unpaid Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

(F) Irrespective of whether any such assignment is executed and delivered, the Issuer and the Paying Agent hereby agree for the benefit of the Insurer that:

(1) They recognize that to the extent the Insurer makes payments, directly or indirectly (as by paying through the Paying Agent), on account of principal of or interest on the Series 1991A Bonds, the Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the Issuer solely from the sources stated in this Resolution and such Bonds; and

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

(G) In connection with the issuance of Additional Bonds, the Issuer shall deliver to the Insurer a copy of the official statement, if any, circulated with respect to such Additional Bonds.

(H) Copies of any amendments made to the documents executed in connection with the issuance of the Series 1991A Bonds which are consented to by the Insurer shall be sent to Standard & Poor's Corporation.

(I) The Insurer shall receive notice of the resignation or removal of the Paying Agent for the Series 1991A Bonds and the appointment of a successor thereto.

(J) The Insurer shall receive copies of all notices required to be delivered to Holders of the Series 1991A Bonds and, on an annual basis, copies of the Issuer's audited financial statements and Annual Budget.

(K) Any notice that is required to be given to a Holder of the Series 1991A Bonds or to the Paying Agent pursuant to this Resolution shall also be provided to the Insurer. All notices required to be given to the Insurer under this Resolution shall be in writing and shall

be sent by registered or certified mail addressed to Municipal Bond Investors Assurance Corporation, 113 King Street, Armonk, New York 10504 Attention: Surveillance.

SECTION 4.03. Sale of the Series 1991A Bonds; Authorization of Execution of Purchase Contract. The Purchasers having filed with the Governing Body 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 1991A Bonds are hereby sold and awarded to the Purchasers 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 1991A Bonds in accordance with the provisions of the Purchase Contract.

SECTION 4.04. 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 and the Issuer letter dated August 2, 1991, to the Purchasers advising the Purchasers of such fact is hereby ratified. The delivery of the Preliminary Official Statement to the Purchasers and the distribution thereof by the Purchasers 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 Purchasers for distribution prior to or contemporaneously with the issuance and delivery of the Series 1991A 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 1991A Bonds and the other information required by Section 218.38, Florida Statutes, as amended, within the appropriate time periods specified by such section.

SECTION 4.05. 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 Original Instrument to serve as Registrar and Paying Agent for the Series 1991A Bonds; and the Chairman or Vice-Chairman and the Clerk or any 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 4.06. 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 Series 1991A Bonds and this Resolution, and they are hereby authorized to execute and deliver all documents which shall be reasonably required by Bond Counsel or the Purchasers to effectuate the sale and delivery of the Series 1991A Bonds.

SECTION 4.07. Authorization of Execution of Certificates and Other Instruments. The Chairman or Vice Chairman and the Clerk or any 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 Purchasers or Bond Counsel shall require in connection with the issuance, sale and delivery of the Series 1991A 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 Original Instrument and the Purchase Contract and to consummate the transactions contemplated hereby and thereby.

SECTION 4.08. No Personal Liability. No representation, statement, covenant, warranty, stipulation, obligation or agreement herein contained, or contained in the Series 1991A Bonds, or in any certificate or other instrument to be executed on behalf of the Issuer in connection with the issuance of the Series 1991A 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 executing the Series 1991A Bonds or any certificate or other instrument to be executed in connection with the issuance of the Series 1991A Bonds, shall be liable personally thereon or be subject to any personal liability or accountability by reason of the execution or delivery thereof.

SECTION 4.09. No Third Party Beneficiaries. Except such other Persons as may be expressly described herein or in the Series 1991A Bonds, nothing in this Resolution, or in the Series 1991A 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 Series 1991A 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 under the provisions of the Original Instrument and this Resolution of the occurrence of an Event of Default and (ii) intervene in judicial proceedings that affect the Bonds or the security therefor.

SECTION 4.10. 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 Series 1991A Bonds.

SECTION 4.11. Repeal of Inconsistent Resolutions. All other resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

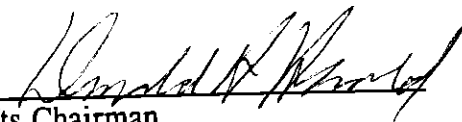
SECTION 4.12. Original Instrument in Full Force and effect. Except as hereby supplemented, the Original Instrument shall remain in full force and effect.

SECTION 4.13. 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 4.14. Effective Date. This Resolution shall become effective immediately upon its passage.

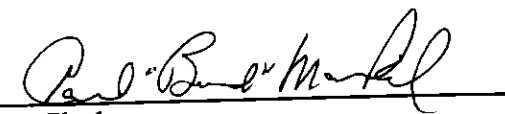
PASSED, APPROVED AND ADOPTED this 13 day of August, 1991.

BOARD OF COUNTY COMMISSIONERS
OF ST. JOHNS COUNTY, FLORIDA

By 
Its Chairman

(OFFICIAL SEAL)

ATTEST:


Its Clerk

NEW ISSUE

RATINGS: Moody's:
Standard & Poor's:
(MBIA 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 1991A Bonds is excluded from gross income for federal income tax purposes, and the 1991A 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 1991A Bonds.

\$15,000,000*
ST. JOHNS COUNTY, FLORIDA
Water and Sewer Revenue Bonds
Series 1991A

Dated: Current Interest Bonds: August 1, 1991
Capital Appreciation Bonds: Date of Delivery

Due: June 1, as shown below

The Water and Sewer Revenue Bonds, Series 1991A (the "1991A Bonds") are being issued by St. Johns County, Florida (the "County"), as fully registered bonds in denominations of \$5,000 and integral multiples thereof in the case of the 1991A Bonds other than the Capital Appreciation Bonds so designated below, and as fully registered bonds in the denominations per \$5,000 value at maturity or any integral multiple thereof as indicated in the Table of Accreted Values set forth in Appendix F hereto in the case of Capital Appreciation Bonds. Interest (first payment due December 1, 1991 and on each June 1 and December 1 thereafter) on the 1991A Bonds other than the Capital Appreciation Bonds 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 1991A Bonds and all accumulated interest on the Capital Appreciation Bonds are payable to the registered owner upon presentation, when due, at the corporate trust office of the Paying Agent.

The 1991A Bonds are subject to redemption prior to their stated maturities as described herein.

The 1991A Bonds are being issued to provide funds to (i) finance a portion of the cost of the acquisition of a privately-owned water and sewer system and the construction of improvements thereto and of facilities to connect the water portion of the system to the water portion of the water and sewer system (the "System") owned, operated and maintained by the County (the "Project"), (ii) capitalize a portion of interest on the 1991A Bonds, (iii) fund a portion of the reserve account established by the Resolution by the purchase of a Reserve Account Insurance Policy; and (iv) pay the cost of issuance with respect to the 1991A Bonds.

The 1991A Bonds are special obligations of the County payable solely from and secured by a lien upon and pledge of (i) 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, and (ii) certain non-ad valorem special assessments which may be levied by the County in connection with the project financed by the 1991A Bonds, on a parity with the County's Water and Sewer Revenue Bonds, Series 1989, of which \$10,310,000 remain outstanding and the County's Water and Sewer Revenue Bonds, Series 1990B-I and Series 1990B-II, of which \$21,165,000 remain outstanding. The County intends to finance the balance of the cost of the Project by the issuance of its Subordinated Water and Sewer Revenue Bonds, Series 1991 in the principal amount of \$2,250,000. Neither the full faith and credit, nor the taxing power of the County is pledged for the payment of the 1991A Bonds. The 1991A 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 1991A Bonds when due will be insured by a municipal bond insurance policy to be issued by Municipal Bond Investors Assurance Corporation simultaneously with the delivery of the 1991A Bonds.



MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS*

\$_____,000,000 Current Interest Serial Bonds

Maturity June 1,	Amount	Interest Rate	Price or Yield	Maturity June 1,	Amount	Interest Rate	Price or Yield
	\$	%	%		\$	%	%
1994				2001			
1995				2002			
1996				2003			
1997				2004			
1998				2005			
1999				2006			
2000							

\$_____,000,000 ____% Term Bonds due June 1, 2009 - Yield ____%
\$_____,000,000 ____% Term Bonds due June 1, 2011 - Yield ____%
(Plus Accrued Interest)

\$_____,000,000 Capital Appreciation Bonds

Maturity June 1,	Total Principal Amount	Total Payment at Maturity	Price (% of Maturity Value)	Yield	Maturity June 1,	Total Principal Amount	Total Payment at Maturity	Price (% of Maturity Value)	Yield
	\$	\$	%	%		\$	\$	%	%
2012					2017				
2013					2018				
2014					2019				
2015					2020				
2016					2021				

The 1991A Bonds are offered when, as and if issued and received by the Underwriters, 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 Underwriters by their counsel, Rogers, Towers, Bailey, Jones & Gay, Jacksonville, Florida. It is expected that the 1991A Bonds in definitive form will be available for delivery in New York, New York on or about August 22, 1991.

William R. Hough & Co.

Smith Barney, Harris Upham & Co.
Incorporated

Lehman Brothers

Summit Capital Markets, Inc.

August , 1991

*Preliminary; subject to change.

EXHIBIT A

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

Donald H. Herold, Chairman
Sarah W. Bailey
Craig A. Maguire
Moses (Coach) Floyd
Linda Balsavage
Fred Brinkhoff
Allan Roberts

COUNTY ADMINISTRATOR

Nicholas M. Meiszer

COUNTY CLERK

Carl "Bud" Markel

COUNTY FINANCE DIRECTOR

Michael R. Givens, C.P.A.

DIRECTOR OF UTILITY SERVICES

Michael L. Breit

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

Post, Buckley, Schuh & Jernigan, 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 Underwriters. 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 1991A 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 Underwriters. 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 1991A 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 1991A BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 1991A 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 1991A (the "1991A 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 617 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 1990 population of the County is in excess of 83,800.

Purpose of the 1991A Bonds

The 1991A Bonds are being issued to provide funds to (i) finance a portion of the cost of the acquisition of the privately-owned water and sewer system serving the area of the County known as "St. Augustine Shores" and the construction of improvements thereto and of facilities to connect the water portion of the system to the water portion of the water and sewer system (the "System") owned, operated and maintained by the County (the "Project"); (ii) capitalize a portion of interest on the 1991A Bonds; (iii) fund a portion of the Reserve Account established by the Resolution by the purchase of a Reserve Account Insurance Policy; and (iv) pay the cost of issuance with respect to the 1991A Bonds.

Authority and Security for the 1991A Bonds

Authority for the 1991A Bonds. The 1991A 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 1991A Bonds are special obligations of the County payable solely from and secured by a lien upon and pledge of the Pledged Funds and certain Assessments which may be levied in accordance with the provisions of the Resolution on a parity with the County's Water and Sewer Revenue Bonds, Series 1989 (the "1989 Bonds"), of which \$10,310,000 remain outstanding and the

County's Water and Sewer Revenue Bonds, Series 1990B-I and Series 1990B-II, of which \$21,165,000 remain outstanding (all three of such bond issues, collectively, the "Parity Bonds"). Pledged Funds in general include net revenues of the System, certain connection charges and other funds described in the Resolution. Assessments include the proceeds to be derived by the County from any non-ad valorem special assessments that may be levied by the County which are specifically declared by the Board of County Commissioners to be "Assessments" pledged for the payment of the 1991A Bonds and the outstanding Parity Bonds, as more particularly described herein. The County intends to finance the balance of the cost of the Project by the issuance of its Subordinated Water and Sewer Revenue Bonds, Series 1991 in the principal amount of \$2,250,000 (the "Subordinated Bonds"). The Subordinated Bonds will be payable solely from and secured by a lien upon and pledge of the Pledged Funds junior and subordinate to the lien of and pledge thereon in favor of the 1991A Bonds and the Parity Bonds. Assessments will not be pledged to the payment of the Subordinated Bonds.

Additional Bonds. The County may issue Additional Bonds payable from the Pledged Funds and any Assessments on a parity with the 1991A Bonds and the Parity Bonds if the County first complies with certain requirements set out in the Resolution.

No Pledge of Credit or Taxing Power. The 1991A 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 and any Assessments on a parity with the Parity Bonds in accordance with the terms of the Resolution. No owner of any 1991A 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 1991A Bond or be entitled to payment of such 1991A Bond from any monies of the County except from the Pledged Funds and any Assessments in the manner provided in the Resolution.

Municipal Bond Insurance. The payment of the principal of and interest on the 1991A Bonds when due will be insured by a municipal bond insurance policy to be issued by Municipal Bond Investors Assurance Corporation simultaneously with the delivery of the 1991A Bonds.

Financial Information

The following table shows projected revenues, expenses and debt service coverage for the System including the St. Augustine Shores system. The projections assume no Assessments are levied. These projections are derived from the Consulting Engineer's Report which appears as Appendix A to the Official Statement. The

Consulting Engineer's Report also contains projections assuming a certain level of Assessments are levied, as more particularly described therein. 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."

	Projected Fiscal Years				
	1992 ¹	1993 ²	1994 ²	1995 ²	1996 ²
Total Operating Revenues	\$7,713,254	\$8,082,357	\$8,593,830	\$9,168,576	\$9,774,440
Total Operating Expenses	<u>4,129,052</u>	<u>4,438,918</u>	<u>4,621,285</u>	<u>4,765,065</u>	<u>4,891,942</u>
Operating Income	\$3,584,202	\$3,643,439	\$3,972,545	\$4,403,511	\$4,882,498
Non-Operating Revenue	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>	<u>300,000</u>
Total Net Revenue	\$3,884,202	\$3,943,439	\$4,272,545	\$4,703,511	\$5,182,498
Unit Connection Fees ("UCF")	<u>411,469</u>	<u>403,813</u>	<u>511,656</u>	<u>613,156</u>	<u>714,656</u>
Total Net Revenue + UCF	\$4,295,671	\$4,347,252	\$4,784,201	\$5,316,667	\$5,897,154
Debt Service Requirement ³	\$2,962,083	\$2,995,992	\$3,843,166	\$3,840,466	\$3,842,011
Debt Service Coverage (Net)	1.311x	1.316x	1.112x	1.225x	1.349x
Debt Service Coverage (Net + UCF)	1.450x	1.451x	1.245x	1.384x	1.535x

- ¹ Based upon the budget for the System of the County and includes a 5.4 percent increase in rates as required by the current County rate ordinance because of an increase in the consumer price index as published by the University of Florida, Bureau of Economic and Business Research.
- ² Rate increases pursuant to the rate ordinance requirement that rates be adjusted with increases in the consumer price index are projected to be 4 percent.
- ³ Includes debt service on the Parity Bonds and the 1991A Bonds. Debt service on the 1991A Bonds is based upon maturities from 1994 through 2021 at interest rates or yields ranging from 5.50% to 7.30%.

OFFICIAL STATEMENT
Relating to
\$15,000,000*
ST. JOHNS COUNTY, FLORIDA
Water and Sewer Revenue Bonds
Series 1991A

August __, 1991

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 \$15,000,000* aggregate principal amount of the County's Water and Sewer Revenue Bonds, Series 1991A (the "1991A Bonds"). The 1991A 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 including Resolution 91-____ of the County duly adopted on August __, 1991 (Resolution 89-84, as amended and supplemented, the "Resolution") and other applicable provisions of law. See Appendix D hereto for pertinent provisions of the Resolution.

The County encompasses approximately 617 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, which is the county seat. The estimated 1990 population of the County is in excess of 83,800.

For a complete description of the terms and conditions of the 1991A 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 1991A 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, 4020 Lewis Speedway, St. Augustine, Florida 32085,

*Preliminary; subject to change.

telephone (904) 823-2415, or from Public Financial Management, Inc., 5900 Enterprise Parkway, Ft. Myers, Florida 33905, telephone (813) 693-7117.

PURPOSE OF THE 1991A BONDS

The 1991A Bonds are being issued to provide funds to (i) finance a portion of the cost of the acquisition of the privately-owned water and sewer system serving the area of the County known as "St. Augustine Shores" and the construction of improvements thereto and of facilities to connect the water portion of the system to the water portion of the water and sewer system (the "System") owned, operated and maintained by the County (the "Project"); (ii) capitalize a portion of interest on the 1991A Bonds; (iii) fund a portion of the Reserve Account established by the Resolution by the purchase of a Reserve Account Insurance Policy; and (iv) pay the cost of issuance with respect to the 1991A Bonds.

DESCRIPTION OF THE 1991A BONDS

General

The 1991A Bonds shall be dated as set forth on the cover page of this Official Statement and, except for the Capital Appreciation Bonds are being issued as fully registered bonds without coupons in denominations of \$5,000 and integral multiples thereof. The Capital Appreciation Bonds are being issued as fully registered bonds in the denomination per \$5,000 value at maturity, or integral multiples thereof, as set out in the Table of Accreted Values in Appendix F herein. Interest on the 1991A Bonds other than the Capital Appreciation Bonds (first payment due December 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 1991A 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 1991A Bonds and all accumulated interest on the Capital Appreciation Bonds are 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 1991A Bonds maturing June 1 of the years 1994 through _____, inclusive, are not subject to redemption prior to maturity. The 1991A Bonds maturing June 1, _____, through June 1, 2021, 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, _____ or on any interest payment date thereafter, or as a whole on December 1, _____ or at any time thereafter, at the following redemption prices (expressed as percentages of the principal amount (or, in the case of Capital Appreciation Bonds, the Accreted Value thereof) to be redeemed) set forth below, plus accrued interest to the redemption date:

<u>Redemption Periods</u> <u>(both dates inclusive)</u>	<u>Redemption</u> <u>Prices</u>
December 1, _____ to November 30, _____	%
December 1, _____ to November 30, _____	
December 1, _____ to November 30, _____	
December 1, _____ and thereafter	

Mandatory Redemption

The 1991A Bonds maturing June 1, 2009,* 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>Principal Amount</u>
2007	\$
2008	
2009**	

The 1991A 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>Principal Amount</u>
2010	\$
2011**	

* Preliminary; subject to change.

** Maturity

Notice of Redemption

Notice of Redemption of the 1991A 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 1991A Bonds or portions of 1991A 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 1991A Bonds shall in any manner defeat the effectiveness of a call for redemption as to all other owners of bonds to be redeemed.

Accreted Value

For the purpose of determining the Accreted Value, the value of Capital Appreciation Bonds as of any date of calculation will be the price which would result in a yield to such date of calculation equal to the initial yield to the stated maturity, compounded semiannually on June 1 and December 1 of each year (commencing December 1, 1991), as set forth on the cover page of this Official Statement. The Accreted Value for each Capital Appreciation Bond on each June 1 and December 1 will be as set forth in the Table of Accreted Values in Appendix F herein.

AUTHORITY AND SECURITY FOR THE 1991A Bonds

The 1991A 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.

Source of Payment

The 1991A Bonds are special obligations of the County payable solely from and secured by a lien upon and pledge of the Pledged Funds and any Assessments on a parity with the County's Water and Sewer Revenue Bonds, Series 1989, of which \$10,310,000 remain outstanding and the County's Water and Sewer Revenue Bonds, Series 1990B-I and Series 1990B-II, of which \$21,165,000 remain outstanding (all three of such bond issues, collectively, the "Parity Bonds") which, together with the 1991A 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 or Assessments. Assessments include the proceeds to be derived by the County from any non-ad valorem special assessments which may be levied by the County and which are specifically declared by the Board of County Commissioners to be "Assessments" pledged for the payment of the Bonds. The County intends to finance the balance of the cost of the Project by the issuance of its Subordinated Water and Sewer Revenue Bonds, Series 1991 in the principal amount of \$2,250,000 (the "Subordinated Bonds"). The Subordinated Bonds will be payable solely from and secured by a lien upon and pledge of the Pledged Funds junior and subordinate to the lien of and pledge thereon in favor of the 1991A Bonds, the Parity Bonds and any Additional Bonds. Assessments will not be pledged to the payment of the Subordinated Bonds.

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, 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. 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. In the Resolution, the County has declared that all non-ad valorem special assessments that may hereafter be levied by the County, on its own behalf or as the governing body of a municipal service benefit unit, against the parcels of real property to be specially benefitted by the Project for the purpose of raising revenue to assist in the financing of the Project are to be Assessments as defined in the Resolution. The County can give no assurance that Assessments will be levied with respect to the Project.

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. The Resolution requires the Reserve Account to be funded and maintained in an amount equal to the Reserve Account Requirement for the benefit of the owners of the Bonds. Upon delivery of the 1991A Bonds, there will be on deposit in the Reserve Account Reserve Account Insurance Policies and/or a Reserve Account Letter of Credit in accordance with the provisions of the Resolution which shall equal the Reserve Account Requirement for 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 and Assessments, if any, on a parity with the 1991A Bonds and the Parity 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 1991A 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 and Assessments, if any, in accordance with the terms of the Resolution. No owner of any 1991A Bond shall ever have the right to compel the exercise of the ad valorem taxing power of the County to pay such 1991A Bond or be entitled to payment of such 1991A Bond from any moneys of the County except the Pledged Funds and Assessments, if any, in the manner provided in the Resolution.

MUNICIPAL BOND INSURANCE

Concurrently with the issuance of the 1991A Bonds, Municipal Bond Investors Assurance Corporation (the "Insurer") will issue its municipal bond insurance policy for the 1991A Bonds. A specimen of the Policy is contained herein as Appendix G. The information under this heading has been provided by the Insurer.

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the County to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the 1991A Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the 1991A Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any 1991A Bond. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of 1991A Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the 1991A Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the 1991A Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of a 1991A Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with Citibank, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such 1991A Bonds or presentment of such other proof of ownership of the 1991A Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the 1991A Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the 1991A Bonds in any legal proceeding related to payment of insured amounts on the 1991 Bonds, such instruments being in a form

satisfactory to Citibank, N.A., Citibank, N.A. shall disburse to such owners or the Paying Agent payment of the insured amounts due on such 1991A Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidiary of MBIA Inc. The principal shareholders of MBIA Inc. are The Aetna Casualty and Surety Company, The Fund American Companies, Inc., subsidiaries of CIGNA Corporation, and Credit Local de France, CAECL S.A.; and they own approximately 35% of the outstanding common stock of MBIA Inc. Neither MBIA Inc. nor its shareholders are obligated to pay the debts of or claims against the Insurer. The Insurer is a limited liability corporation rather than a several liability association. The Insurer is domiciled in the State of New York and licensed to do business in all 50 states, the District of Columbia and the Commonwealth of Puerto Rico.

As of December 31, 1990, the Insurer had admitted assets of \$1.8 billion (audited), total liabilities of \$1.2 billion (audited), and total capital and surplus of \$579 million (audited) prepared in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 1991 the Insurer had admitted assets of \$1.9 billion (unaudited), total liabilities of \$1.3 billion (unaudited), and total capital and surplus of \$573 million (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. Copies of the Insurer's year end financial statements prepared in accordance with statutory accounting practices are available from the Insurer. The address of the Insurer is 113 King Street, Armonk, New York 10504.

Moody's Investors Service rates all bond issues insured by the Insurer "Aaa" and short term loans "MIG 1" both designated to be of the highest quality.

Standard & Poor's Corporation rates all new issues insured by the Insurer "AAA" Prime Grade.

The Moody's Investors Service rating of the Insurer should be evaluated independently of the Standard & Poor's Corporation rating of the Insurer. No application has been made to any other rating agency in order to obtain additional ratings on the 1991A Bonds. The ratings reflected the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the 1991A Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward

revision or withdrawal of either or both ratings may have an adverse effect on the market price of the 1991A Bonds.

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

SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the 1991A Bonds, together with other moneys of the County, are expected to be applied as described below:

Sources:

Principal Amount of 1991A Bonds	\$
Less: Original Issue Discount	()
Accrued Interest on the 1991A Bonds	

Total Sources:

\$

Uses:

Portion of Acquisition Cost of St. Augustine Shores System	\$
Deposit to Construction Fund	
Deposit to Interest Account ¹	
Underwriters' Discount	
Cost of Issuance (including bond insurance and Reserve Account Insurance Policy premiums)	
Contingency	

Total Uses:

\$

¹ Includes \$ of capitalized interest.

DEBT SERVICE SCHEDULE

The following table sets forth the debt service schedule for the 1991A Bonds and the Parity Bonds.

Bond Year Ending June 1.	1991A Bonds			Parity Bonds	Aggregate Debt Service \$
	Principal	Interest ¹ \$	Total Debt Service \$		
1992				\$2,845,808	
1993				2,840,958	
1994	\$			2,843,158	
1995				2,841,683	
1996				2,840,898	
1997				2,845,378	
1998				2,844,368	
1999				2,842,733	
2000				2,845,253	
2001				2,846,153	
2002				2,844,960	
2003				2,841,650	
2004				2,845,800	
2005				2,843,300	
2006				2,844,150	
2007				2,842,650	
2008				2,843,450	
2009				2,840,950	
2010				2,844,800	
2011				2,840,945	
2012				--	
2013				--	
2014				--	
2015				--	
2016				--	
2017				--	
2018				--	
2019				--	
2020				--	
2021				--	
Totals	\$	\$	\$	\$56,868,945	\$

¹ Includes \$ _____ of accrued interest.

HISTORICAL AND PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE

The following tables show historical revenues, expenses and debt service coverage for the current County System. The Consulting Engineer's Report contains more detailed historical information on the current County System and the water and sewer system of St. Augustine Shores. The tables also show projected revenues, expenses and debt service coverage for the System, including the St. Augustine Shores system. The information is derived from the Consulting Engineer's Report which appears as Appendix A hereto.

**St. Johns County
Current County System
Summary of Revenues and Expenses**

	Historical Fiscal Years				1991 ¹
	1987	1988	1989	1990	
Operating Revenues					
Water Sales	\$1,600,741	\$1,720,687	\$1,978,223	\$2,671,091	\$3,336,873
Sewage Treatment	846,146	900,198	1,015,747	1,409,795	1,715,395
User Fees	<u>114,577</u>	<u>81,227</u>	<u>141,467</u>	<u>140,213</u>	<u>177,348</u>
TOTAL	\$2,561,464	\$2,702,112	\$3,135,437	\$4,221,099	\$5,229,616
Operating Expenses					
Salaries & Benefits	\$ 670,936	\$ 775,518	\$ 958,949	\$1,105,600	\$1,268,007
Contractual Services	130,107	112,259	161,060	157,608	367,628
Other Operating Expenses	615,818	646,349	747,046	862,817	856,526
Maintenance	<u>197,429</u>	<u>242,252</u>	<u>252,812</u>	<u>315,075</u>	<u>215,960</u>
TOTAL	\$1,614,290	\$1,776,378	\$2,119,867	\$2,441,100	\$2,708,121
Operating Income (Loss)	\$ 947,174	\$ 925,734	\$1,015,570	\$1,779,999	\$2,521,495
Non-Operating Revenues (Expenses):					
Interest Income	\$ 233,790	\$ 292,775	\$ 505,559	\$1,259,718	\$1,225,985
Less Adjustment for Extra-ordinary Interest Income ²	<u>0</u>	<u>0</u>	<u>(205,559)</u>	<u>(959,718)</u>	<u>(925,985)</u>
Total Non-Operating Revenues	\$ 233,790	\$ 292,775	\$ 300,000	\$ 300,000	\$ 300,000
Total Net Revenue	\$1,180,964	\$1,218,509	\$1,315,570	\$2,079,999	\$2,821,495
Unit Connection Fees ("UCF")	<u>-0-</u>	<u>-0-</u>	<u>891,392</u>	<u>607,822</u>	<u>247,500</u>
Total Net Revenue + UCF	\$1,180,964	\$1,218,509	\$2,206,962	\$2,687,821	\$3,068,995
Debt Service Requirement ³	\$ 557,852	\$ 617,338	\$ 624,663	\$1,422,790	\$1,590,590
Debt Service Coverage (Net)	2.117x	1.974x	2.106x	1.462x	1.774x
Debt Service Coverage (Net + UCF)	2.117x	1.974x	3.533x	1.889x	1.929x
Excess, Available for R&R	\$ 623,112	\$ 601,171	\$ 690,907	\$ 657,209	\$1,230,905
Required R&R ⁴	\$ 128,073	\$ 135,106	\$ 156,772	\$ 211,055	\$ 261,481

¹ Fiscal Year 1991 is based on February, April and May revenues which reflect rate increase implemented in January, 1991 (March was excluded due to extraordinary adjustment in March data).

² Represents an unaudited estimate of nonrecurring interest earnings on construction funds.

³ Debt service is based on the amortization schedules for the outstanding bond issues in the relevant years.

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

**St. Johns County
Combined County System Including St. Augustine Shores System
Summary of Revenues and Expenses**

	Projected Fiscal Years				
	1992 ¹	1993 ²	1994 ²	1995 ²	1996 ²
Operating Revenues					
Water Sales	\$4,616,126	\$4,895,111	\$5,201,264	\$5,535,416	\$5,898,341
Sewage Treatment	2,779,771	3,038,788	3,241,996	3,464,796	3,707,735
User Fees	<u>317,357</u>	<u>148,458</u>	<u>150,570</u>	<u>168,364</u>	<u>168,364</u>
TOTAL	\$7,713,254	\$8,082,357	\$8,593,830	\$9,168,576	\$ 9,774,440
Operating Expenses					
Existing County System	\$3,545,157	\$3,846,594	\$4,020,533	\$4,155,885	\$4,274,333
St. Augustine Shores System	<u>583,895</u>	<u>592,324</u>	<u>600,752</u>	<u>609,180</u>	<u>617,609</u>
TOTAL	\$4,129,052	\$4,438,918	\$4,621,285	\$4,765,065	\$4,891,942
Operating Income (Loss)	\$3,584,202	\$3,643,439	\$3,972,545	\$4,403,511	\$4,882,498
Total Non-Operating Revenues	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>
Total Net Revenue	\$3,884,202	\$3,943,439	\$4,272,545	\$4,703,511	\$5,182,498
Unit Connection Fees ("UCF")	<u>411,469</u>	<u>403,813</u>	<u>511,656</u>	<u>613,156</u>	<u>714,656</u>
Total Net Revenue + UCF	\$4,295,671	\$4,347,252	\$4,784,201	\$5,316,667	\$5,897,154
Debt Service Requirement ³	\$2,962,083	\$2,995,992	\$3,843,166	\$3,840,466	\$3,842,011
Debt Service Coverage (Net)	1.311x	1.316x	1.112x	1.225x	1.349x
Debt Service Coverage (Net + UCF)	1.450x	1.451x	1.245x	1.384x	1.535x
Excess, Available for R&R	\$ 922,119	\$ 947,447	\$ 429,379	\$ 863,045	\$1,340,487
Required R&R ⁴	\$ 385,663	\$ 404,118	\$ 429,692	\$ 458,429	\$ 488,722

- ¹ Based upon the budget for the System of the County and includes a 5.4 percent increase in rates as required by the current County rate ordinance because of an increase in the consumer price index as published by the University of Florida, Bureau of Economic and Business Research.
- ² Rate increases pursuant to the rate ordinance requirement that rates be adjusted with increases in the consumer price index are projected to be 4 percent.
- ³ Includes debt service on the Parity Bonds and the 1991A Bonds. Debt service on the 1991A Bonds is based upon maturities from 1994 through 2021 at interest rates or yields ranging from 5.50% to 7.30%.
- 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. Upon the issuance of the 1991A Bonds and the acquisition of the Project which is expected

to occur simultaneously therewith, the System will also include the complete water and sewer facilities presently serving that area of the County known as St. Augustine Shores. The formerly separate system of the Anastasia Sanitary District was merged and consolidated into the System and on December 13, 1990, the separate accounting for water and sewer service provided in the Anastasia Sanitary District ceased, and the System was managed and accounted for as a combined County water and sewer utility. In addition to water and sewer service provided by the County, under an agreement with the County, the City of St. Augustine (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 bounded generally by the existing City system service area on the northeast, the Intracoastal Waterway (Matanzas River) on the east, the State Road 206 corridor on the south, the Interstate 95 corridor on the west, and County Road 214 on the north. 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 Anastasia Sanitary District ("ASD") service area is the portion of the System formerly operated by the Anastasia Sanitary 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 2-2 and 2-3 of the Consulting Engineer's Report provide more detailed descriptions of the service area.

Upon the acquisition of the Project, the System service area will also include the St. Augustine Shores area which is situated east of U.S. Highway 1, west of the Matanzas River and south of Moultrie Creek. This service area is depicted in Figures 2-2 and 2-3 of the Consulting Engineer's Report.

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. The ASD wells will continue to function in order to supply peak demands; however, they will not be a major source of raw water. The St. Augustine Shores service area is presently supplied by ten shallow wells with rated capacities of 45 to 120 gpm. Upon the construction of a planned finished water transmission main across U.S. Highway 1, this shallow well system will be placed on a stand-by basis, as potable water will be supplied from the Mainland Utility System.

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 lime 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 modified and its filters re-installed at the Tillman Ridge facility, increasing the Tillman Ridge plant capacity to 7.0 mgd by approximately 1992. The ASD Water Treatment Plant will receive the filters formerly installed at the Mainland Utilities System Plant, and the ASD plant will then have a rated capacity of 1.0 mgd. The Tillman Ridge water plant is expected to be completed and on-line by August, 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.

St. Augustine Shores is served by a water treatment plant with a capacity of 1.0 mgd which includes lime softening. Chlorine is added for disinfection. After the finished water transmission main is constructed, the lime softening treatment process will be placed on a stand-by basis.

Transmission and Distribution. The finished water transmission system serves the existing three service areas of the System. The transmission system which serves the I-95/State Road 16 service area is a 12-inch main which has recently been completed. A 20-inch raw water transmission main to the ASD service area has recently been

completed and placed in service; it will be converted to transport finished water upon completion of the Tillman Ridge water plant. Current construction of transmission lines in the Mainland Utilities System service area has served to extend and loop the existing transmission system lines, creating a more efficient transmission system. The St. Augustine Shores service area raw water transmission system consists of approximately 18,000 feet of 4-inch through 10-inch mains.

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. The St. Augustine Shores service area finished water distribution system consists of 4-inch through 18-inch mains.

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 has been completed in the I-95/State Road 16 service area. The St. Augustine Shores Water Treatment Plant has approximately 100,000 gallons of raw water storage in three horizontal storage reservoirs. This service area has treated water storage capacity of 0.5 million gallons.

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. The Project includes the construction of a finished water transmission main across U.S. Highway 1, connecting the Mainland Utility System to the St. Augustine Shores Water Treatment Plant, and in turn, to the transmission and distribution system of the 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 4.0 mgd wastewater treatment plant consisting of secondary treatment with a fine-bubble diffused air activated sludge system, chlorination, aerobic digestion and dewatering of sludge via an artificial media bed. The plant was recently upgraded from a capacity of 2.0 mgd and has expanded the sludge treatment process with the addition of gravity thickeners and a belt filter press. A new effluent pump station and wetwell was recently completed. Effluent disposal facilities have also been recently constructed which serve to provide for spray irrigation disposal at a private 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) to the Matanzas River through a 27-inch gravity outfall pipeline. A chemical feed system for dechlorination has been completed 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 and expected to be completed by September 1, 1991. 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, currently under construction, is a 500,000 gallons per day facility with advanced wastewater treatment. Effluent will be discharged into isolated wetlands on County-owned property. This Project is expected to be completed by the end of August, 1991.

The St. Augustine Shores service area has a 0.5 mgd contact stabilization wastewater treatment plant with effluent sand



filtration prior to irrigation on a 16.5-acre golf course. Three percolation/evaporation ponds are an integral part of the spray irrigation effluent disposal system which has a permitted capacity of 0.5 mgd. The sludge is pumped to 8 sand and gravel drying beds. The sewage collection system consists of over 23 miles of 8-inch and 10-inch gravity sewers, 24 sewage lift stations and over 8 miles of sewage force main. The Consulting Engineer's Report indicates that the wastewater treatment plant appears to be in fair physical condition, needing minor repair and painting. Additionally, the aeration tank is reported to have approximately 2 feet of sand in the bottom which needs removing. The fixed aeration system in the digester allows little or no flexibility and should be replaced with a floating unit. Lift stations appear to be in fair to good physical condition. These improvements are part of the Project. Miscellaneous upgrading items will be paid for by the renewal and replacement fund and a portion of the maintenance budget.

Largest Retail Water Customers

	<u>Water Usage Gallons</u> <u>June, 1991 Billing</u>
Ocean Gallery	1,660,000
Anastasia Inn (St. Augustine Hotel Association)	930,000
Summerhouse Condominiums	900,000
Colony Reef Club	620,000
St. Augustine Ocean/Racquet Club	610,000
Four Winds Condominiums	600,000
St. Augustine Beach Holiday Inn	590,000
Quail Hollow Condominiums	560,000
St. Augustine Beach & Tennis Club	480,000
Ocean Village Club	470,000

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 are as shown below.

**St. Johns County Utility System
Schedule of Fees and Charges
(Effective January 1, 1991)**

User Charges¹

Water Rates - Monthly²

Minimum (4,000 gallons allowed)	\$ 15.39
Overage (per 1,000 gallons)	4.07

Sewer User Fees - Monthly²

Minimum (4,000 gallons allowed)	\$ 15.87
Overage (per 1,000 gallons)	3.70

Unit Connection Fees^{2,3}

Water (per gpd)	\$ 3.15
Sewer (per gpd)	3.99

Tapping Fees

Water Meter Size:	
3/4 - inch	\$ 300.00
1 - inch	412.50
1 1/2 - inch	1,200.00
2 - inch	1,800.00
3 - inch	3,750.00
4 - inch	6,000.00
6 - inch	9,750.00

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 25% 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

¹ A County rate ordinance requires the rates to be adjusted (increase) every year based on the consumer price index as described therein.

(footnotes continued on next succeeding page)

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. Projected water demands may exceed permitted withdrawal limits, but the Consulting Engineer expects that a permit modification would be approved by the relevant regulatory agency. The St. Augustine Shores water system has exceeded the maximum daily withdrawal limit under its consumptive use permit; although the annual withdrawal is within the consumptive use permit limits. The Consulting Engineer reports that if daily peaks continue to remain higher than that assumed in the consumptive use permit, a request for modification would need to be submitted to the regulatory agency for an increase in the maximum daily withdrawal rates. It is reported that this type of request is typically granted because the historical data would show justification therefor. Construction permits for certain new improvements and operating permits for such new improvements and for certain components of the System and the Project which are currently planned or now under construction have not yet been obtained, but the County and the Consulting Engineer expect that the County will be able to obtain such permits.

(footnotes continued from preceding page.)

² 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. Such rates were as follows: monthly water rates (4,000 gallons minimum) \$15.40, overage (per 1,000 gallons) \$3.85; sewer user fees monthly minimum (4,000 gallons allowed) \$35, overage (per 1,000 gallons) \$8.75. No unit connection fees would be charged to those who have signed such a capacity agreement. 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.

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.

Conclusions of the Consulting Engineer

The Consulting Engineer reached the following conclusions in its report:

- a. The existing County System management and staff are well qualified to operate the System.
- b. The County's existing System has been well-operated and maintained and is in good physical condition.
- c. St. Augustine Shores' water and wastewater plants are in average to good condition. Budgeted operation and maintenance and renewal and replacement funds should be sufficient to bring the St. Augustine Shores' system up to the condition of County System.
- d. The Systems' wastewater treatment plants and St. Augustine Shores' wastewater treatment plant each have valid FDER operating permits.
- e. The new Tillman Ridge Water Treatment Plant should receive FDER clearance to operate by the end of August, 1991. The County may need to request modification to their consumptive use permit if projected water demands are realized. The County may also need to request an increase in the maximum daily withdrawal rate for the St. Augustine Shores Water Treatment Plant, if daily peaks remain high. Both requests for an increase of water allocation are expected to be granted by the St. Johns River Water Management District.
- f. 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 1991A Bonds debt service requirements through 1995 based on the rate schedule provided in Table 2-1 (except that in 1992 St. Augustine Shores customers will be charged rates as currently in effect for that private utility) of the Consulting Engineer's Report with revenue and expense projections for subsequent years (1992-1995) as is presented in Table 5-4 of the Consulting Engineer's Report.
- g. All provisions of the additional parity bonds test of the Resolution will be met as is demonstrated in Table 5-4.

THE PROJECT

The Project consists of \$12 million, which, together with the proceeds of the County's Subordinated Bonds, will finance the acquisition of the water and sewer system serving the area of the County known as St. Augustine Shores. Proceeds of the 1991A Bonds in the approximate amount of \$345,000 will be applied to reimburse

the County for various professional costs and related expenses incurred or to be incurred for the acquisition of the St. Augustine Shores System. The Project also includes \$220,000 of improvements to the System serving the St. Augustine Shores service area. The third main component of the Project is \$200,000 for the construction of a finished water transmission main across U.S. Highway 1 to connect the Mainland Utility System to the St. Augustine Shores Water Treatment Plant and, in turn, to the transmission and distribution system of the St. Augustine Shores Service Area.

LEGAL MATTERS

Certain legal matters in connection with the authorization, issuance and sale of the 1991A 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 Underwriters by their counsel, Rogers, Towers, Bailey, Jones & Gay, Jacksonville, Florida.

LITIGATION

The County is currently engaged in condemnation proceedings to acquire the utility system serving the area of the County known as St. Augustine Shores. The owners of the utility have offered to sell its facilities to the County upon terms acceptable to the County staff. Those terms were used to size the 1991A Bonds. The terms have not yet been presented to the Board of County Commissioners of the County for final approval. The closings of the issuance of the 1991A Bonds and the sale of the utility facilities to the County are scheduled to occur simultaneously. Upon completion of the sale of the utility facilities to the County, it is expected that the condemnation proceedings will be dismissed or settled without additional expense to the County. Accordingly, 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 1991A Bonds. Further, in his opinion 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 1991A Bonds or in any way contesting the validity of the 1991A Bonds or any proceedings of the County taken with respect to the authorization, sale or issuance of the 1991A Bonds or the pledge or application of any moneys provided for the payment of the 1991A Bonds.

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 1991A 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 1991A 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 1991A Bonds to be included in gross income retroactive to the date of issuance of the 1991A 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 1991A 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 1991A Bonds and the application of the proceeds of the 1991A Bonds.

The Code contains numerous provisions which could affect the economic value of the 1991A Bonds to certain owners of the 1991A Bonds. The following is a brief summary of some of the significant provisions that may be applicable to particular owners of the 1991A Bonds. Prospective owners of the 1991A Bonds, however, should consult their own tax advisors with respect to the impact of such provision on their own tax situations.

The 1991A 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 1991A Bonds or, in the case of banks and certain other financial institutions, interest expense allocable to interest on the 1991A 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 1991A 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 1991A Bonds.

Interest on the 1991A Bonds must be included in the adjusted current earnings of corporations (other than S corporations, regulated investment companies, real estate investment trusts, and REMICs), and such corporations are required to include in their calculation of alternative minimum taxable income 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 1996. The amount of the environmental tax is equal to 0.12% of the excess of the alternative minimum taxable income (determined without 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 1991A 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 1991A 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 1991A 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 1991A 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.

Original Issue Discount

In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of the 1991A Bonds which are Capital Appreciation Bonds, to the extent properly allocable to each owner of such 1991A Bond, is excluded from gross income for federal income tax purposes to the same extent that any interest payable on such 1991A Bonds is or would be excluded from gross income for federal income tax purposes. The original issue discount is the excess of the stated redemption price at maturity of such 1991A Bond, which price equals the Accreted Value of such 1991A Bond, over the initial offering price to the public at which price a substantial amount of such 1991A Bonds were sold (the "Issue Price").

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound interest basis. The amount of original issue discount that accrues to an owner of a 1991A Bond during any accrual period generally equals (a) the issue price of such 1991A Bond plus the amount of original issue discount accrued in all prior accrual periods multiplied by (b) the yield to maturity of such 1991A Bond (determined on the basis of compounding at the close of each accrual period) less (c) any interest payable on such 1991A Bond during such accrual period.

The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, and will increase the owner's tax basis in such 1991A Bond. The adjusted tax basis in a 1991A Bond will be used to determine taxable gain or loss upon a disposition (e.g., sale, exchange, redemption, or payment at maturity) of such 1991A Bond.

Owners of 1991A Bonds who did not purchase such 1991A Bonds in the initial offering at the Issue Price should consult their own tax advisors with respect to the tax consequences of owning such 1991A Bonds.

Owners of such 1991A Bonds should consult their own tax advisors with respect to state and local tax consequences of the 1991A Bonds. It is possible that under the applicable provisions governing the determination of state and local income taxes, accrued original issue discount on the 1991A Bonds may be deemed to be received in the year of accrual, even though there will not be a corresponding cash payment until a later year.

Proposed Federal Income Tax Legislation

Legislation has been introduced in the United States Congress that, if enacted, would require all taxpayers (other than corporations) to reduce their total itemized deductions by the ratio of (i) the amount of interest received or accrued by the

taxpayer on tax-exempt bonds (such as the 1991A Bonds), regardless of when such bonds are issued, or (ii) the sum of such interest and the taxpayer's adjusted gross income. In addition, if this legislation is enacted, any interest expense incurred by corporations (other than S corporations or insurance companies) that is allocable to interest on tax-exempt bonds issued after the date of enactment of the legislation would generally not be deductible for federal income tax purposes. Moreover, insurance companies (other than life insurance companies) would be required to reduce the amount of their otherwise deductible losses by the policyholders' share (rather than by 15%, as under existing law) of any interest received or accrued on any tax-exempt bonds (such as the 1991A Bonds) acquired after the date of enactment of the legislation.

This legislation is proposed to be effective for taxable years beginning after the date of its enactment. Whether this legislation will be enacted (or, if enacted, whether the effective date of such legislation would be as is currently proposed), or whether other federal income tax legislation that could affect the economic value of the 1991A Bonds will be enacted, is not known.

Florida Tax Matters

It is also the opinion of Bond Counsel that, under existing law, the 1991A 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.

RATINGS

Moody's Investors Service and Standard & Poor's Corporation have assigned their municipal bond ratings of "___" and "___," respectively, to the 1991A Bonds with the understanding that upon delivery of the 1991A Bonds, a policy insuring the payment when due of the principal of and interest on the 1991A 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 1991A Bonds.

UNDERWRITING

William R. Hough & Co., Smith Barney, Harris Upham & Co. Incorporated, Lehman Brothers and Summit Capital Markets, Inc. (the "Underwriters") have agreed, subject to certain customary conditions to closing, to purchase the 1991A Bonds from the County at par less an aggregate underwriting discount of \$_____ and an original issue discount of \$_____. The Underwriter will be obligated to purchase all of the 1991A Bonds if any such 1991A Bonds are purchased. The public offering prices may be changed, from time to time, by the Underwriters.

FINANCIAL ADVISOR

The County has retained Public Financial Management, Inc., Fort Myers, Florida, as financial advisor with respect to the sale of the 1991A Bonds. The financial advisor assisted in the preparation of this Official Statement and other matters relating to the planning, structuring and issuance of the 1991A 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, 1990, 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 1991A Bonds is limited to the Pledged Funds and any Assessments as described under "AUTHORITY AND SECURITY FOR THE 1991A 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 1991A 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 1991A 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 1991A 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 1991A 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 1991A 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

APPENDIX A

ST. JOHNS COUNTY, FLORIDA

WATER AND SEWER REVENUE BONDS, SERIES 1991A

**ACQUISITION OF ST. AUGUSTINE SHORES
WATER AND SEWER SYSTEM**

AUGUST 1, 1991

Prepared for

ST. JOHNS COUNTY DEPARTMENT OF UTILITY

Prepared by

**POST, BUCKLEY, SCHUH & JERNIGAN, INC.
1560 Orange Avenue, Suite 700
Winter Park, Florida 32789**

07-567.08

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1.0 INTRODUCTION

The Series 1991A Bonds are being issued to provide funds to finance the acquisition of St. Augustine Shores Utilities. The St. Augustine Shores Utilities will be incorporated into the St. Johns County's (County) overall water and sewer systems. In 1990, the County consolidated the Anastasia Sanitary District with the Mainland Utilities System (formerly known as Mainland Water System) through the issuance of Revenue Bonds Series 1990B-I and 1990B-II (collectively called the Series 1990B Bonds).

Post, Buckley, Schuh & Jernigan, Inc. (PBS&J) is Rate Consultant for the St. Johns County. A substantial amount of data was obtained from:

- o St. Johns County Utility Department
- o St. Augustine Shores Utilities
- o Preliminary Engineers' Report, Cost Appraisal and Cost Recovery System, Potential Acquisition by St. Johns County of Deltona Corporation Water and Sewage Systems Serving St. Augustine Shores. Hart Engineers, Inc., May 30, 1989.
- o List of Assets for the St. Augustine Shores Water and Wastewater System. Hartman & Associates, Inc., April 23, 1991.
- o Report dated November 14, 1990 of Camp, Dresser & McKee, Inc. in connection with the issuance of St. Johns County, Florida, Water and Sewer Revenue Bonds, Series 1990B-I and Series 1990B-II (CDM Report).

The data from the above referenced reports used in this report have been reviewed and appears reasonable.

We address the following aspects of the combined St. Augustine Shores System with St. Johns County systems in this report:

- o Background information.
- o Description of the St. Johns County Water and Sewer service areas.
- o Description of the St. Augustine Shores Utilities System, including condition.
- 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 (Department) is responsible for providing water and sewer services within the County's service areas. There were recently two separate service areas, Anastasia Sanitary District (ASD) and the Mainland Utility System (MUS), which provided service to their respective service areas. Both ASD and MUS were combined into one utility structure under the title of St. Johns County Utility. 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 49 permanent, full-time authorized positions in the Department. These employees serve in the following areas: 32 in operations; 3 in engineering/construction; and 14 in administration. Figure 2-1 provides an organizational chart of the Department.

Mr. Bobby Jones is the Director of St. Johns County Utility Department and reports to the Director of Utility Services, Mr. Michael L. Breit. Mr. Jones has been employed with the department since November 1981 and 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 Engineering/Construction Manager for St. Johns County Utility Department and has been with the Department since October 1988. He has a B.S. Degree in Mechanical Engineering and a BMC in Economics and Managerial Accounting. Mr. Van Der Mark has 30 years of experience in project/construction management and engineering and cost control in the power generation, refinery and chemical industries.

2.2 BILLING AND COLLECTION

The St. Johns County Utility 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 25 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 five years to fully implement this meter change-out procedure. The automated meter reading service has helped keep the to be completed annual write-off percentage to below 0.2 percent, by providing a quicker turn around time 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.

The current County schedule of fees and charges is given in Table 2-1.

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 those 136 compounds by February 1989 for all community systems serving more than 3,300 persons. The Water Department has sampled and analyzed for these compounds, within the above mentioned timeframe. The test results were below all MCLs.

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 none exceeding the MCLs, and has already implemented filtration and disinfection. The County has also adopted the Standard Plumbing Code and Southern Building Code which precludes use of lead soldered joints in water piping. Groundwater supplies are protected by County, Water Management, FDER and Health Rehabilitation Services (HRS) regulations.

The St. Johns River Water Management District (SJRWMD) 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:

<u>Year</u>	<u>Maximum Annual Withdrawal (million gal.)</u>	<u>Maximum Daily Withdrawal (million gal.)</u>
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

As shown and discussed subsequently in Table 3-2, projected water demands may exceed these limits. However, it is expected that a permit modification would be approved by the SJRWMD.

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 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 from the FDER. However, the system does not require an EPA discharge permit since effluent is not discharged to surface water.

The existing treatment plants have been operated successfully and do 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 SERVICE AREAS

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

- o Mainland Utility System (MUS) Service Area,
- o Anastasia Sanitary District (ASD) Service Area, and
- o I-95/S.R. 16 Service Area.

Mainland Utility System Service Area

The western portion of the combined County system is the MUS service area. This service area is bounded generally by the existing City of St. Augustine system service area on the northeast, Matanzas River (Intercoastal Waterway) on the east, the State Road 206 corridor on the south, the Interstate 95 corridor on the west, and the County Road 214 on the north.

Anastasia Sanitary District Service Area

The eastern portion of the combined service area is the ASD service area, 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 can be developed. The remaining 4.1 square mile area is zoned "Conservation or Preservation" due to the natural characteristics and environmental concerns. Approximately seventy percent of the 7.7 square miles is currently developed.

This ASD service areas 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 A1A 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.

I-95/S.R. 16 Service Area

The latest service area for the Mainland Utility System is located in the I-95/S.R. 16 interchange area, extending eastward to the proposed Fountains development. Figures 2-2 and 2-3 present the new Mainland Utility System service areas for water and wastewater, respectively.

3.0 EXISTING FACILITIES

The existing facilities and those currently under construction are located in the three specific service areas described in Section 2.4. The facilities for each service area will be described in detail as follows.

3.1 WATER SYSTEM FACILITIES

3.1.1 ASD - Water

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 rerated at 1.0 mgd (for peak use) and the filters re-installed at the Tillman Ridge facility, increasing the Tillman Ridge plant capacity to 7.0 mgd by approximately 1992. The Tillman Ridge water plant is expected to be completed and on-line by the end of August, 1991.

The raw water transmission system currently consists of a 10-inch pipeline from the Shore Drive (current MUS) water treatment plant to S.R. 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. Recently placed into service was 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). 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 S.R. A1A. 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 S.R. 3, Old Beach Road, and S.R. A1A from Pope Road to the Magnolia Avenue storage tank and pump station. The main extends southerly from that point along S.R. A1A 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 3-1) consist 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 using part of the proceeds from sale 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 Holmes 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 wells raw water and deep well raw water are blended prior to treatment in not less than 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.

Table 3-2 presents historical and projected data for ASD's and MUS's water demands, ERCs, and CUP allocations. The 1996 projected maximum day water demand of 3.78 MGD can be easily met by the 9.92 MGD well capacity.

The ASD water system facilities appear to be in good physical condition with evidence of effective maintenance.

3.1.2 MUS - Water

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 treatment 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/S.R. 16 service area. Once the filters in the ASD plant have been removed and installed at 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 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.

The MUS water system appears to be in good physical condition and well maintained.

3.1.3 I-95/S.R. 16 - Water

A temporary water treatment system is currently in operation to serve the I-95/S.R. 16 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 in the northeast quadrant of the I-95/S.R. 16 interchange.

3.2 WASTEWATER SYSTEM FACILITIES

3.2.1 ASD - Wastewater

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 dewatering of 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, thus no wet weather storage is required.

A recent construction project at the 16th Street wastewater treatment plant increased the secondary treatment capacity from 2.0 mgd to 4.0 mgd, expanded the sludge treatment process with the addition of gravity thickeners and a belt filter press, provided a new influent pump station and wetwell (replaced existing 16th Street pump station), and 3,000 linear feet of raw transmission pipeline from the existing 16th Street pump station to the plant site.

Effluent disposal facilities have been constructed which provide for spray irrigation disposal (effluent pumping, -fine-media 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 has been completed, to enable the County to meet new regulatory requirements.

Other facilities recently constructed 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 forcemain is the 12-inch main from the Riverside Boulevard pump station running north along S.R. A1A and S.R. 3 to 16th Street. Major pump stations currently consist of the 16th Street pump station (inadequate and being replaced) and the Riverside Boulevard. The Riverside Boulevard pump station will provide sufficient pump capacity, meeting peak demands.

The collection system consists primarily of approximately 60 pump stations and transmission forcemains, in addition to approximately 3,000 linear feet of 27-inch gravity trunk main in 16th Street currently under construction.

The ASD wastewater system appears to be in good physical condition with signs of effective maintenance.

3.2.2 MUS - Wastewater

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 effluent system also includes an effluent pump station 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 S.R. 207 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 forcemain was installed from South Park to Dobbs Road.

The MUS wastewater system appears in good physical condition with effective maintenance.

3.2.3 I-95/S.R. 16 - Wastewater

All wastewater facilities are being constructed by the MUS Series 1990A bond issue. Expected completion date is August 1991.

The S.R. 16 wastewater treatment plant is a 500,000 gallons/day facility with advanced wastewater treatment. Effluent disposal will be to an existing wetlands area near the treatment plant via an effluent pump station and pipeline.

The pump station/transmission system currently under construction, will service the I-95/S.R. 16 corridor. One pump station (P.S. #1) is located at the north side of S.R. 16, 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 S.R. 16. 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 system consists of approximately 26, 150 linear feet of pipeline, ranging in size from 4 to 12 inches in diameter.

The collection system for the interchange area of I-95/S.R. 16 has pipe sizes ranging from 8 to 15 inches, with an estimated 7,340 linear feet of pipeline.

4.0 ST. AUGUSTINE SHORES WATER AND WASTEWATER SYSTEM

4.1 GENERAL

The St. Johns County Utility Department proposes to purchase the existing St. Augustine Shores Water and Sewer System (St. Augustine Shores). The existing St. Augustine Shores systems are an integrated, privately-owned water and sewage utility providing service to a predominantly residential community in St. Johns County, Florida. The service area is situated east of U.S. Highway 1, west of Matanzas River and south of Moultrie Creek (See Figures 2-2 and 2-3). The systems have been constructed in a series of improvements and expansion programs since 1970.

St. Augustine Shores is a division of United Florida Utilities Corporation, a subsidiary of Topeka Group, Inc. The utility has served the citizens of St. Augustine Shores since 1972, providing both water and wastewater services. Many additions and improvements have been applied to the water treatment plant and wastewater treatment plant as well.

4.2 EXISTING WATER AND WASTEWATER SYSTEMS

4.2.1 St. Augustine Shores Water System

The existing St. Augustine Shores Water Treatment Plant (WTP) has a capacity of 1.0 mgd and includes lime softening. This facility is not currently interconnected to the MUS, but plans have been made to construct a finished water transmission main across U.S. Highway 1 to interconnect the MUS and St. Augustine Shores water treatment plants. This improvement will be funded by the Series 1991B Bonds and will eliminate reliance on the shallow well system in the development thus allowing the wellfield and lime softening treatment unit to be placed on standby.

The St. Augustine Shores WTP is presently supplied by ten shallow wells with rated capacities of 45 to 120 gpm (See Table 4-1). Approximately 100,000 gallons of raw water storage is provided in three horizontal storage reservoirs. Raw water transfer pumps supply the water to a lime softening unit. Chlorine is added for disinfection. Treated water storage of 0.5 Mgal is provided at the WTP with three 80 gpm and two 500 gpm high service pumps. A LP gas engine provides standby power for one of the larger pumps. An additional 1.0 Mgal storage reservoir with three 100 gpm and two 500 gpm pumps (LP gas engine drive on one pump) is located near the wastewater treatment plant for storage and repump.

The raw water transmission system consists of approximately 18,000 feet of 4-inch through 10-inch mains. The treated water transmission/distribution system consists of approximately 181,000 feet of 4-inch through 18-inch mains. The distribution system also includes 117 fire hydrants and 2,316 meters (as of 4/16/91). Other water assets are general plant (office furniture, lab equipment, etc.), field equipment and miscellaneous equipment and assets.

The County will be purchasing all of St. Augustine Shores' water assets. These assets form a complete functioning water system.

The system appears to be in good physical condition with evidence of effective maintenance. With continued maintenance together with renewal and replacement (R&R) the water treatment plant can continue to effectively operate until retired by the County. A R&R account of 5% of annual gross revenues will be used to fund any needed repairs or replacements.

4.2.2 St. Augustine Shores Wastewater System

The St. Augustine Shores Wastewater Treatment Plant is a 0.5 mgd contact stabilization plant with effluent sand filtration prior to irrigation on a 16.5-acre golf course. Three (3) percolation/ evaporation ponds are an integral part of the spray irrigation effluent disposal system which has a permitted capacity of 0.5 MGD. The sludge is pumped to eight (8) sand and gravel drying beds.

The sewage collection system consists of over 23 miles of 8-inch and 10-inch gravity sewers, 537 manholes, 24 sewage lift stations and over 8 miles of sewage forcemain. Other wastewater assets include general plant (office furniture and equipment, lab equipment, lawn equipment, etc.) and miscellaneous equipment and assets.

The wastewater treatment plant appears to be in fair physical condition. In addition to needing minor repair and painting, the aeration tank is reported to have approximately two (2) feet of sand in the bottom which needs removing. The fixed aeration system in the digester allows little or no flexibility and should be replaced with a floating unit. Lift stations appear to be in fair to good physical condition. These improvements and repairs will be funded by the Series 1991 Bonds. Miscellaneous upgrading items will be paid for by the Renewal and Replacement fund and a portion of the maintenance budget.

The County will be acquiring all of St. Augustine Shores' wastewater assets. These assets in conjunction with the above described improvements and repairs will constitute a complete functioning wastewater system.

4.3 REGULATORY STATUS

4.3.1 Water

St. Augustine Shores WTP was issued a seven-year Consumptive Use Permit (CUP) by SJRWMD on November 13, 1989, No. 2-109-0007UM. The water withdrawal limits given in the CUP are as follows:

<u>Year</u>	<u>Maximum Annual (Mgal)</u>	<u>Maximum Daily (MGD)</u>
1989	166.8	0.768
1990	169.5	0.775
1991	171.4	0.782
1992	173.5	0.789
1993	175.6	0.796
1994	177.66	0.803
1995	179.7	0.810
1996	181.6	0.817

In 1990, St. Augustine Shores' total annual withdraw was 134.0 Mgal and its maximum daily withdraw was 0.936 MGD. Thus, the annual withdraw is within the CUP limits, but the maximum day was exceeded. As described in Section 5, the projected growth is 36 ERCs per year. With this projected growth, the annual withdrawal limits of the CUP should be sufficient. However, if daily peaks continue to remain higher than that assumed in the CUP, a request for modification would need to be submitted to SJRWMD for an increase to the maximum day withdrawal rates. This type of request is typically granted by SJRWMD, because the historical data would show justification.

4.3.2 Wastewater

FDER issued a five-year operating permit for the St. Augustine Shores WWTP on April 5, 1989, No. 3155P00256. Based on a July 18, 1991 telephone conversation with FDER staff, the last FDER inspection report showed the facility as satisfactory. Also, the facility has a permitted capacity of 0.5 MGD with 1668 approved Equivalent Residential Connections (ERCs) which equates to 0.3 MGD (180 gpd/ERC). Thus, 0.2 MGD of wastewater capacity is available for future connections.

5.0 FINANCIAL

5.1 INTRODUCTION

The purpose of this bond issue is to provide funds to acquire the St. Augustine Shores Utility (St. Augustine Shores), and to incorporate it into the combined utility operations of the St. Johns County Utility Department. A Financial Feasibility Analysis of the proposed acquisition was conducted which focused on financing scenarios which would allow the acquisition of St. Augustine Shores while stabilizing the total costs to the current St. Augustine Shores customers.

The objective of the rate stabilization concept is to structure a financing plan so that 1) the total costs to the current customers of the St. Augustine Shores Utility will not exceed the average current cost per Equivalent Resident Connection under private ownership and operation except for the normal rate increases that may be required under County ownership, and 2) the current County customers are not adversely affected by the acquisition in terms of rates.

In order to meet this objective a plan was developed which includes (1) the establishment of a Special Assessment District to include not only the current St. Augustine Shores service area, but other property adjacent to the current service area which under County operation (a) would be logically included in an expanded service area for St. Augustine Shores, and (b) will benefit from its proximity to St. Augustine Shores, because of the readily available service which could be provided under County ownership, and (2) reduction of the rates in the St. Augustine Shores service area to the same level of County rates in effect at the time that Special Assessment District revenues will be realized (which at this time is estimated to be the beginning of fiscal year of 1992/93).

By spreading a portion of the acquisition cost over the broader base within the Special Assessment District, it is possible to acquire St. Augustine Shores and incorporate it into the combined County system while stabilizing the total utility cost to the current customers of the St. Augustine Shores Utility without adversely affecting current County customers.

The negotiated purchase price of the St. Augustine Shores Utility is \$14,250,000. The seller has agreed to accept payment of \$12,000,000 and subordinate junior lien bonds for \$2,250,000. In addition, the financing plan to purchase St. Augustine Shores includes

\$420,000 for improvements, including a 10 inch, 5,000 ft. water main to interconnect the County system to St. Augustine Shores at an estimated cost of \$200,000 as determined by Hart Engineers, Inc. in an acquisition study completed in May, 1989 and updated in June, 1991, plus other miscellaneous wastewater improvements. Also, \$345,000 are included for professional and related costs incurred or to be incurred by the County such as acquisition studies, legal fees, etc. as determined by the County.

5.2 SPECIAL ASSESSMENT DISTRICT

An important element of this financing plan is the establishment of a Special Assessment District (District). In order to determine the boundaries of the proposed District, it was necessary to thoroughly examine the land use and development criteria in the area of the County in proximity to the St. Augustine Shores Utility. Examination of the County's Future Land Use Element of its Comprehensive Plan revealed that the property in proximity to the St. Augustine Shores Utility falls within one of four categories as follows:

1. The platted subdivision of St. Augustine Shores which basically coincides with the certificated service area of the St. Augustine Shores Utility.
2. Property outside of the certificated service area and the St. Augustine Shores platted subdivision and within an area with a Future Land Use Density Classification of C in the St. Johns County Future Land Use Plan.
3. Property outside of the platted St. Augustine Shores subdivision and within an area with a Future Land Use Density Classification of B in the St. Johns County Future Land Use Plan.
4. Property which is outside of the platted St. Augustine Shores subdivision and the certificated service area and is within an area east of U.S. Highway 1 which is designated as mixed use in the St. Johns County Future Land Use Plan.

The development criteria in the County's Future Land Use Plan for areas with a density classification of C requires central water and sewer service and allows for development at a maximum density of four units per acre. The development criteria for the property designated as mixed use also requires central water and sewer service and is developable at a maximum density of 13 units per acre with a probable average density of 8 units per acre according to County planning personnel. The development criteria in the County's future land use plan for areas with a density classification of B does not require central water and sewer service and is developable at a maximum density of two units per acre.

All of the property within the area with density classification of C and those properties designated as mixed use are within distances of major transmission and distribution mains of St. Augustine Shores that would not require major line extensions in order to receive service. The distribution and collection systems that would be necessary would be typical of the types of systems which are normally installed by developers and dedicated to the

County. Also, all property within the area with a density classification of C and the area designated as mixed use would require central water and sewer service for development.

Therefore, it was concluded that the logical boundaries of the Special Assessment District and of the new service area of St. Augustine Shores once acquired by the County would include all property that is currently within the certificated service area of the private utility and all property which is currently within the area with a density classification of C south of the northern border of the certificated service area of the private utility and the property designated as mixed use east of U.S. Highway 1. A map of the proposed Special Assessment District boundaries and the certificated service area of St. Augustine Shores is presented in Figure 5.1.

5.3 ASSESSMENT UNITS

Examination of the property records of the County, maps of the connections within the certificated service area of the private utility and recent aerial photos of the area indicate that the proposed Special Assessment District will contain approximately 8,000 Equivalent Residential Connections (ERC's). To determine this ERC count, existing single family connections were counted as one ERC, existing multi-family connections were counted as .8 ERC's, undeveloped property within the St. Augustine Shores development with a platted designation for development as single family or multi-family was converted to ERC's based upon the acreage and the maximum density of development which was assumed to be four units per acre to be consistent with the maximum density of development for density classification C within which the St. Augustine Shores development is located. All property outside of the certificated service area of the St. Augustine Shores Utility and within the area with density classification C and south of the northern boundary of the current service area was converted to ERC's based upon the acreage times the maximum allowable density of four units per acre. Property within the mixed use area east of U.S. 1 was converted to ERC's based upon the acreage and the probable developable density of eight units per acre based upon input from County planning personnel.

Of the approximately 8,000 total ERC's within the proposed Special Assessment District, approximately 4,000 lie within the certificated service area of the private utility and 4,000 lie outside the certificated service area of the private utility.

5.4 PROJECTED REVENUES AND EXPENSES OF THE ST. AUGUSTINE SHORES UTILITY

5.4.1 Revenues

The financing plan calls for the rates of the private utility to stay in force through fiscal year 1992 because revenues from the Special Assessment District will not be realized until late 1992. Data from the 1989 and 1990 St. Augustine Shores Utility Annual Report (submitted to St. Johns County) was analyzed. This analysis of the historical revenues of St. Augustine Shores show that in 1990 it had operating revenues of \$1,509,302 and had an average

number of ERC's connected during the year of 2,422. This equates to approximately \$51.93 per month per ERC. The St. Augustine Shores Utility recently submitted an application for a cost pass-through rate increase with the County. This rate increase was approved by the County and will result in approximately a 1.56% increase in the overall rates assessed by St. Augustine Shores. This will result in an average revenue per ERC of approximately \$52.74 per month in 1992. Although connections added to St. Augustine Shores have averaged approximately 120 ERCs per year for the last 14 years, recent connections over the last two years have been substantially lower (averaging 36 ERCs per year). Therefore, it is assumed that approximately 36 ERCs per year will be added to the system based upon the recent historical growth in the area. This will result in approximately 2,494 average ERC's during fiscal year 1992 and a projected annual revenue in 1992 of \$1,578,403.

The projected rate revenues for St. Augustine Shores for subsequent years in which County rates will be in effect are based upon the growth rate of 36 units per year and the average revenue per ERC within the County owned system. Analysis of the County's revenues and connections indicates that the average revenue per connection in the County system for fiscal year 1991 is approximately \$45.01 per month per connection. This is based on actual year-to-date revenues through May of 1991 annualized to include consideration of an additional 10% historic seasonality during the remaining months of the fiscal year. This analysis results in an estimated \$3,336,873 of water revenues with average water ERC's of 11,788 for an average cost per ERC for water customers of \$23.59 per month. Sewer revenues are approximately \$1,715,395 with average sewer ERC's of 6,675 for an average cost per ERC for sewer of \$21.42 per month. This results in a total average revenue per ERC for water and sewer service of approximately \$45.01 per month for FY 1991.

5.4.2 Expenses

The expenses for the St. Augustine Shores Utility will be less under County ownership than under current private ownership. This is due to the fact that some cost items such as regulatory fees, allocation of corporate overhead and depreciation would not be expenses that the County would incur for the purposes of rate making. Therefore, an analysis was made of the current and historic expenses of St. Augustine Shores and adjustments were made to eliminate all items which would not be incurred under County ownership. This analysis indicated that if St. Augustine Shores were operated under County ownership in fiscal year 1991 the operating expenses would have been approximately \$575,467 for an average number of ERC's of 2,458. This equates to approximately \$19.51 per ERC per month. This was utilized along with the assumed growth rate of 36 ERC's per year to project operating expenses for St. Augustine Shores under County ownership.

All cost and revenue data for the Utility is based upon data from the 1989 and 1990 Annual Reports filed by the Utility with its regulatory agency which is the County.

5.4.3 Projection of Net Income and Debt Service Coverage

A projection of net income and debt service coverage is presented in Tables 5.1, 5.2, 5.3 and 5.4 for (1) the current County Utility System, (2) the St. Augustine Shores Utility System under County ownership, (3) a Combined County Utility System including assessment revenues, and (4) a combined County Utility System excluding assessment revenues, respectively. These projections show that the combined County System after acquisition of St. Augustine Shores, will generate sufficient revenues (with or without assessment revenues) to comply with all applicable Additional Bonds Parity Tests and Rate Covenant Requirements.

This is based upon a projection of revenues assuming a 5.4% rate increase on October 1, 1991 and a 4% increase on October 1 of each subsequent year. This is based upon the provision in the current County rate ordinance that rates will be adjusted each fiscal year by the Consumer Price Index as published by the University of Florida, Bureau of Economic and Business Research.

5.5 RATE PLAN

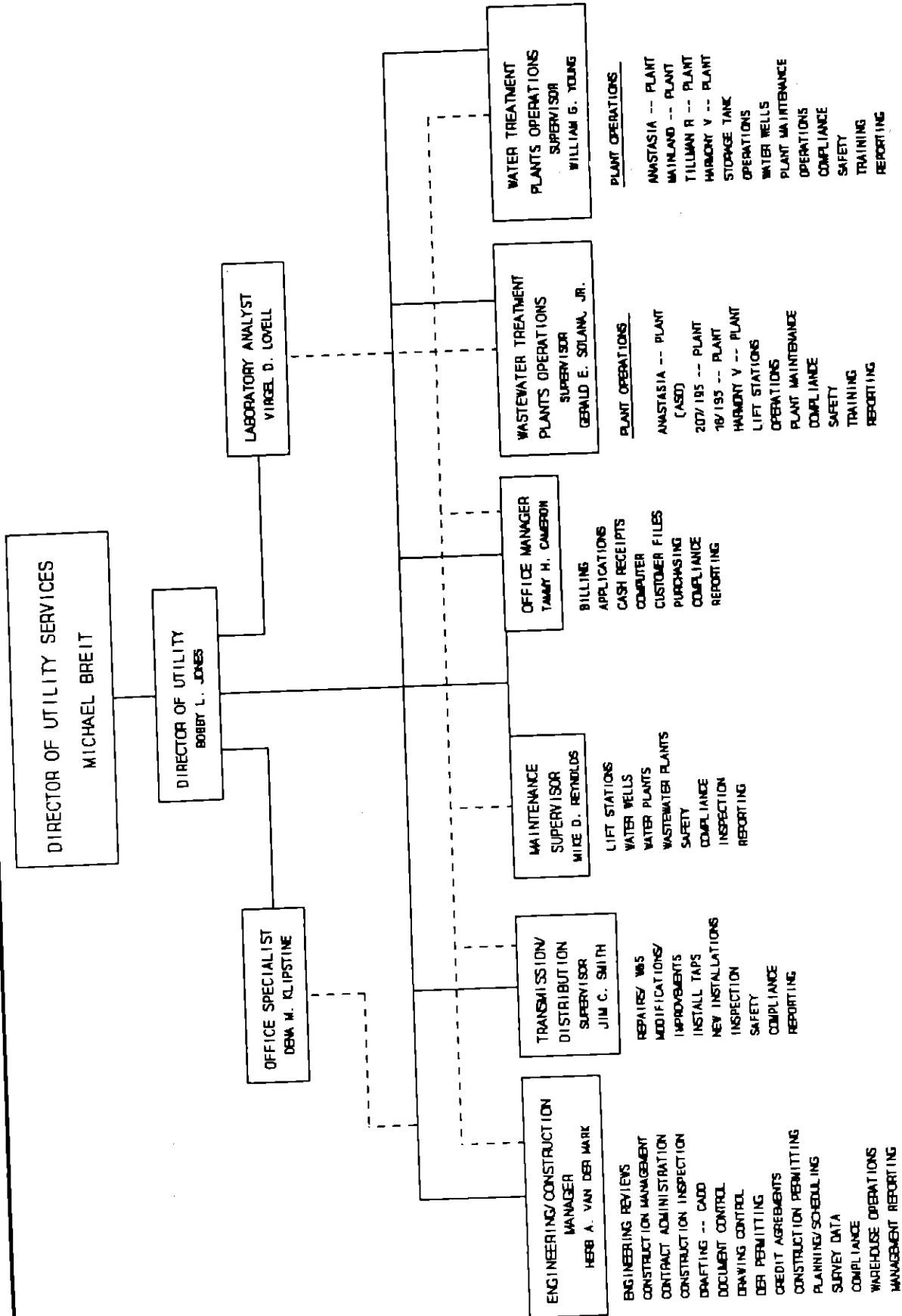
The rate plan proposed for St. Augustine Shores under County ownership is as follows:

1. Rates equivalent to the current St. Augustine Shores' rates will remain in force through fiscal year 1992.
2. The County rate schedule which is in force at the time (less a readiness-to-serve component equal to the assessment per unit of approximately \$6.08 per unit discussed in 3. below) will become effective for St. Augustine Shores Utility customers as of approximately November, 1993 when assessment revenues are available from the Special Assessment District.
3. A Special Assessment District will be created and will be comprised of approximately 8,000 assessment units which will be assessed at approximately \$73.00 per unit per year (which equates to an impact of approximately \$6.08 per unit per month) and will generate approximately \$585,000 per year in assessment revenues.

6.0 CONCLUSIONS

- o The existing St. Johns County Utility Department management and staff are well qualified to operate the water and sewer system.
- o St. Johns County's existing water and sewer systems have been well operated and maintained and are in good physical condition.

- o St. Augustine Shores' water and wastewater plants are in average to good condition. Budgeted Operation and Maintenance and Renewal and Replacement funds should be sufficient to bring the St. Augustine Shores' system up to the condition of St. Johns County systems.
- o Both St. Johns County's and St. Augustine Shores' WWTP(s) have valid FDER operating permits.
- o The new Tillman Ridge WTP should receive FDER clearance to operate by the end of August, 1991. The County may need to request modification to their CUP if projected water demands are realized. The County may also need to request an increase in the maximum daily withdrawal rate for the St. Augustine Shores WTP, if daily peaks remain high. Both requests for an increase of water allocation are expected to be granted by the SJRWMD.
- 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 1991A Revenue Bond requirements through 1995 based on the rate schedule provided in Table 2-1 (except that in 1992, St. Augustine Shores' customers will be charged rates as currently in effect for that private utility) with revenue and expense projections for subsequent years (1992-1995) as is presented in Tables 5-3 and 5-4.
- o All provisions of the additional Parity Bonds Test will be met as is demonstrated in Table 5-4.



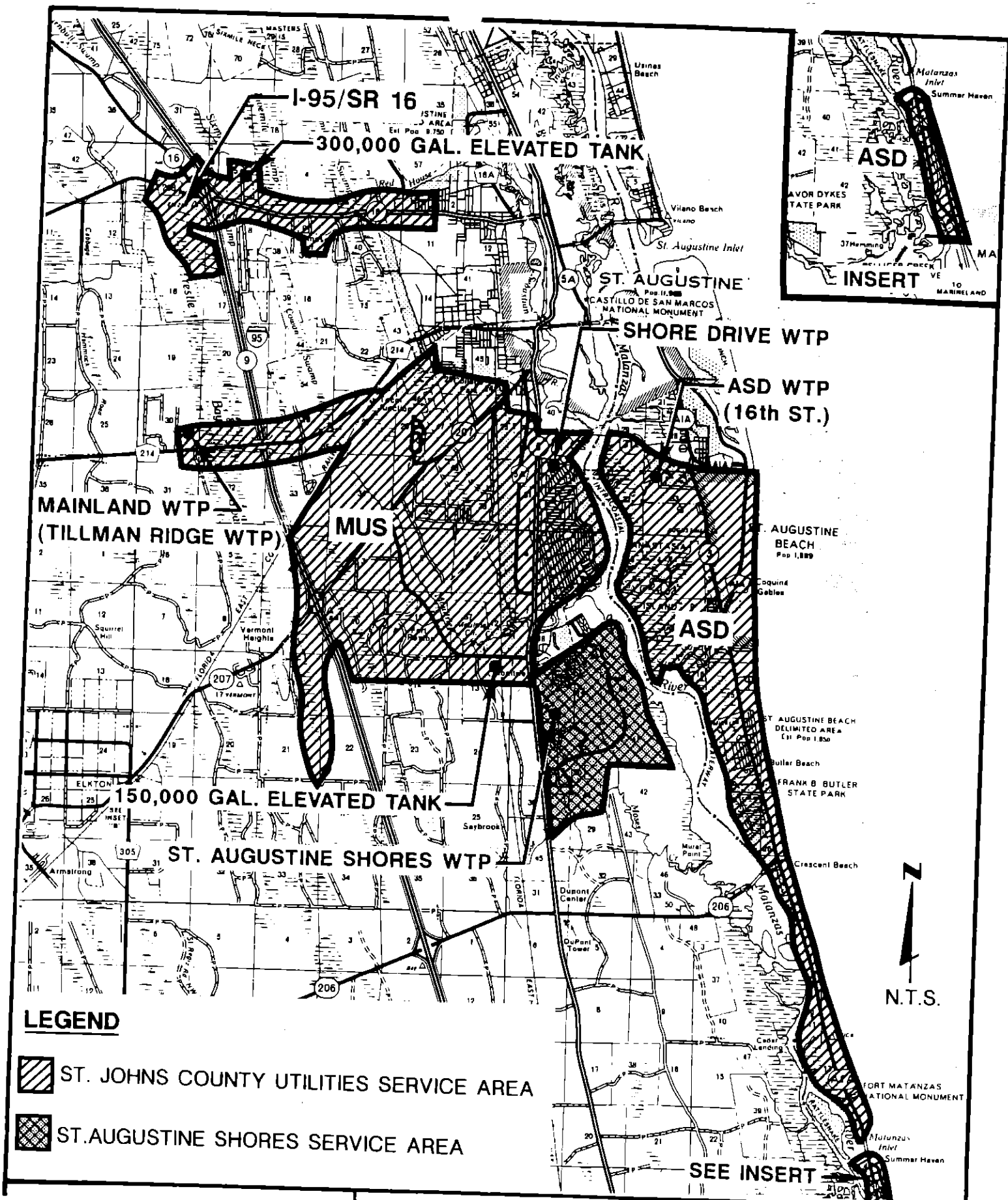
----- SUPPORT AS REQUIRED

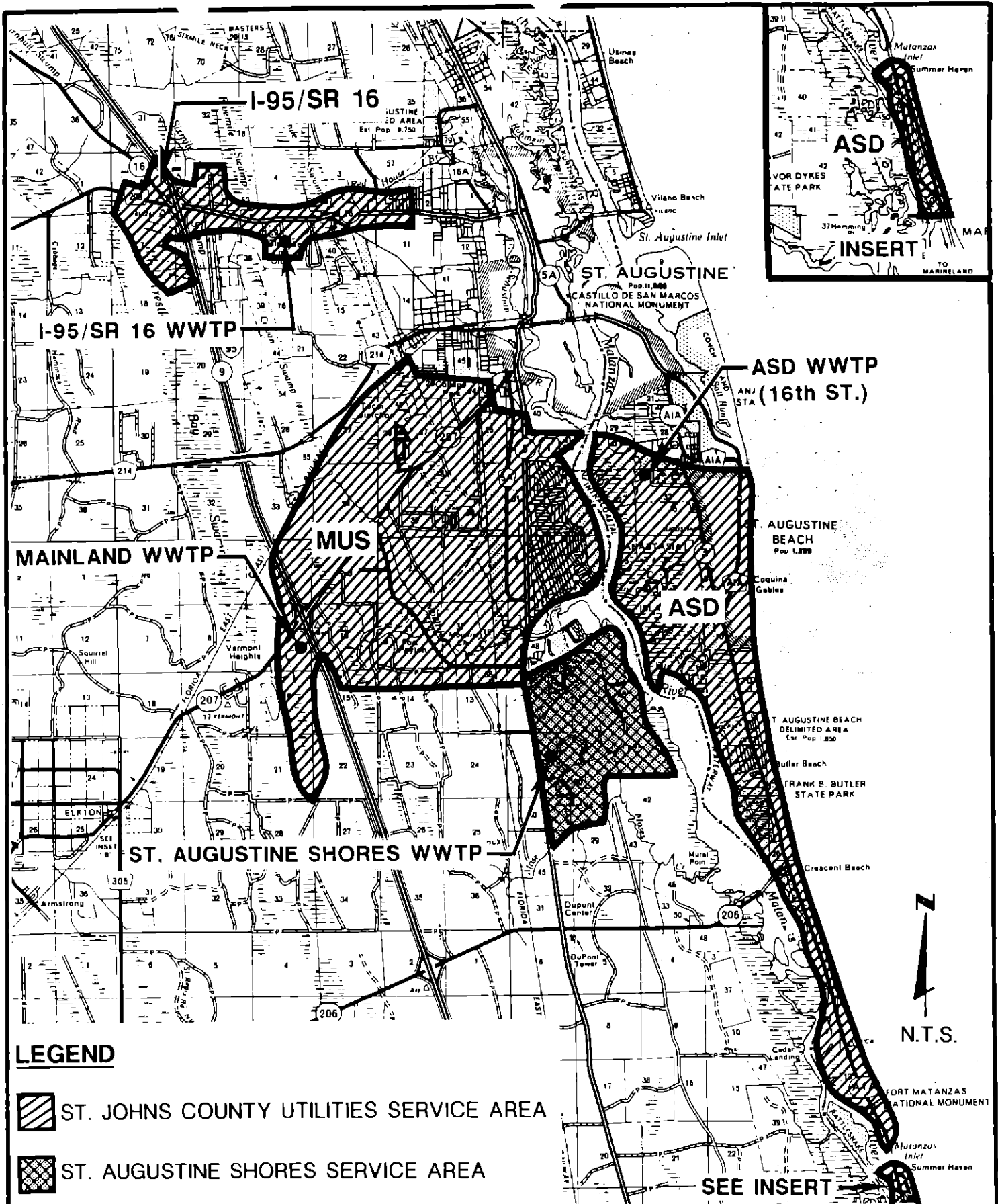
ST. JOHNS COUNTY
UTILITIES

FUNCTIONAL ORGANIZATIONAL CHART

FIGURE
2-1







ST. JOHNS COUNTY
UTILITIES

WASTEWATER SERVICE AREAS
AND PLANT LOCATIONS

FIGURE
2-3

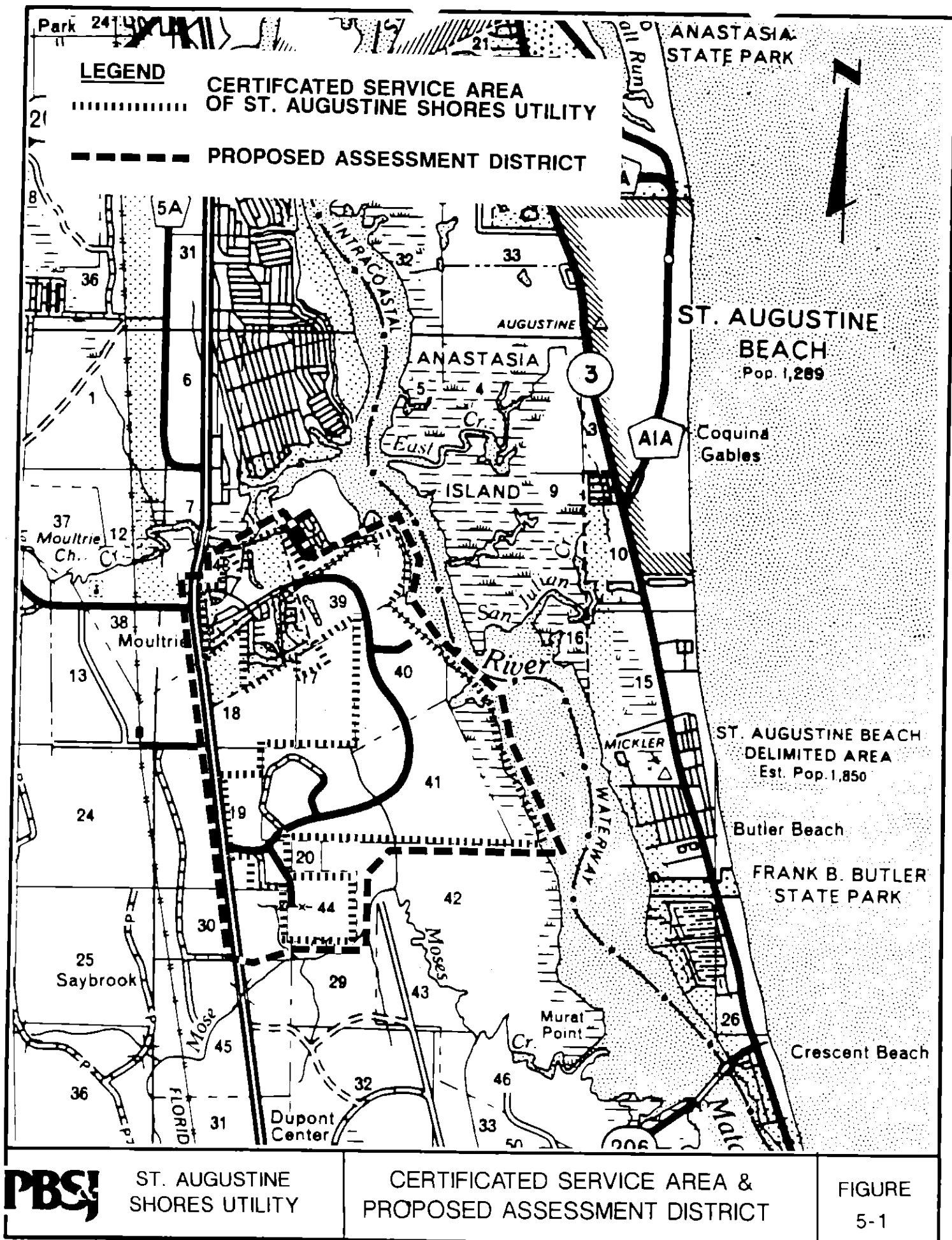


Table 2-1

**ST. JOHNS COUNTY UTILITY SYSTEM
SCHEDULE OF FEES AND CHARGES**

	Existing Service Areas			System-wide Rates Effective Jan. 1, 1991
	(Effective Oct. 1, 1990)		(Effective March 1990)	
	MUS	ASD	I95/SR16*	
<u>User Charges^b</u>				
Water Rates-Monthly	\$13.73	\$13.47	\$15.40	\$15.39
Minimum (4,000 gallons allowed)	\$3.56	\$3.51	\$3.85	\$4.07
Overage (per 1,000 gallons)				
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>Unit Connection Fees^c</u>				
Water (per gpd)	\$3.15	\$3.15	\$0.00	\$3.15
Sewer (per gpd)	\$3.99	\$3.99	\$0.00	\$3.99
<u>Tapping Fees</u>	System-Wide (Effective Jan. 1, 1991)			
Water Meter Size				
3/4 - inch	\$ 300.00			
1 - inch	412.50			
1 1/2 - inch	1,200.00			
2 - inch	1,800.00			
3 - inch	3,750.00			
4 - inch	6,000.00			
6 - inch	9,750.00			

* 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.

^b County Rate Ordinance requires the rates to be adjusted (increase) every year based on the Consumer Price Index as published by the University of Florida, Bureau of Economic and Business Research.

^c Connection fees are based on a 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.

Table 3-1

**ST. JOHNS COUNTY
SUMMARY OF EXISTING WATER SUPPLY**

Type of Well	Number	Size	Location	Total Capacity (GPM)
Mainland Utility System (MUS)				
Shallow	7	8-inch	Tillman Ridge	2800
Shallow	7	10-inch	Holmes Blvd.	993
Deep	2	18-inch	Tillman Ridge	2100
Anastasia Sanitary District (ASD)				
Shallow	4	6-inch	Anastasia Island	460
Shallow	1	8-inch	Anastasia Island	235
Deep	2	12-inch	Anastasia Island	300
Total Average Wellfield Capacity				6888 gpm (9.92 mgd)

Source: CDM Report.

Table 3-2

ST. JOHNS COUNTY
HISTORICAL AND PROJECTED WATER DATA
ERC'S, BILLED DEMAND, RAW PUMPAGE, TREATED WATER FLOW
AND CONSUMPTIVE USE PERMIT LIMITS

Fiscal Year	ERC's (a) ASD	ERC's (a) MUS	Annual Billed Water Demand (Million Gallons)			Raw Pumpage (e) (Million Gallons)	Treated Water (f) (Million Gallons)		Consumptive Use Permit (g) (MGD)	
			ASD (b)	MUS (c)	TOTAL (d)		Annual	Max. Day	Annual (Mil. Gal.)	Max. Day (MGD)
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	762.9	2.61
1989 (b)	8545	2080	515.560	173.065	688.625	N.A.	182.2	1.046	810.3	2.78
1990	8239	2234	561.682	159.924	721.606	793.767	756.686	2.953	857.8	2.94
1991	8569	2612			770.404	847.444	808.924	3.103	901.6	3.08
1992	8826	3275			833.784	917.162	875.473	3.358	949.0	3.25
1993	9091	3373			858.792	944.671	901.732	3.459	996.5	3.41
1994	9364	3474			884.582	973.040	928.811	3.563	1040.3	3.58
1995	9645	3579			911.153	1002.268	956.710	3.670	1088.4	3.73
1996	9934	3686			938.453	1032.298	985.376	3.780		

(a) ERC's means Equivalent Residual Connections. Fiscal Years 1986 through 1989 are year end figures. Fiscal Year 1990 is 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 gpcd/2,645 people per ERC). Fiscal Year 1992 for the ASD and existing MUS areas were increased by 3%. Fiscal Years 1992 for the SR 16 service area was 593 ERC's (205,317 gpd-67,333gpd/88gpcd/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 1986-1989 are for MUS only.

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

(d) Fiscal Years 1990-1996 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) time 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.

(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 4-1

**ST AUGUSTINE SHORES
SUMMARY OF EXISTING WATER SUPPLY**

Type of Well	Number	Size	Status	Location	Capacity (gpm)
Shallow	34-J	6-inch	In-Use	St. Aug. Shores	115
Shallow	34-L	6-inch	In-Use	St. Aug. Shores	115
Shallow	35	6-inch	In-Use	St. Aug. Shores	100
Shallow	36	6-inch	In-Use	St. Aug. Shores	100
Shallow	34E	6-inch	In-Use	St. Aug. Shores	60
Shallow	37	6-inch	In-Use	St. Aug. Shores	100
Shallow	38	6-inch	In-Use	St. Aug. Shores	100
Shallow	39	6-inch	In-Use	St. Aug. Shores	100
Shallow	40	6-inch	In-Use	St. Aug. Shores	120
Shallow	34-G	6-inch	In-Use	St. Aug. Shores	45
Total Average Wellfield Capacity					955

ST. JOHNS COUNTY - ST. AUGUSTINE SHORES ACQUISITION ANALYSIS
HISTORICAL & PROJECTED REVENUES AND EXPENSES
CURRENT COUNTY SYSTEM

	HISTORICAL FISCAL YEARS				PROJECTED FISCAL YEARS			
	1987	1988	1989	1990	1991	(2) BUDGET	(2) PROJECTED	(2) PROJECTED
REVENUES & EXPENSES:								
OPERATING REVENUES:								
WATER SALES	\$1,600,741	\$1,720,687	\$1,978,223	\$2,571,091	\$3,336,873	\$3,758,689	\$4,246,887	\$4,818,970
SEWAGE TREATMENT	846,146	900,198	1,015,747	1,409,795	\$1,715,395	2,058,805	2,356,987	2,610,126
USER FEES	114,577	81,227	141,467	140,213	177,348	317,357	148,458	150,570
TOTAL OPERATING REVENUES	\$2,561,464	\$2,702,112	\$3,135,437	\$4,221,099	\$5,229,616	\$6,134,851	\$6,752,362	\$7,279,668
OPERATING EXPENSES:								
SALARIES & BENEFITS	\$670,936	\$775,518	\$956,949	\$1,105,600	\$1,268,007	\$1,625,287	\$1,759,653	\$1,839,045
CONTRACTUAL SERVICES	130,107	112,259	161,060	157,608	367,628	334,709	340,375	352,456
OTHER OPERATING EXPENSES	615,618	845,349	747,046	862,817	856,526	1,202,666	1,317,070	1,423,023
MAINTENANCE	197,429	242,252	252,812	315,075	215,960	382,285	429,496	451,113
TOTAL OPERATING EXPENSES	\$1,614,290	\$1,776,378	\$2,118,867	\$2,441,100	\$2,708,121	\$3,545,157	\$3,848,584	\$4,020,533
OPERATING INCOME (LOSS)	\$947,174	\$925,734	\$1,015,570	\$1,779,999	\$2,521,495	\$2,589,694	\$2,903,778	\$3,259,135
NON-OPERATING REVENUES (EXPENSES):								
INTEREST INCOME	\$233,790	\$292,775	\$505,559	\$1,259,718	\$1,225,985	\$500,000	\$300,000	\$300,000
LESS: ADJUSTMENT FOR EXTRAORDINARY INTEREST INCOME	0	0	(205,559)	(959,718)	(925,985)	(200,000)	0	0
TOTAL NON-OPERATING REVENUES (EXPENSES)	\$233,790	\$292,775	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
NET INCOME (LOSS)	\$1,180,964	\$1,218,509	\$1,315,570	\$2,079,999	\$2,821,495	\$2,889,694	\$3,203,778	\$3,559,135
AVERAGE CONNECTIONS PER YEAR:								
TOTAL ERC'S COMMITTED	75.00% OF WATER CONNS				180	854	469	480
TOTAL ERC'S CONNECTED (SEWER CONNS ARE FINANCED ERC'S (10% PER YR FOR 10 YRS) OF COMM. ERC'S)	90.00% OF COMMITTED ERC'S				180	854	301	360
CURRENT PAY ERC'S	NA	NA	NA	NA	90	859	422	432
AVERAGE CONNECTION FEE PER CONNECTION	NA	NA	NA	NA	\$2,500	\$2,500	\$2,500	\$2,500
UNIT CONNECTION FEES	\$0	\$0	\$881,392	\$607,822	\$247,500	\$366,719	\$383,031	\$483,868
TOTAL NET INCOME AND UNIT CONNECTION FEES	\$1,180,964	\$1,218,509	\$2,206,962	\$2,687,821	\$3,068,995	\$3,256,413	\$3,586,769	\$4,042,768
ANNUAL DEBT SERVICE PAYMENT								
SERIES 1980 ISSUE (b)	\$144,300	\$142,900	\$144,500	\$142,790	\$142,590	\$0	\$0	\$0
SERIES 1989 ISSUE (b)	413,552	474,436	480,163	474,913	650,313	911,183	908,783	906,908
SERIES 1989B ISSUE (c)	0	0	0	947,877	940,277	1,934,625	1,933,375	1,934,775
SERIES 1991 ISSUE	\$557,852	\$617,338	\$624,663	\$1,422,790	\$1,500,590	\$2,845,808	\$2,843,158	\$2,841,683
TOTAL DEBT SERVICE	\$1,115,704	\$1,274,674	\$1,269,263	\$3,087,503	\$3,093,700	\$4,781,616	\$4,745,216	\$4,683,386
DEBT SERVICE COVERAGE (NET)	2.117	1.974	2.106	1.462	1.774	1.015	1.252	1.415
DEBT SERVICE COVERAGE (NET + PLEDGED U.C.F.)	2.117	1.974	3.533	1.889	1.929	1.164	1.422	1.617
EXCESS, AVAILABLE FOR R&R	\$623,112	\$601,171	\$690,907	\$657,208	\$1,230,905	\$43,886	\$364,800	\$1,178,471
REQUIRED RENEWAL & REPLACE @ 5.00% OF GROSS OPER. REVENUE	\$128,073	\$135,106	\$156,772	\$211,055	\$261,481	\$306,743	\$337,918	\$393,802
ADDITIONAL REVENUE REQUIRED FOR RATE COVENANT TEST:								
ADD. REV. REQUIRED FOR COVERAGE (NET)	1,200	1,100	1,100	1,100	1,100	\$0	\$0	\$0
ADD. REV. REQ'D FOR COVERAGE (NET + UCF)	1,200	1,100	1,100	1,100	1,100	\$0	\$0	\$0
NET ADD. REV. REQUIRED FOR COVERAGE	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PERCENTAGE INCREASE IN RATE REVENUE REQUIRED								
DEBT SERVICE COVERAGE AFTER RATE INCREASE BY NET REVENUES								
BY NET REVENUES	1.597	1.617	1.415	1.252	1.415	1.252	1.415	1.597
BY NET REVENUES PLUS UNIT CONN. FEES	1.833	1.833	1.617	1.422	1.617	1.422	1.617	1.833

(1) ANNUALIZED YTD DATA @ 110.00% SEASONALITY FACTOR
REVENUES ANNUALIZED BASED UPON FEB. APRIL & MAY REVENUES WHICH REFLECT RATE INCREASE IMPLEMENTED IN JAN. 1991 (MARCH WAS EXCLUDED DUE TO EXTRAORDINARY ADJ. IN MARCH DATA).
(2) INCLUDES 5.4% ANNUAL CPI INDEX INCREASE IN 1992 PER RATE ORDINANCE (4.0% IN SUBSEQUENT YEARS) PLUS EFFECT OF REQUIRED RATE INCREASE (IF ANY) IN PRIOR YEAR
(3) AUDITED SEPARATELY AS MAINLAND AND ANASTASIA SYSTEMS BEFORE CONSOLIDATION.
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ST. JOHNS COUNTY - ST. AUGUSTINE SHORES ACQUISITION ANALYSIS
HISTORICAL & PROJECTED REVENUES AND EXPENSES
ST. AUGUSTINE SHORES UTILITY SYSTEM

TABLE 5-2
PAGE 1 OF 1

REVENUES & EXPENSES:	HISTORICAL			PROJECTED (1)				
	1990		1991 ESTIMATED	1992	1993	1994	1995	1996
	WATER	SEWER		TOTAL	PROJECTED	PROJECTED	PROJECTED	PROJECTED
PROJECTED REVENUES:								
WATER SALES	\$811,960	\$0	\$832,009	\$811,960	\$857,437	\$895,663	\$999,492	\$1,013,320
SEWAGE TREATMENT	0	667,222	699,727	667,222	\$720,966	\$828,783	\$840,410	\$852,038
OTHER REVENUES	7,863	22,257	0	30,120	0	0	0	0
TOTAL PROJECTED REVENUES	\$819,823	\$689,479	\$1,531,736	\$1,509,302	\$1,578,403	\$1,788,990	\$1,839,902	\$1,865,358
PROJECTED EXPENSES:								
O&M EXPENSES (FROM 1990 ANNUAL REPORT)								
LESS: COSTS NOT INCURRED UNDER COUNTY OWNERSHIP:								
REGULATORY EXPENSES	\$372,489	\$349,088	\$575,467	\$721,577	\$583,895	\$600,752	\$608,180	\$617,609
OTHER OVERHEAD ALLOCATIONS TO SSUS APOPKA	(27,040)	(27,040)	0	(54,080)	0	0	0	0
	(52,956)	(47,463)	0	(100,419)	0	0	0	0
TOTAL PROJECTED EXPENSES	\$292,493	\$274,585	\$575,467	\$567,078	\$583,895	\$600,752	\$609,180	\$617,609
NET INCOME (LOSS)	\$527,330	\$414,894	\$956,269	\$942,224	\$994,507	\$1,213,694	\$1,230,722	\$1,247,749
ASSESSMENT REVENUES								
NET INCOME (LOSS) FROM RATES PLUS ASSESSMENT REVENUES			\$956,269	\$942,224	\$994,507	\$1,213,694	\$1,230,722	\$1,247,749

ANALYSIS OF AVERAGE REVENUE AND EXPENSE PER ERC:			
NUMBER OF ERC'S AT END OF YEAR	2,440	2,440	2,440
NUMBER OF CONNECTIONS IN YEAR	36	36	36
AVERAGE ERC'S DURING THE YEAR	2,422	2,422	2,422
AVERAGE COST PER ERC	\$10.06	\$9.45	\$19.51
AVERAGE REVENUE PER CONNECTION IN 1990 & 1991	\$26.21	\$23.72	\$51.93
COST PASS THROUGH PERCENTAGE PENDING APPROVAL	1.56%	1.56%	1.56%
AVERAGE REVENUE PER CONNECTION IN 1992 & THEREAFTER	\$28.65	\$24.09	\$52.74

(1) REVENUES PROJECTED AT CURRENT UTILITY RATES &
EXPENSES PROJECTED AT ESTIMATED COST UNDER COUNTY OWNERSHIP

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ST. JOHN'S COUNTY - ST. AUGUSTINE SHORES ACQUISITION ANALYSIS
HISTORICAL & PROJECTED REVENUES AND EXPENSES
COMBINED COUNTY SYSTEM & ST. AUGUSTINE SHORES SYSTEM
 (INCLUDES ASSESSMENTS FOR RATE COVENANT)

EXCLUDES ASSESSMENTS FOR PARITY TEST: PARITY TEST ON MAXIMUM ANNUAL DEBT SERVICE FOR TERM OF BONDS:	PARITY TEST INCLUDES SENIOR DEBT ONLY: RATE COVENANT TEST INCLUDES SENIOR AND JUNIOR DEBT:									
	HISTORICAL					PROJECTED				
	1990 ACTUAL	1991 ESTIMATED	(1) 1992 BUDGET	(1) 1993 PROJECTED	(1) 1994 PROJECTED	(1) 1995 PROJECTED	(1) 1996 PROJECTED			
REVENUE SUFFICIENCY & COVERAGE ANALYSIS:										
RATE COVENANT TEST:										
DEBT SERVICE COVERAGE (NET + ASSESSMENTS) (2.1)	1.100	2.376	1.311	1.450	1.213	1.323	1.443			
DEBT SERVICE COVERAGE (NET + ASSESS. + PLEDGED U.C.F.) (2.1)	1.200	2.587	1.450	1.585	1.346	1.483	1.629			
EXCESS, AVAILABLE FOR R&R (2.1)		\$2,187,174	\$922,119	\$1,349,229	\$819,427	\$1,240,263	\$1,703,749			
REQ'D R & R @ 5.00% OF GROSS OPER. REVENUE		\$338,068	\$385,663	\$394,975	\$419,962	\$448,058	\$477,653			
PARITY TEST - (USES 1991 DATA):										
RETROACTIVE ADJUSTMENT OF REVENUES FOR PARITY TEST: (2)										
ADJUSTED WATER SALES		\$4,443,633	NA	NA	NA	NA	NA			
ADJUSTED SEWAGE TREATMENT		2,656,445	NA	NA	NA	NA	NA			
ADJUSTED USER FEES		177,348	NA	NA	NA	NA	NA			
TOTAL ADJUSTED OPERATING REVENUES		\$7,277,426	NA	NA	NA	NA	NA			
ADDITIONAL PARITY TEST RATE INCOME AVAILABLE FOR COVERAGE ASSESSMENT REVENUE AVAILABLE FOR PARITY TEST		\$516,074	NA	NA	NA	NA	NA			
COVERAGE ON MAXIMUM ANNUAL DEBT SERVICE (NET)	1.100	1.206	1.174	NA	NA	NA	NA			
COVERAGE ON MAXIMUM ANNUAL DEBT SERVICE (NET + UCF)	1.200	1.373	1.266	NA	NA	NA	NA			
ADDITIONAL REVENUE REQUIRED FOR PARITY TEST (NET)		\$0	\$0	NA	NA	NA	NA			
ADDITIONAL REVENUE REQUIRED FOR PARITY TEST (NET + UCF)		\$0	\$0	NA	NA	NA	NA			
NET ADDITIONAL REVENUE REQUIRED FOR PARITY TEST		\$0	\$0	NA	NA	NA	NA			
ADDITIONAL REVENUE REQUIRED FOR RATE COVENANT TEST:										
ADDITIONAL REVENUE REQUIRED FOR COVERAGE (NET + ASSESSMENT) (2.1)		NA	NA	\$0	\$0	\$0	\$0			
ADDITIONAL REVENUE REQUIRED FOR COVERAGE (NET + ASSESSMENT + UCF) (2.1)		NA	NA	\$0	\$0	\$0	\$0			
TOTAL ADDITIONAL REVENUE REQUIRED FOR COVERAGE		\$0	\$0	\$0	\$0	\$0	\$0			
PERCENTAGE INCREASE IN RATE REVENUE REQUIRED		NA	NA	0.00%	0.00%	0.00%	0.00%			
COVERAGE AFTER RATE INCREASE (MAX ANNUAL DEBT SERVICE FOR PARITY TEST AND CURRENT ANNUAL DEBT SERVICE FOR PROJECTION PERIOD):										
BY NET REV + ASSESSMENT REVENUES (2.1)	1.206	1.174	1.311	1.450	1.213	1.323	1.443			
BY NET REV (3)	1.206	1.174	1.311	1.560	1.251	1.361	1.523			
BY NET REV + CONN FEE REVENUES (3)	1.373	1.266	1.450	1.727	1.408	1.569	1.742			
TOTAL ERC'S:										
WATER	13,970	14,246	14,789	15,409	15,743	16,110	16,506			
SEWER	8,917	9,133	9,557	10,024	10,283	10,567	10,873			
AVERAGE RATE PLUS ASSESSMENT REVENUE PER ERC:										
WATER		\$24.39	\$25.99	\$26.47	\$26.89	\$27.97	\$28.08			
SEWER		22.04	24.24	25.28	25.68	26.71	27.77			
TOTAL		\$46.43	\$50.23	\$51.73	\$52.57	\$54.68	\$56.85			

(1) INCLUDES 5.4% ANNUAL CR INDEX INCREASE IN 1992 PER RATE ORDINANCE (4.0% IN SUBSEQUENT YEARS) PLUS EFFECT OF REQUIRED RATE INCREASE (IF ANY) IN PRIOR YEAR

(2) DOES NOT INCLUDE EFFECT OF PROJECTED RATE INCREASE (IF ANY) IN 1992

(2.1) DOES NOT INCLUDE ASSESSMENTS FOR PORTION IN WHICH ASSESSMENTS ARE EXCLUDED RE RATE COVENANTS

(3) EXCLUDES PORTION OF DEBT SERVICE ASSOCIATED WITH ASSESSMENT REVENUES

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ST. JOHNS COUNTY - ST. AUGUSTINE SHORES ACQUISITION ANALYSIS
HISTORICAL & PROJECTED REVENUES AND EXPENSES
COMBINED COUNTY SYSTEM & ST. AUGUSTINE SHORES SYSTEM
(INCLUDES ASSESSMENTS FOR RATE COVENANT)

EXCLUDES ASSESSMENTS FOR PARITY TEST: PARITY TEST ON MAXIMUM ANNUAL DEBT SERVICE FOR TERM OF BONDS:										PARITY TEST INCLUDES SENIOR DEBT ONLY: RATE COVENANT TEST INCLUDES SENIOR AND JUNIOR DEBT:									
HISTORICAL FY										PROJECTED FISCAL YEARS									
										(1) 1990 ACTUAL	1991 ESTIMATED	(1) 1992 BUDGET	(1) 1993 PROJECTED	(1) 1994 PROJECTED	(1) 1995 PROJECTED	(1) 1996 PROJECTED			
REVENUES & EXPENSES:																			
OPERATING REVENUES:																			
WATER SALES										\$3,483,051	\$4,168,982	\$4,616,126	\$4,780,981	\$5,079,996	\$5,406,357	\$5,780,821			
SEWAGE TREATMENT										2,077,017	2,415,122	2,779,771	2,970,060	3,168,672	3,386,433	3,623,877			
USER FEES										170,333	177,348	317,357	148,458	150,570	168,364	168,364			
TOTAL OPERATING REVENUES										\$5,730,401	\$6,761,352	\$7,713,254	\$7,899,499	\$8,399,238	\$8,961,154	\$9,553,062			
OPERATING EXPENSES:																			
COUNTY SYSTEM:																			
SALARIES & BENEFITS																			
CONTRACTUAL SERVICES										\$1,105,600	\$1,268,007	\$1,625,297	\$1,759,853	\$1,839,045	\$1,901,577	\$1,954,182			
OTHER OPERATING EXPENSES										157,608	367,628	304,709	340,375	352,456	\$366,966	370,312			
MAINTENANCE										862,817	856,526	1,202,866	1,317,070	1,377,919	\$1,423,023	1,467,537			
ST. AUGUSTINE SHORES SYSTEM O&M										315,075	215,960	382,285	429,496	451,113	\$464,319	482,302			
TOTAL OPERATING EXPENSES										\$3,068,178	\$3,283,588	\$4,129,052	\$4,438,918	\$4,621,285	\$4,765,085	\$4,891,942			
OPERATING INCOME (LOSS)										\$2,722,223	\$3,477,764	\$3,584,202	\$3,460,581	\$3,777,953	\$4,196,089	\$4,661,120			
NON-OPERATING REVENUES (EXPENSES):																			
INTEREST INCOME										\$1,259,718	\$1,225,985	\$500,000	\$300,000	\$300,000	\$300,000	\$300,000			
LESS: ADJUSTMENT FOR EXTRAORDINARY INTEREST INCOME										(959,718)	(925,985)	(200,000)	0	0	0	0			
TOTAL NON-OPERATING REVENUES (EXPENSES)										\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000			
NET INCOME (LOSS)										\$3,022,223	\$3,777,764	\$3,884,202	\$3,760,581	\$4,077,953	\$4,496,089	\$4,961,120			
ASSESSMENT REVENUES																			
NET INCOME (LOSS) PLUS ASSESSMENT REVENUES										\$3,022,223	\$3,777,764	\$3,884,202	\$4,345,221	\$4,882,593	\$5,080,729	\$5,545,760			
AVERAGE CONNECTIONS PER YEAR:																			
TOTAL ERC'S COMMITTED											216	990	505	525	516	516			
TOTAL ERC'S CONNECTED (ASSUME SEWER CONNS ARE FINANCED ERC'S (10% PER YR FOR 10 YRS)											216	890	330	337	396	396			
CURRENT PAY CONNECTIONS											90	891	455	473	464	464			
AVERAGE CONNECTION FEE PER CONNECTION											NA	99	50	52	52	52			
UNIT CONNECTION FEES										\$607,822	\$337,500	\$411,469	\$403,813	\$511,656	\$613,156	\$714,656			
TOTAL NET INCOME AND UNIT CONNECTION FEES										\$3,630,045	\$4,115,264	\$4,295,671	\$4,749,034	\$5,174,249	\$5,693,885	\$6,260,416			
ANNUAL DEBT SERVICE PAYMENT																			
SERIES 1980 ISSUE(b)										\$0	\$0	\$0	\$0	\$0	\$0	\$0			
SERIES 1989 ISSUE(b)										474,913	650,313	911,183	911,083	909,763	906,908	907,418			
SERIES 1990B ISSUE(c)										947,877	940,277	1,934,625	1,929,875	1,933,375	1,934,775	1,933,480			
SERIES 1991 ISSUE										0	0	116,275	155,034	1,000,008	996,783	1,001,113			
TOTAL DEBT SERVICE										\$1,422,790	\$1,590,590	\$2,962,083	\$2,995,992	\$3,843,166	\$3,840,466	\$3,842,011			
MAXIMUM ANNUAL DEBT SERVICE FOR TERM OF BONDS (SENIOR DEBT ONLY)										\$3,658,132	\$3,658,132	\$3,658,132	\$3,658,132	\$3,658,132	\$3,658,132	\$3,658,132			

(1) INCLUDES 5.4% ANNUAL CPI INDEX INCREASE IN 1992 PER RATE ORDINANCE (4.0% IN SUBSEQUENT YEARS) PLUS EFFECT OF REQUIRED RATE INCREASE (IF ANY) IN PRIOR YEAR
(CONTINUED TO PAGE 2)

ST. JOHNS COUNTY - ST. AUGUSTINE SHORES ACQUISITION ANALYSIS
HISTORICAL & PROJECTED REVENUES AND EXPENSES
COMBINED COUNTY SYSTEM & ST. AUGUSTINE SHORES SYSTEM
(EXCLUDES ASSESSMENTS FOR RATE COVENANT)

EXCLUDES ASSESSMENTS FOR PARITY TEST:		PARITY TEST INCLUDES SENIOR DEBT ONLY:		PROJECTED FISCAL YEARS					
PARITY TEST ON MAXIMUM ANNUAL DEBT SERVICE FOR TERM OF BONDS:		RATE COVENANT TEST INCLUDES SENIOR AND JUNIOR DEBT:		PROJECTED FISCAL YEARS					
		HISTORICAL FY		(1)	(1)	(1)	(1)	(1)	(1)
		1990	1991	1992	1993	1994	1995	1996	
REVENUES & EXPENSES:		ACTUAL	ESTIMATED	BUDGET	PROJECTED	PROJECTED	PROJECTED	PROJECTED	
OPERATING REVENUES:									
WATER SALES		\$3,483,051	\$4,168,882	\$4,616,126	\$4,895,111	\$5,201,264	\$5,535,416	\$5,898,341	
SEWAGE TREATMENT		2,077,017	2,415,122	2,779,771	3,038,788	3,241,996	3,464,796	3,707,735	
USER FEES		170,333	177,348	317,357	148,458	150,570	168,364	168,364	
TOTAL OPERATING REVENUES		\$5,730,401	\$6,761,352	\$7,713,254	\$8,082,357	\$8,593,830	\$9,168,576	\$9,774,440	
OPERATING EXPENSES:									
COUNTY SYSTEM:									
SALARIES & BENEFITS		\$1,105,600	\$1,268,007	\$1,625,297	\$1,759,653	\$1,839,045	\$1,901,577	\$1,954,182	
CONTRACTUAL SERVICES		157,608	367,628	334,709	340,375	352,456	\$366,966	370,312	
OTHER OPERATING EXPENSES		862,817	856,526	1,202,866	1,317,070	1,377,919	\$1,423,023	1,467,537	
MAINTENANCE		315,075	215,960	382,285	429,496	451,113	\$464,319	482,302	
ST. AUGUSTINE SHORES SYSTEM O&M		567,078	575,467	583,895	592,324	600,752	609,180	617,609	
TOTAL OPERATING EXPENSES		\$3,008,178	\$3,283,588	\$4,129,052	\$4,438,918	\$4,621,285	\$4,765,085	\$4,891,942	
OPERATING INCOME (LOSS)		\$2,722,223	\$3,477,764	\$3,584,202	\$3,643,439	\$3,972,545	\$4,403,511	\$4,882,498	
NON-OPERATING REVENUES (EXPENSES):									
INTEREST INCOME		\$1,259,718	\$1,225,985	\$500,000	\$300,000	\$300,000	\$300,000	\$300,000	
LESS: ADJUSTMENT FOR EXTRAORDINARY INTEREST INCOME		(959,718)	(925,985)	(200,000)	0	0	0	0	
TOTAL NON-OPERATING REVENUES (EXPENSES)		\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	
NET INCOME (LOSS)		\$3,022,223	\$3,777,764	\$3,884,202	\$3,943,439	\$4,272,545	\$4,703,511	\$5,182,498	
ASSESSMENT REVENUES		\$0	\$0	\$0	\$0	\$0	\$0	\$0	
NET INCOME (LOSS) PLUS ASSESSMENT REVENUES		\$3,022,223	\$3,777,764	\$3,884,202	\$3,943,439	\$4,272,545	\$4,703,511	\$5,182,498	
AVERAGE CONNECTIONS PER YEAR:									
TOTAL ERC'S COMMITTED			216	990	505	525	516	516	
TOTAL ERC'S CONNECTED (ASSUME SEWER CONNS ARE FINANCED ERC'S (10% PER YR FOR 10 YRS))			216	890	330	337	396	396	
CURRENT PAY CONNECTIONS			90	891	465	473	464	464	
AVERAGE CONNECTION FEE PER CONNECTION			126	99	50	52	52	52	
UNIT CONNECTION FEES		\$807,922	\$337,500	\$411,469	\$403,813	\$511,656	\$613,156	\$714,656	
TOTAL NET INCOME AND UNIT CONNECTION FEES		\$3,830,045	\$4,115,264	\$4,295,671	\$4,347,252	\$4,784,201	\$5,316,667	\$5,897,154	
ANNUAL DEBT SERVICE PAYMENT									
SERIES 1980 ISSUE(b)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	
SERIES 1989 ISSUE(b)		474,913	650,313	911,183	911,083	909,783	906,908	907,418	
SERIES 1990B ISSUE(c)		947,877	940,277	1,934,625	1,929,875	1,933,375	1,934,775	1,933,480	
SERIES 1991 ISSUE		0	0	116,275	155,034	1,000,008	998,783	1,001,113	
TOTAL DEBT SERVICE		\$1,422,790	\$1,590,590	\$2,962,083	\$2,995,992	\$3,843,166	\$3,840,466	\$3,842,011	
MAXIMUM ANNUAL DEBT SERVICE FOR TERM OF BONDS (SENIOR DEBT ONLY)		\$3,658,132	\$3,658,132	\$3,658,132	\$3,658,132	\$3,658,132	\$3,658,132	\$3,658,132	

(1) INCLUDES 5.4% ANNUAL CFI INDEX INCREASE IN 1992 PER RATE ORDINANCE (4.0% IN SUBSEQUENT YEARS) PLUS EFFECT OF REQUIRED RATE INCREASE (IF ANY) IN PRIOR YEAR
 (CONTINUED TO PAGE 2)

ST. JOHNS COUNTY - ST. AUGUSTINE SHORES ACQUISITION ANALYSIS
HISTORICAL & PROJECTED REVENUES AND EXPENSES
COMBINED COUNTY SYSTEM & ST. AUGUSTINE SHORES SYSTEM
(EXCLUDES ASSESSMENTS FOR RATE COVENANT)

EXCLUDES ASSESSMENTS FOR PARITY TEST:

PARITY TEST ON MAXIMUM ANNUAL DEBT SERVICE FOR TERM OF BONDS:

PARITY TEST INCLUDES SENIOR DEBT ONLY:

RATE COVENANT TEST INCLUDES SENIOR AND JUNIOR DEBT:

	HISTORICAL		PROJECTED				
	1990 ACTUAL	1991 ESTIMATED	(1) 1992 BUDGET	(1) 1993 PROJECTED	(1) 1994 PROJECTED	(1) 1995 PROJECTED	(1) 1996 PROJECTED
REVENUE SUFFICIENCY & COVERAGE ANALYSIS:							
RATE COVENANT TEST:							
DEBT SERVICE COVERAGE (NET + ASSESSMENTS) (2.1)	1,100	2,375	1,311	1,316	1,112	1,225	1,349
DEBT SERVICE COVERAGE (NET + ASSESS. + PLEDGED U.C.F.) (2.1)	1,200	2,551	1,450	1,451	1,245	1,384	1,535
EXCESS AVAILABLE FOR R&R (2.1)		\$2,187,174	\$922,119	\$947,447	\$429,379	\$863,045	\$1,340,487
REQ'D R & R @ 5.00%							
OF GROSS OPER. REVENUE		\$338,068	\$385,863	\$404,118	\$429,692	\$458,429	\$488,722
PARITY TEST - (USES 1991 DATA):							
RETROACTIVE ADJUSTMENT OF REVENUES FOR PARITY TEST: (2)							
ADJUSTED WATER SALES		\$4,443,633	NA	NA	NA	NA	NA
ADJUSTED SEWAGE TREATMENT		2,593,619	NA	NA	NA	NA	NA
ADJUSTED USER FEES		170,333	NA	NA	NA	NA	NA
TOTAL ADJUSTED OPERATING REVENUES		\$7,121,495	NA	NA	NA	NA	NA
ADDITIONAL PARTY TEST RATE INCOME AVAILABLE FOR COVERAGE		\$1,391,094	NA	NA	NA	NA	NA
ASSESSMENT REVENUE AVAILABLE FOR PARTY TEST		\$0	\$0	\$0	\$0	\$0	\$0
COVERAGE ON MAXIMUM ANNUAL DEBT SERVICE (NET)	1,100	1,206	NA	NA	NA	NA	NA
COVERAGE ON MAXIMUM ANNUAL DEBT SERVICE (NET + UCF)	1,200	1,373	NA	NA	NA	NA	NA
ADDITIONAL REVENUE REQUIRED FOR PARTY TEST (NET)		\$0	NA	NA	NA	NA	NA
ADDITIONAL REVENUE REQUIRED FOR PARTY TEST (NET + UCF)		\$0	NA	NA	NA	NA	NA
NET ADDITIONAL REVENUE REQUIRED FOR PARTY TEST		\$0	\$0	NA	NA	NA	NA
ADDITIONAL REVENUE REQUIRED FOR RATE COVENANT TEST:							
ADDITIONAL REVENUE REQUIRED FOR COVERAGE (NET + ASSESSMENT) (2.1)		NA	\$0	\$0	\$0	\$0	\$0
ADDITIONAL REVENUE REQUIRED FOR COVERAGE (NET + ASSESSMENT + UCF) (2.1)		NA	\$0	\$0	\$0	\$0	\$0
TOTAL ADDITIONAL REVENUE REQUIRED FOR COVERAGE		\$0	\$0	\$0	\$0	\$0	\$0
PERCENTAGE INCREASE IN RATE REVENUE REQUIRED		NA	0.00%	0.00%	0.00%	0.00%	0.00%
COVERAGE AFTER RATE INCREASE (MAX ANNUAL DEBT SERVICE FOR PARTY TEST AND CURRENT ANNUAL DEBT SERVICE FOR PROJECTION PERIOD):							
BY NET REV + ASSESSMENT REVENUES (2.1)		1,206	1,311	1,316	1,112	1,225	1,349
BY NET REV (3)		1,206	1,174	1,311	1,112	1,225	1,349
BY NET REV + CONN FEE REVENUES (3)		1,373	1,266	1,451	1,245	1,384	1,535
TOTAL ERC'S:							
WATER	13,970	14,246	14,799	15,409	15,743	16,110	16,506
SEWER	8,917	9,133	9,557	10,024	10,283	10,567	10,873
AVERAGE RATE PLUS ASSESSMENT REVENUE PER ERC:							
WATER		\$24.39	\$25.99	\$26.47	\$27.53	\$28.63	\$29.78
SEWER		\$22.04	\$24.24	\$25.26	\$26.27	\$27.32	\$28.42
TOTAL		\$46.43	\$50.23	\$51.73	\$53.80	\$55.95	\$58.20

(1) INCLUDES 5.4% ANNUAL CPI INDEX INCREASE IN 1992 PER RATE ORDINANCE (4.0% IN SUBSEQUENT YEARS) PLUS EFFECT OF REQUIRED RATE INCREASE (IF ANY) IN PRIOR YEAR

(2) DOES NOT INCLUDE EFFECT OF PROJECTED RATE INCREASE (IF ANY) IN 1992

(2.1) DOES NOT INCLUDE ASSESSMENTS FOR OPTION IN WHICH ASSESSMENTS ARE EXCLUDED RE RATE COVENANTS

(3) EXCLUDES PORTION OF DEBT SERVICE ASSOCIATED WITH ASSESSMENT REVENUES

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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 617 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 ninth statewide in the percentage change in population growth from 1980 to 1990.

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
1990 U.S. Census	83,829

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 1990 provided the County with on-farm revenue in excess of \$55 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 1990 are as follows:

Potatoes	\$41,500,000
Forest Products	4,000,000
Ornamental Horticulture	4,000,000
Cabbage	2,700,000
Corn and Hay	1,500,000
Other Vegetables	1,000,000
Livestock and Dairy	<u>1,000,000</u>
Total	\$55,700,000

Source: Florida Department of Agriculture St. Johns County Extension Service, 1991.

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 fourth quarter ending December, 1990.

<u>Distribution</u>	<u>Number of Employees</u>	<u>Percentage of Total</u>
Manufacturing	3,111	11.82%
Construction	1,035	3.93
Transportation, Communications & Utilities	460	1.75
Wholesale Trade	845	3.21
Retail Trade	6,583	25.01
Finance, Insurance and Real Estate	994	3.77
Service	8,061	30.62
Government	4,633	17.60
Agriculture (Except Domestic, Self Employed, Unpaid Family Workers and Seasonal Workers)	<u>603</u>	<u>2.29</u>
TOTAL	26,325	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 July, 1991.

<u>Establishment</u>	<u>Product</u>	<u>Approximate Employment</u>
St. Johns County School Board	Education	2,000
Grumman St. Augustine Corporation	Aircraft overhaul and modification	1,259
St. Johns County	County Government	969
Flagler Hospital	Health Care	600
Florida School for the Deaf and Blind	Educational Institution	505
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
St. Augustine General Hospital	Health Care	315
Tree of Life, Inc.	Health Food Distributor	300
City of St. Augustine	Municipal Government	225
Parker Hannifan Corporation	Manufacturing	220
Tensolite Company	Hi-tech Wire Insulation	200
Flagler College	Four-year Liberal Arts College	195
Luhrs Corporation	Pleasure Crafts/Sport Fishing Boats	110*

* Seasonal

Source: St. Augustine and St. Johns County Chamber of Commerce 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 5 northbound and 14 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 in Jacksonville.

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 9 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. Two new elementary schools and three new middle schools will open in the Fall of 1991. 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, 1991.

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>
1979	18,260	16,961	1,299	7.1%	6.0%
1980	21,272	19,662	1,609	7.6	5.9
1981	22,716	20,936	1,780	7.8	6.8
1982	23,924	21,709	2,215	9.3	8.2
1983	24,752	22,073	2,679	10.8	8.6
1984	29,212	26,953	2,259	7.7	6.3
1985	31,263	28,953	2,310	7.4	6.0
1986	35,097	32,815	2,282	6.5	5.7
1987	37,681	35,471	2,210	5.9	5.3
1988	38,781	36,761	2,020	5.2	5.0
1989	39,288	37,030	2,258	5.7	5.6
1990	40,011	37,761	2,250	5.6	5.9
1991	39,984	37,512	2,472	6.2	7.2

Note: Figures for 1991 are preliminary as of May, 1991.

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
1990	3,200,364,647	299,669,118	12,107,655	3,512,141,420

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	59,828,202	58,709,509	98.13	1,118,693 ³
1990	66,325,969	65,324,132	98.49	1,001,837 ³

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 The Tax Collector's office attributes the increase in delinquent taxes uncollected for 1989 to the bankruptcy filing by General Development Corporation, or its subsidiaries, which own land in the County. For 1990, the relatively high level of delinquent taxes uncollected is attributed by the Tax Collector's office to the failure by Deltona Corporation or its subsidiaries to pay taxes on land owned by it in the St. Augustine Shores development, the general economic downturn, and the General Development bankruptcy.

Source: State of Florida, Department of Revenue, Florida Ad Valorem Valuations and Tax Data for 1980-1989; Tax Collector, St. Johns County for 1990.

ST. JOHNS COUNTY, FLORIDA
NET DEBT STATEMENT
as of August 1, 1991
(Adjusted to give effect to the issuance of the 1991A Bonds
and the Subordinated Bonds and to the replacement of the
Reserve Account balance with respect to the Parity Bonds
with a Reserve Account Insurance Policy)

<u>Direct Debt</u>	<u>General Obligation Bonds</u>	<u>Non-Self Supporting Revenue Bonds</u>	<u>Self Supporting Revenue Bonds</u>
Limited Ad Valorem Tax Refunding Bonds, Series 1988	\$4,040,000		
General Obligation Bonds, Series 1989	7,980,000		
Refunding Revenue Bonds, Dated 10/15/86		\$ 895,000	
Water and Sewer Revenue Bonds, Series 1989 (\$10,310,000) and Water and Sewer Revenue Bonds, Series 1990B-I and Series 1990B-II (\$21,165,000)			\$31,475,000
Water and Sewer Revenue Bonds, Series 1991A			15,000,000*
Water and Sewer Subordinated Revenue Bonds, Series 1991			2,250,000
Solid Waste Disposal Revenue Bonds, Series 1990 (\$13,215,000 less \$1,258,930 in Reserve Account)			11,956,070
Sales Tax Revenue Bonds, Series 1989		21,095,000	
Capital Improvement Revenue Bonds, Series 1987A (\$2,405,000 less \$189,269 in Reserve Account)		2,215,731	
Transportation Improvement Revenue Bonds, Series 1988	<u> </u>	<u>11,755,000</u>	<u> </u>
Total Direct Debt	\$12,020,000	\$35,960,731	\$60,681,070*

* Preliminary, subject to change.

Underlying Debt

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	
Parking Facilities Acquisition Revenue Bonds, Series 1990		940,000	
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)	\$	190,000	
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 (\$525,000 less \$103,435 in Reserve Account)		421,565	
School District of St. Johns County, Florida General Obligation Bonds, Series 1989	45,775,000		
Total Underlying Debt	\$45,965,000	\$ 7,336,565	\$27,783,229
Total Direct and Underlying Debt	\$57,985,000	\$43,297,296	\$88,464,299*

*Preliminary, subject to change.

DEBT RATIOS

Direct and Underlying General Obligation Debt	\$57,985,000
Per Capita	\$691.71
As a Percent of Taxable Assessed Valuation	1.65%
As a Percent of Total Assessed Valuation	1.29%
Direct and Underlying General Obligation and Non-Self Supporting Revenue Debt	\$101,282,296
Per Capita	\$1,208.20
As a Percent of Taxable Assessed Valuation	2.88%
As a Percent of Total Assessed Valuation	2.26%
1990 St. Johns County Population	83,829
1990 Taxable Assessed Valuation for St. Johns County	\$3,512,141,420
1990 Total Assessed Valuation for St. Johns County	\$4,482,933,834

Police and Fire Protection

St. Johns County is served by the Sheriff's Department, which has approximately 300 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

The County has 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.

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APPENDIX C



COMPONENT UNIT FINANCIAL STATEMENTS AND AUDITOR'S REPORT

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMPONENT UNIT FINANCIAL STATEMENTS
SEPTEMBER 30, 1990

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
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Price Waterhouse



REPORT OF INDEPENDENT ACCOUNTANTS

January 28, 1991

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, 1990 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 on the component unit financial statements.

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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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.


Certified Public Accountants

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1990

	Governmental Fund Types				Proprietary Fund Types Enterprise	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		General Fixed Assets	General Long-Term Debt	
<u>Assets</u>								
Cash and investments	\$3,513,506	\$12,674,047	\$1,039,714	\$31,742,413	\$11,575,818			\$ 60,545,498
Receivables (net of allowance for uncollectibles):								
Accounts	21,744	89,812		5,355	660,319			777,230
Special assessments				1,559				1,559
Due from other county funds	1,753,808	17,179						1,770,987
Due from other govern- mental units	305,607	142,688						448,295
Inventory	3,696				104,680			108,376
Restricted assets:								
Cash and investments					6,647,366			6,647,366
Land					1,692,862	\$ 2,134,843		3,827,705
Buildings and improve- ments					1,024,845	17,057,666		18,082,511
Golf course land improvements					2,324,867			2,324,867
Water and sewer systems					13,465,137			13,465,137
Furniture and equipment					2,356,569	11,924,839		14,281,408
Accumulated depreciation					(3,338,303)			(3,338,303)
Construction in progress					14,454,973	2,166,918		16,621,891
Other assets		695			855,312			856,007
Amount available in Debt Service Funds							\$ 1,039,714	1,039,714
Amount to be provided for retirement of general long-term debt							48,174,286	48,174,286
Amount to be provided for retirement of general long-term compensated absences payable							534,106	534,106
<u>Total assets</u>	<u>\$5,598,361</u>	<u>\$12,924,421</u>	<u>\$1,039,714</u>	<u>\$31,749,327</u>	<u>\$51,824,445</u>	<u>\$33,284,266</u>	<u>\$49,748,106</u>	<u>\$186,168,640</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, 1990

	Governmental Fund Types				Proprietary Fund Types Enterprise	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		General Fixed Assets	General Long-Term Debt	
<u>Liabilities and Fund Equity</u>								
Liabilities:								
Vouchers payable and accrued liabilities	\$ 734,775	\$ 278,425		\$ 146,525	\$2,433,689			\$ 3,593,414
Interest payable					561,919			561,919
Customer deposits	379,120	6,707			426,845			812,672
Due to other county funds	64,548	108,185						172,733
Due to other governmental units	125,204	7,703						132,907
Other liabilities	349,013				67,784			416,797
Revenue bonds payable					26,894,491		\$36,340,000	63,234,491
General obligation bonds payable							12,330,000	12,330,000
Arbitrage liability					149,000		544,000	693,000
General long-term compensated absences payable					80,542		534,106	614,648
Total liabilities	<u>1,652,660</u>	<u>401,020</u>		<u>146,525</u>	<u>30,614,270</u>		<u>49,748,106</u>	<u>82,562,581</u>
Fund equity:								
Investment in general fixed assets						\$33,284,266		33,284,266
Contributed capital (net of amortization)					12,479,177			12,479,177
Retained earnings: Unreserved					8,730,998			8,730,998
Fund balances:								
Reserved:								
Capital outlay				31,602,802				31,602,802
Retirement of long-term debt			\$1,039,714					1,039,714
Unreserved	<u>3,945,701</u>	<u>12,523,401</u>						<u>16,469,102</u>
Total fund equity	<u>3,945,701</u>	<u>12,523,401</u>	<u>1,039,714</u>	<u>31,602,802</u>	<u>21,210,175</u>	<u>33,284,266</u>		<u>103,606,059</u>
Total liabilities and fund equity	<u>\$5,598,361</u>	<u>\$12,924,421</u>	<u>\$1,039,714</u>	<u>\$31,749,327</u>	<u>\$51,824,445</u>	<u>\$33,284,266</u>	<u>\$49,748,106</u>	<u>\$186,168,640</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, 1990

	General	Special Revenue	Debt Service	Capital Projects	Total (Memorandum Only)
Revenues:					
Taxes	\$18,558,993	\$ 4,629,201	\$2,366,618	\$ 6	\$25,554,818
Special assessments levied		1,467,659			1,467,659
Licenses and permits	668,977				668,977
Federal revenues	151			30,000	30,151
State revenues:					
Shared revenues	4,460,987	2,197,006	1,150,215		7,808,208
Grants	305,030	560,705			865,735
Charges for services	1,341,477	808,566			2,150,043
Fines and forfeitures	832,844	60,873			893,717
Interest income	702,622	794,333	245,682	2,164,380	3,907,017
Miscellaneous revenue	168,017	38,097		98	206,212
Total revenues	<u>27,039,098</u>	<u>10,556,440</u>	<u>3,762,515</u>	<u>2,194,484</u>	<u>43,552,537</u>
Expenditures:					
Current:					
General government	5,039,257	1,092,745		275,676	6,407,678
Public safety	3,134,104	1,193,112			4,327,216
Physical environment	280,688				280,688
Transportation		3,750,107		126,583	3,876,690
Economic environment	41,588				41,588
Human services	2,578,690	22,702			2,601,392
Culture and recreation	1,324,710	482,848		234,833	2,042,391
Capital outlay	1,093,846	1,036,139		5,023,820	7,153,805
Debt service:					
Principal retirement			1,910,000		1,910,000
Interest and fiscal charges			3,325,631		3,325,631
Total expenditures	<u>13,492,883</u>	<u>7,577,653</u>	<u>5,235,631</u>	<u>5,660,912</u>	<u>31,967,079</u>
Excess (deficit) of revenues over expenditures	13,546,215	2,978,787	(1,473,116)	(3,466,428)	11,585,458
Other financing sources (uses):					
Operating transfers in	1,599,482	164,744	2,011,793		3,776,019
Operating transfers out	(14,374,001)	(123,782)		(2,052,917)	(16,550,700)
Bond proceeds and other	(22,564)			18,890,254	18,867,690
Excess (deficit) of revenues and other sources over expend- itures and other uses	749,132	3,019,749	538,677	13,370,909	17,678,467
Fund balance, beginning 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>
Fund balance, end of year	<u>\$ 3,945,701</u>	<u>\$12,523,401</u>	<u>\$1,039,714</u>	<u>\$31,602,802</u>	<u>\$49,111,618</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, 1990

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$19,384,013	\$18,558,993	\$ (825,020)	\$ 4,799,176	\$4,629,201	\$ (169,975)
Special assessments levied				1,693,412	1,467,659	(225,753)
Licenses and permits	671,400	668,977	(2,423)			
Federal revenues	150	151	1			
State revenues:						
Shared revenues	4,278,013	4,460,987	182,974	1,633,700	2,197,006	563,306
Grants	313,810	305,030	(8,780)	16,000	560,705	544,705
Charges for services	1,125,238	1,341,477	216,239	814,695	808,566	(6,129)
Fines and forfeitures	952,600	832,844	(119,756)	40,000	60,873	20,873
Interest income	413,000	702,622	289,622	642,720	794,333	151,613
Miscellaneous revenue	96,960	168,017	71,057	500	38,097	37,597
Total revenues	<u>27,235,184</u>	<u>27,039,098</u>	<u>(196,086)</u>	<u>9,640,203</u>	<u>10,556,440</u>	<u>916,237</u>
Expenditures:						
Current:						
General government	5,234,003	5,039,257	194,746	1,220,833	1,092,745	128,088
Public safety	3,380,879	3,134,104	246,775	1,234,965	1,193,112	41,853
Physical environment	326,488	280,688	45,800			
Transportation				4,054,872	3,750,107	304,765
Economic environment	43,227	41,588	1,639			
Human services	2,599,382	2,578,690	20,692	22,703	22,702	1
Culture and recreation	1,373,079	1,324,710	48,369	1,009,196	482,848	526,348
Capital outlay	1,349,783	1,093,846	255,937	4,179,002	1,036,139	3,142,863
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total expenditures	<u>14,306,841</u>	<u>13,492,883</u>	<u>813,958</u>	<u>11,721,571</u>	<u>7,577,653</u>	<u>4,143,918</u>
Excess (deficit) of revenues over expenditures	12,928,343	13,546,215	617,872	(2,081,368)	2,978,787	5,060,155
Other financing sources (uses):						
Operating transfers in	852,038	1,599,482	747,444	164,744	164,744	
Operating transfers out	(14,586,851)	(14,374,001)	212,850	(167,037)	(123,782)	43,255
Bond proceeds and other		(22,564)	(22,564)			
Excess (deficit) of revenues and other sources over expenditures and other uses	(806,470)	749,132	1,555,602	(2,083,661)	3,019,749	5,103,410
Fund balance, beginning of year	<u>3,196,569</u>	<u>3,196,569</u>		<u>9,503,652</u>	<u>9,503,652</u>	
Fund balance, end of year	<u>\$ 2,390,099</u>	<u>\$ 3,945,701</u>	<u>\$1,555,602</u>	<u>\$ 7,419,991</u>	<u>\$12,523,401</u>	<u>\$5,103,410</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, 1990

	Debt Service Funds			Capital Projects Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$2,433,109	\$2,366,618	\$(66,491)		\$ 6	\$ 6
Special assessments levied						
Licenses and permits						
Federal revenues				\$ 120,000	30,000	(90,000)
State revenues:						
Shared revenues	1,150,215	1,150,215				
Grants						
Charges for services						
Fines and forfeitures						
Interest income	194,158	245,682	51,524	1,199,765	2,164,380	964,615
Miscellaneous revenue					98	98
Total revenues	<u>3,777,482</u>	<u>3,762,515</u>	<u>(14,967)</u>	<u>1,319,765</u>	<u>2,194,484</u>	<u>874,719</u>
Expenditures:						
Current:						
General government						
Public safety					275,676	(275,676)
Physical environment						
Transportation						
Economic environment					126,583	(126,583)
Human services						
Culture and recreation				15,000	234,833	(219,833)
Capital outlay				17,328,368	5,023,820	12,304,548
Debt service:						
Principal retirement	1,910,000	1,910,000				
Interest and fiscal charges	<u>3,325,746</u>	<u>3,325,631</u>	<u>115</u>			
Total expenditures	<u>5,235,746</u>	<u>5,235,631</u>	<u>115</u>	<u>17,343,368</u>	<u>5,660,912</u>	<u>11,682,456</u>
Excess (deficit) of revenues over expenditures	(1,458,264)	(1,473,116)	(14,852)	(16,023,603)	(3,466,428)	12,557,175
Other financing sources (uses):						
Operating transfers in	1,344,342	2,011,793	667,451			
Operating transfers out				(45,000)	(2,052,917)	(2,007,917)
Bond proceeds and other					<u>18,890,254</u>	<u>18,890,254</u>
Excess (deficit) of revenues and other sources over expenditures and other uses	(113,922)	538,677	652,599	(16,068,603)	13,370,909	29,439,512
Fund balance, beginning of year	<u>501,037</u>	<u>501,037</u>		<u>18,231,893</u>	<u>18,231,893</u>	
Fund balance, end of year	<u>\$ 387,115</u>	<u>\$1,039,714</u>	<u>\$652,599</u>	<u>\$ 2,163,290</u>	<u>\$31,602,802</u>	<u>\$29,439,512</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, 1990

	<u>Combined Totals (Memorandum Only)</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Taxes	\$ 26,616,298	\$25,554,818	\$(1,061,480)
Special assessments levied	1,693,412	1,467,659	(225,753)
Licenses and permits	671,400	668,977	(2,423)
Federal revenues	120,150	30,151	(89,999)
State revenues:			
Shared revenues	7,061,928	7,808,208	746,280
Grants	329,810	865,735	535,925
Charges for services	1,939,933	2,150,043	210,110
Fines and forfeitures	992,600	893,717	(98,883)
Interest income	2,449,643	3,907,017	1,457,374
Miscellaneous revenue	97,460	206,212	108,752
Total revenues	<u>41,972,634</u>	<u>43,552,537</u>	<u>1,579,903</u>
Expenditures:			
Current:			
General government	6,454,836	6,407,678	47,158
Public safety	4,615,844	4,327,216	288,628
Physical environment	326,488	280,688	45,800
Transportation	4,054,872	3,876,690	178,182
Economic environment	43,227	41,588	1,639
Human services	2,622,085	2,601,392	20,693
Culture and recreation	2,397,275	2,042,391	354,884
Capital outlay	22,857,153	7,153,805	15,703,348
Debt service:			
Principal retirement	1,910,000	1,910,000	
Interest and fiscal charges	<u>3,325,746</u>	<u>3,325,631</u>	<u>115</u>
Total expenditures	<u>48,607,526</u>	<u>31,967,079</u>	<u>16,640,447</u>
Excess (deficit) of revenues over expenditures	(6,634,892)	11,585,458	18,220,350
Other financing sources (uses):			
Operating transfers in	2,361,124	3,776,019	1,414,895
Operating transfers out	(14,798,888)	(16,550,700)	(1,751,812)
Bond proceeds and other		<u>18,867,690</u>	<u>18,867,690</u>
Excess (deficit) of revenues and other sources over expenditures and other uses	(19,072,656)	17,678,467	36,751,123
Fund balance, beginning of year	<u>31,433,151</u>	<u>31,433,151</u>	
Fund balance, end of year	<u>\$ 12,360,495</u>	<u>\$49,111,618</u>	<u>\$36,751,123</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, 1990

	<u>ENTERPRISE</u>
Operating revenues:	
Water sales	\$2,671,091
Sewage treatment charges	1,409,795
User fees	3,151,589
Merchandise sales	<u>9,180</u>
Total operating revenues	<u>7,241,655</u>
Operating expenses:	
Contractual services	306,237
Salaries and employee benefits	2,131,778
Other operating expenses	1,428,773
Maintenance	461,993
Depreciation	<u>616,656</u>
Total operating expenses	<u>4,945,437</u>
Operating income	<u>2,296,218</u>
Nonoperating revenues (expenses):	
Interest income, net of estimated arbitrage rebate	1,374,167
Interest expense	(1,524,914)
Other revenues	292,740
Other expenses	<u>(32,171)</u>
Total nonoperating revenues (expenses)	<u>109,822</u>
Income before transfers	2,406,040
Other financing uses:	
Operating transfers out	<u>(100,000)</u>
Net income	2,306,040
Add depreciation on fixed assets acquired by grants externally restricted for capital acqui- sitions and construction that reduces contributed capital	<u>158,250</u>
Increase in retained earnings	2,464,290
Retained earnings, beginning of year	<u>6,266,708</u>
Retained earnings, end of year	<u>\$8,730,998</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, 1990

	<u>ENTERPRISE</u>
Cash was provided by (used for) operations:	
Net income before extraordinary item	\$ 2,306,040
Add (deduct) items not affecting cash:	
Depreciation	616,656
Amortization of bond discount	72,824
Increase in accounts payable and accrued liabilities	2,012,995
Increase in accounts receivable	(130,625)
Change in due to/from accounts	1,580
Decrease in inventory	12,510
Increase in interest payable	220,367
Change in other assets and liabilities	<u>(173,346)</u>
Cash provided by operations	4,939,001
Capital contributions	991,078
Increase in customer deposits	27,777
Increase in arbitrage liability	149,000
Increase in compensated absences payable	17,371
Issuance of long-term debt	<u>7,443,900</u>
Total cash provided	<u>13,568,127</u>
Cash was used for:	
Net additions to fixed assets	13,827,849
Repayment of long-term debt	<u>265,000</u>
Total cash used	<u>14,092,849</u>
Net change in cash and investments	(524,722)
Cash and investments, beginning of year	<u>18,747,906</u>
Cash and investments, end of year	<u>\$18,223,184</u>

See Accompanying Notes To Financial Statements.

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 (the "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. In 1990 the Florida Legislature authorized the transfer of the assets of the District to the County. The operations of the District were to be maintained separately in the accounting records until the revenue bonds of the District were repaid or refunded. These bonds were refunded in December 1990. For internal accounting purposes the County continues to maintain separate records for the operations of the District. For financial reporting purposes the assets, liabilities and operations of the District have been consolidated with the County's water and sewer utility.

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 which 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.

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 - In 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>\$ 8,603,857</u>	<u>\$ 9,328,685</u>
Investments:		<u>Market Value</u>
Investment in state investment pool	41,453,361	\$41,453,361
Financing Corporation strip coupons (government insured)	175,814	136,740
U.S. Treasury Securities	<u>16,959,832</u>	<u>16,961,651</u>
	<u>58,589,007</u>	<u>\$58,551,752</u>
Total cash and investments	<u>\$67,192,864</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, 1990:

	September 30, 1989	Additions	Dispositions	September 30, 1990
Land	\$ 1,643,745	\$ 491,098		\$ 2,134,843
Buildings and improvements	16,440,649	617,017		17,057,666
Furniture and equipment	10,463,677	1,668,287	\$207,125	11,924,839
Construction in progress	<u>1,006,582</u>	<u>1,753,172</u>	<u>592,836</u>	<u>2,166,918</u>
	<u>\$29,554,653</u>	<u>\$4,529,574</u>	<u>\$799,961</u>	<u>\$33,284,266</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.

The following is a schedule of changes in fixed assets of the proprietary funds for the fiscal year ended September 30, 1990:

	September 30, 1989	Additions	Dispositions	September 30, 1990
Land	\$ 1,635,654	\$ 57,208		\$ 1,692,862
Buildings and improvements	666,972	357,873		1,024,845
Golf course land improvements	2,298,945	25,922		2,324,867
Water and sewer systems	13,095,332	369,805		13,465,137
Equipment	2,093,890	277,720	\$ 15,041	2,356,569
Construction in progress	<u>1,700,611</u>	<u>13,079,928</u>	<u>325,566</u>	<u>14,454,973</u>
	21,491,404	14,168,456	340,607	35,319,253
Less:				
Accumulated depreciation	<u>(2,721,647)</u>	<u>(616,656)</u>		<u>(3,338,303)</u>
	<u>\$18,769,757</u>	<u>\$13,551,800</u>	<u>\$340,607</u>	<u>\$31,980,950</u>

NOTE 4 - INTERFUND BALANCES

The summary of individual interfund balances at September 30, 1990 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>\$1,753,808</u>	<u>\$ 64,548</u>
<u>Special Revenue</u>		
A.C.C. Trust	5,794	
County Transportation	10,934	
Elkton Drainage District	32	
Vilano Street Lighting	144	
Beach Patrol		108,185
St. Augustine South Street-Lighting	<u>275</u>	
	<u>17,179</u>	<u>108,185</u>
Total	<u>\$1,770,987</u>	<u>\$172,733</u>

NOTE 5 - LONG-TERM DEBT

Long-term debt transactions of the County for the year ended September 30, 1990 are summarized below:

	<u>General Government</u>	<u>Enterprise</u>	<u>Total</u>
Long-term debt payable at September 30, 1989	\$30,061,932	\$19,705,939	\$49,767,871
Issuance of long-term debt	21,095,000	7,443,900	28,538,900
Amortization of debt issuance discount		72,824	72,824
Sinking fund payments and maturities	(1,910,000)	(265,000)	(2,175,000)
Increase in arbitrage liability	341,000	149,000	490,000
Increase in compensated absences payable	<u>160,174</u>	<u>17,370</u>	<u>177,544</u>
Long-term debt payable at September 30, 1990	<u>\$49,748,106</u>	<u>\$27,124,033</u>	<u>\$76,872,139</u>

Long-term debt at September 30, 1990 is comprised of the following individual issues:

General Government:-

Revenue bonds:

\$21,095,000 Sales Tax Revenue Bonds
secured by half-cent sales tax
revenues, due in annual installments
of \$300,000 to \$1,545,000 through
October 1, 2019; interest at 6.20% to
7.00% payable semi-annually \$21,095,000

\$12,495,000 1988 Transportation
Improvement Revenue Bonds secured by
local option gas tax due in annual
installments of \$380,000 to \$1,140,000
through October 1, 2007; interest at
5.30% to 7.625% payable semi-annually 11,755,000

\$3,140,000 1987 Capital Improvement
Revenue Bonds secured by state
guaranteed entitlement revenues and
parimutuel taxes, due in annual
installments of \$190,000 to \$350,000
through July 1, 2000; interest
at 6.00% to 7.875% payable semi-annually 2,595,000

\$4,060,000 1986 Refunding Revenue
Bonds secured by half-cent sales
tax revenues, due in annual
installments of \$850,000 to
\$895,000 through October 1, 1991;
interest at 5.30% to 5.50%
payable semi-annually 895,000

36,340,000

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 6.20% to 6.75% payable
semi-annually 7,980,000

\$4,685,000 1988 Limited Ad Valorem Tax
Refunding Bonds due in annual
installments of \$225,000 to \$470,000
through March 1, 2003; interest at 5.40%
to 7.30% payable semi-annually 4,265,000

\$1,300,000 1966 General Obligation Bonds due in annual installments of \$80,000 to \$85,000 through July 1, 1991; interest at 4.40% payable semi-annually	<u>85,000</u>
	<u>12,330,000</u>
Arbitrage liability	<u>544,000</u>
General long-term compensated absences payable	<u>534,106</u>
Total General Government	<u>\$49,748,106</u>
Enterprise:	
Revenue bonds:	
\$10,430,000 Water and Sewer Revenue Bonds secured by County water and sewer revenues, due in annual installments of \$70,000 to \$865,000 through June 1, 2009; interest at 5.70% to 6.65% payable semi-annually (less unamortized discount of \$1,119,159)	\$ 9,260,841
\$7,455,000 Water and Sewer Revenue Bonds secured by County water and revenues, due in annual installments of \$215,000 to \$575,000 through June 1, 2011; interest at 6.10% to 7.25% payable semi-annually (less unamortized discount of \$11,100)	7,443,900
\$5,365,000 Water and Sewer Revenue Bonds secured by County water and sewer revenues, due in annual installments of \$150,000 to \$455,000 through June 1, 2009; interest at 5.90% to 7.00% payable semi-annually	5,250,000
\$5,400,000 Water and Sewer Refunding Revenue Bonds secured by County water and sewer revenues, due in annual installments of \$110,000 to \$460,000 through June 1, 2011; interest at 5.75% to 7.75% payable semi-annually (less unamortized discount of \$80,249)	<u>4,939,751</u>
	<u>26,894,492</u>
Arbitrage liability	<u>149,000</u>
Enterprise long-term compensated absences payable	<u>80,541</u>
Total Enterprise	<u>\$27,124,033</u>

The annual requirements to amortize all debt outstanding as of September 30, 1990, including interest payments of \$44,727,759 and \$23,015,680 for general government and enterprise fund debt, respectively, are as follows:

<u>Year ending</u> <u>September 30</u>	<u>General</u> <u>Government</u>	<u>Enterprise</u>	<u>Total</u>
1991	\$ 5,234,831	\$ 2,157,262	\$ 7,392,093
1992	4,191,631	2,637,957	6,829,588
1993	4,496,461	2,632,120	7,128,581
1994	4,506,129	2,632,882	7,139,011
1995	4,492,428	2,629,174	7,121,602
1996-Thereafter	<u>70,476,279</u>	<u>38,431,285</u>	<u>108,907,564</u>
	<u>\$93,397,759</u>	<u>\$51,120,680</u>	<u>\$144,518,439</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 November 1989 the County issued \$21,095,000 of Sales Tax Revenue Bonds. The net proceeds of the issue 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 the existing county courthouse and administration facilities.

In March 1990 the County issued \$7,455,000 of Water and Sewer Revenue Bonds. The net proceeds of the issue were used to finance certain additions and extensions to the County's water and sewer system.

The County temporarily invests bond proceeds before being used for their intended purpose. In accordance with federal tax law, all earnings in excess of the amount that would have been earned if the proceeds were invested at the bond yield generally must be rebated to the federal government to protect the tax-exempt status of the bonds. The County has accrued the estimated liability for this rebate for each outstanding issue as of September 30, 1990. Interest income for the enterprise funds has been reduced accordingly.

In prior years the County defeased certain 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, 1990, \$2.21 million of bonds outstanding are considered defeased.

NOTE 6 - DEFINED BENEFIT PENSION PLAN

The County participates in the Florida Retirement System (the "System"), a cost-sharing multiple-employer public employee retirement system administered by the State of Florida Department of Administration, to provide retirement benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority of participant eligibility, contribution requirements, vesting eligibility and benefit provisions. For the period October 1, 1989 through September 30, 1990, the total payroll for employees covered by the System was \$7,886,371.

The System provides vesting of benefits after ten years of service. Regular members are eligible for normal retirement after ten years of service and attaining age sixty-two, or thirty years of service regardless of age. Early retirement may be taken any time after completing ten years of service, however, there is a five percent benefit reduction for each year prior to normal retirement. Generally, membership is compulsory for all full-time and part-time employees, except for elected County officials who may elect to not participate in the System. Retirement coverage is employee noncontributory. The employer pays all contributions. The rates are as follows:

	<u>January 1,</u>	
	<u>1990</u>	<u>1989</u>
Regular Employees	15.14%	13.90%
Elected County Officials	20.19%	18.44%
Special Risk Employees	20.38%	17.50%

Contributions made to the System for the year ended September 30, 1990 were \$1,168,726. These contributions represented 14.82% of covered payroll.

The pension benefit obligation (the "PBO") is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increase and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The PBO, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and employers. The system does not make separate measurements of assets and pension benefit obligations for individual employers.

The PBO at June 30, 1989 (latest information available), for the system as a whole, determined through an actuarial valuation performed as of that date, was \$31,856,000. The System's net assets available for benefits on that date were \$17,559,000 (at market value), leaving an unfunded pension benefit obligation of \$14,297,000.

Ten-year historical trend information, showing the System's progress in accumulating sufficient assets to pay benefits when due is presented, where available, in the System's Annual Report for the fiscal year ended June 30, 1989.

The employer's actuarially determined contribution requirement expressed as a percentage of actuarially determined contribution requirements for all participating entities is relatively insignificant and is not readily available for the period ended September 30, 1990.

During the 1989-90 fiscal year, the System held no securities issued by the employer.

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 EVENTS

In November 1990 the County issued \$13,215,000 of Solid Waste Disposal Revenue Bonds with interest rates from 5.90% to 7.25% due through 2010. The net proceeds of the issue will be used to finance the acquisition of land and construction of facilities for the disposition of solid waste generated within the County and to finance certain costs incurred from the closing of an existing solid waste disposal site.

In December 1990 the County issued \$21,265,000 of Water and Sewer Revenue Bonds with interest rates from 5.85% to 7.00% due through 2011. The net proceeds of the issue will be used to finance additions, extensions and improvements to the County's water and sewer system, including the system previously owned and operated by the District. Additionally, a portion of the proceeds will be used to defease the \$7,455,000 Water and Sewer Revenue Bonds of the County and the \$5,365,000 Water and Sewer Revenue Bonds and the \$5,400,000 Water and Sewer Revenue Bonds of the District.

SUPPLEMENTAL INFORMATION

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY COMMISSIONERS
COMBINING BALANCE SHEET
PROPRIETARY FUND TYPES
SEPTEMBER 30, 1990

	Water and Sewer Funds	Solid Waste Fund	Golf Course Fund	Total
<u>Assets</u>				
Cash and investments	\$ 9,916,798	\$1,151,498	\$ 507,522	\$11,575,818
Accounts receivable (net of allowance for uncollectibles)	515,094	143,729	1,496	660,319
Inventory	104,680			104,680
Other assets	855,312			855,312
Restricted assets:				
Cash and investments	6,647,366			6,647,366
Land	337,979	602,408	752,475	1,692,862
Buildings and improvements	303,868	107,430	613,547	1,024,845
Golf course land improvements			2,324,867	2,324,867
Water and sewer systems	13,465,137			13,465,137
Furniture and equipment	812,230	1,061,695	482,644	2,356,569
Accumulated depreciation	(2,869,589)	(257,523)	(211,191)	(3,338,303)
Construction in progress	13,635,080	779,177	40,716	14,454,973
Total assets	<u>\$43,723,955</u>	<u>\$3,588,414</u>	<u>\$4,512,076</u>	<u>\$51,824,445</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Vouchers payable and accrued liabilities	\$ 2,260,409	\$ 153,716	\$ 19,564	\$ 2,433,689
Interest payable	561,919			561,919
Customer deposits	412,803	14,042		426,845
Revenue bonds payable	26,894,492			26,894,492
Arbitrage liability	149,000			149,000
Compensated absences payable	42,014	28,359	10,168	80,541
Other liabilities	15,273		52,511	67,784
Total liabilities	<u>30,335,910</u>	<u>196,117</u>	<u>82,243</u>	<u>30,614,270</u>
Fund equity:				
Contributed capital (net of amortization)	7,730,838	651,147	4,097,192	12,479,177
Retained earnings:				
Unreserved	5,657,207	2,741,150	332,641	8,730,998
Total fund equity	<u>13,388,045</u>	<u>3,392,297</u>	<u>4,429,833</u>	<u>21,210,175</u>
Total liabilities and fund equity	<u>\$43,723,955</u>	<u>\$3,588,414</u>	<u>\$4,512,076</u>	<u>\$51,824,445</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, 1990

	<u>Water and Sewer Funds</u>	<u>Solid Waste Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
Operating revenues:				
Water sales	\$2,671,091			\$2,671,091
Sewage treatment charges	1,409,795			1,409,795
User fees	140,213	\$2,095,565	\$915,811	3,151,589
Merchandise sales			9,180	9,180
Total operating revenues	<u>4,221,099</u>	<u>2,095,565</u>	<u>924,991</u>	<u>7,241,655</u>
Operating expenses:				
Contractual services	157,608	142,890	5,739	306,237
Salaries and benefits	1,105,600	623,505	402,673	2,131,778
Other operating expenses	862,817	357,882	208,074	1,428,773
Maintenance	315,075	111,818	35,100	461,993
Depreciation	<u>424,091</u>	<u>89,390</u>	<u>103,175</u>	<u>616,656</u>
Total operating expenses	<u>2,865,191</u>	<u>1,325,485</u>	<u>754,761</u>	<u>4,945,437</u>
Operating income (loss)	<u>1,355,908</u>	<u>770,080</u>	<u>170,230</u>	<u>2,296,218</u>
Nonoperating revenues (expenses):				
Interest income, net of estimated arbitrage rebate	1,259,718	80,169	34,280	1,374,167
Interest expense	(1,524,914)			(1,524,914)
Other revenues	5,551	278,512	8,677	292,740
Other expenses	<u>(32,171)</u>			<u>(32,171)</u>
Total nonoperating revenues (expenses)	<u>(291,816)</u>	<u>358,681</u>	<u>42,957</u>	<u>109,822</u>
Income (loss) before transfers	1,064,092	1,128,761	213,187	2,406,040
Other financing uses:				
Operating transfers out			(100,000)	(100,000)
Net income (loss)	1,064,092	1,128,761	113,187	2,306,040
Add depreciation on fixed assets acquired by grants externally restricted for capital acquisitions and construction that reduces contributed capital	<u>158,250</u>			<u>158,250</u>
Increase in retained earnings	1,222,342	1,128,761	113,187	2,464,290
Retained earnings, beginning of year	<u>4,434,865</u>	<u>1,612,389</u>	<u>219,454</u>	<u>6,266,708</u>
Retained earnings, end of year	<u>\$5,657,207</u>	<u>\$2,741,150</u>	<u>\$332,641</u>	<u>\$8,730,998</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, 1990

	Water and Sewer Funds	Solid Waste Fund	Golf Course Fund	Total
Cash was provided by (used for):				
Net income (loss)	\$ 1,064,092	\$1,128,761	\$ 113,187	\$ 2,306,040
Add (deduct) items not affecting cash:				
Depreciation	424,091	89,390	103,175	616,656
Amortization of bond discount	72,824			72,824
Increase (decrease) in accounts payable and accrued liabilities	1,879,782	137,316	(4,103)	2,012,995
Increase in accounts receivable	(126,378)	(3,303)	(944)	(130,625)
Change in due to/from accounts	1,732		(152)	1,580
Decrease in inventory	12,510			12,510
Increase in interest payable	220,367			220,367
Change in other assets and liabilities	(218,218)		44,872	(173,346)
Cash provided by operations	3,330,802	1,352,164	256,035	4,939,001
Capital contributions	967,864		23,214	991,078
Increase in customer deposits	24,042	3,735		27,777
Increase in arbitrage liability	149,000			149,000
Increase in compensated absences payable	10,827	3,742	2,802	17,371
Issuance of long-term debt	7,443,900			7,443,900
Total cash provided	11,926,435	1,359,641	282,051	13,568,127
Cash was used for:				
Net additions to fixed assets	12,961,855	802,426	63,568	13,827,849
Repayment of long-term debt	265,000			265,000
Total cash used	13,226,855	802,426	63,568	14,092,849
Net change in cash and investments	(1,300,420)	557,215	218,483	(524,722)
Cash and investments, beginning of year	17,864,584	594,283	289,039	18,747,906
Cash and investments, end of year	\$16,564,164	\$1,151,498	\$ 507,522	\$18,223,184

APPENDIX D

THE RESOLUTION

Resolution No. 89-84, as amended by Resolution 89-189,
Resolution No. 90-61, Resolution No. 90-208 and
Resolution No. 91-113.

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.

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

ARTICLE I

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 Assessment 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.

(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."

"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 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 4.05 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).

"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 (i) Connection Charges and (ii) 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 canceled 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.

"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. 90-208 adopted by the Governing Body on November 14, 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.

"Qualified Independent Consultant" shall mean one or more qualified and recognized independent consultants, having favorable repute, 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 (i) Connection Charges and (ii) 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 therefor 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.

"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 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 taxation 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.

(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 all 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 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 or of 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 canceled 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 canceled 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 canceled 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 therefor 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 variations as may be necessary and/or desirable and approved by the Chairman or the Clerk prior to the issuance thereof (which necessity 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]

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 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 canceled by the Registrar and shall not be reissued.

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 tort, 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.

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 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) **Gross 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.

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 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 3.03 hereof, Term Bonds of the Series and maturity for which such Amortization Installment was established (except 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 or as a result of a deposit therein of a Reserve Account Insurance Policy and/or a Reserve Account Letter of Credit, such surplus moneys shall be deposited by the Issuer into the Principal Account or such other appropriate fund or account of the Issuer, provided such deposit to such other fund or account will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

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, if any, remaining on deposit in the Reserve Account after the deposit of such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit. 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 thereunder) 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 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 reinsure 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 and/or an agreement relating thereto, which shall be approved by Supplemental Resolution, provided, however, any such promissory note and any payment obligations of the Issuer under such agreement (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 the moneys available in the Reserve Account in accordance with the provisions of the first paragraph of this Section 4.06(A)(2)(d). All of the provisions of such promissory note and such agreement, when executed and delivered by the Issuer, shall be deemed to be a part of this Resolution as fully and to the same extent as if incorporated verbatim herein.

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 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.

(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 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;
- (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.

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 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 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 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 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 expenditure 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 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 anyone 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 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, 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 (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 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.

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 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.

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 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 issuance 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;

(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 Prerefunded 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.

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:

(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 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.

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.

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.

ARTICLE VIII

MISCELLANEOUS

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 5.16 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 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 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.

APPENDIX E

[FORM OF BOND COUNSEL LEGAL OPINION]

August __, 1991

The Honorable Chairman and Members
of the Board of County Commissioners
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 1991A

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, St. Johns County Ordinance No. 86-89, and Resolution 89-84 duly adopted by the Board on April 25, 1989, as amended and supplemented, particularly as supplemented by Resolution No. 91-__ duly adopted by the the Board on August __, 1991 (the "Resolution"), to finance a part of the cost of the acquisition of certain privately-owned water and sewer facilities operating within St. Johns County and the construction of additions and extensions thereto and of facilities to connect the acquired water system to the public water and sewer system of the Issuer (the "System," as defined in the Resolution), the cost of a reserve account insurance policy relating to 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. All terms used herein in capitalized form and not otherwise defined herein shall have the respective meanings assigned to such terms in the Resolution.

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 (1) the Net Revenues of the System, (2) certain Connection Charges to the extent provided in the Resolution and (3) until applied in accordance with the provisions of the Resolution, the proceeds of the Bonds and all moneys,

The Honorable Chairman and Members
of the Board of County Commissioners
of St. Johns County, Florida

August __, 1991

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including investments thereof in certain of the funds and accounts established pursuant to the Resolution and the earnings of such investments (collectively, the "Pledged Funds") and any Assessments, all in the manner and to the extent described in the Resolution.

The Bonds are payable on a parity, equally and ratably, from the Pledged Funds and any Assessments with the Issuer's outstanding Water and Sewer Revenue Bonds, Series 1989 and Water and Sewer Revenue Bonds, Series 1990B-I and B-II (collectively, the "Parity Obligations").

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 and any Assessments 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 and any Assessments.

The Issuer has reserved the right to issue additional parity bonds to be payable from and secured by the Pledged Funds and any Assessments 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 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 Commissioners
of St. Johns County, Florida

August __, 1991

Page 3

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 (including any original issue discount properly allocable to the owners thereof) (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 "adjusted current earnings" 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 the rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereinafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully submitted,

C:\WP51\DOCS\STJOHNS.91\ABONDOPIN.CDS\8/1/91\JAXA22\CWL:sqj

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Bonds Due <u>06/01/12</u>	Bonds Due <u>06/01/13</u>	Bonds Due <u>06/01/14</u>	Bonds Due <u>06/01/15</u>	Bonds Due <u>06/01/16</u>	Bonds Due <u>06/01/17</u>	Bonds Due <u>06/01/18</u>	Bonds Due <u>06/01/19</u>	Bonds Due <u>06/01/20</u>	Bonds Due <u>06/01/21</u>
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FINANCIAL GUARANTY INSURANCE POLICY

Municipal Bond Investors Assurance Corporation
Armonk, New York 10504

Policy No. XXXXXXX

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

[PAR AMOUNT]
[LEGAL TITLE OF OBLIGATIONS]

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

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

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

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

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

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

MUNICIPAL BOND INVESTORS
ASSURANCE CORPORATION

COUNTERSIGNED:

Resident Licensed Agent

President

City, State

Date

Attest:

Assistant Secretary

STD-RCS/FL-4

BOND PURCHASE AGREEMENT

August 13, 1991

Board of County Commissioners
of St. Johns County, Florida
St. Johns County Administration
Building
4020 Lewis Speedway
St. Augustine, Florida 32085

Re: \$14,680,397.50 St. Johns County, Florida Water and
Sewer Revenue Bonds, Series 1991A

Ladies and Gentlemen:

The Underwriters hereby deliver as Attachment I hereto the disclosure statement required by Chapter 218, Part III, Florida Statutes and propose 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 the date hereof 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 Underwriters and the County;

(c) "Bond Counsel" means Foley & Lardner;

(d) "Bonds" means the County's \$14,680,397.50 Water and Sewer Revenue Bonds, Series 1991A. 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 Underwriters, and paid for by the Underwriters, pursuant to this Agreement;

(f) "Closing Documents" means the documents described in Section 9 hereof and required to be delivered to the Underwriters 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 Underwriters, in form and content satisfactory to the Underwriters 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 August 1, 1991 or later prepared by Post, Buckley, Schuh & Jernigan, 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) "Final Official Statement" means the Official Statement of the County, relating to the Bonds, dated the date hereof;

(m) "Official Statements" means the Final Official Statement and the Preliminary Official Statement;

(n) "Preliminary Official Statement" means the Preliminary Official Statement of the County relating to the Bonds dated August 2, 1991;

(o) "Resolution" means Resolution No. 89-84 of the County, as amended and supplemented, authorizing the issuance of the Bonds;

(p) "Underwriters" means William R. Hough & Co., Smith Barney, Harris Upham & Co. Incorporated, Lehman Brothers and Summit Capital Markets, Inc. acting for and on behalf of themselves and such other securities dealers, if any, as may from time to time be designated by the Underwriters;

(q) "Underwriters' Counsel" means Rogers, Towers, Bailey, Jones & Gay.

Section 2. Purchase Price. Upon the terms and conditions and upon the basis of the representations herein set forth, the Underwriters shall purchase and the County shall sell all, but

not less than all, of the Bonds at an aggregate purchase price of \$14,316,234.49 (net of an underwriting discount of \$186,881.46 and an original issue discount for current interest bonds of \$177,281.55) plus accrued interest thereon from August 1, 1991 to the date of Closing in the case of current interest bonds.

Section 3. Public Offering. The Underwriters 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 Underwriters represent that, based on prevailing market conditions, they have 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, plus accrued interest. The Underwriters 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 Underwriters reserve the right to change such initial public offering prices as the Underwriters deem 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 \$150,000 as security for the performance by the Underwriters of their 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 Underwriters' compliance with their obligations hereunder, the Earnest Money shall be returned to the Underwriters 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 Underwriters contained herein, or if the obligations of the Underwriters shall be terminated for any reason permitted by this Agreement, the Earnest Money shall be immediately returned to the Underwriters. If the Underwriters fail (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 Underwriters 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 Underwriters at the Closing in accordance with the provisions of this Agreement, 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) 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) and

Project 1991A (both 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; Public Offering.
The County shall prepare and deliver to the Underwriters 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 800 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 Underwriters (acceptance to be conclusively presumed by the Underwriters' 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 Underwriters in the public offering of the Bonds; and that they will cooperate with the Underwriters if the Underwriters decide 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 Underwriters 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 Underwriters prior to the Closing, and shall be made available for checking and packaging by representatives of the Underwriters in New York, New York, at a place designated by the Underwriters, not less than 24 hours prior to the Closing.

The Closing shall be held beginning at 9:00 o'clock a.m., August 22, 1991, at the offices of Foley & Lardner, Jacksonville, Florida, or at such later time and other place as is mutually agreeable to the Underwriters and the County. At the Closing, the Underwriters shall accept the delivery of the Bonds from the County and shall make payment therefor as provided herein in immediately available funds upon (i) tender of the definitive Bonds to the Underwriters by the County; and (ii) the delivery by the County to the Underwriters 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 Underwriters and Underwriters' 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 of the County requested by Bond Counsel and Underwriters' 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 and Assessments (both 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 Underwriters and Underwriters' 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 Underwriters to the effect that the Underwriters may rely on the opinion of Bond Counsel described in paragraph (d) above as if such opinion were addressed to them;

(g) A supplemental opinion of Bond Counsel, dated the date of Closing, addressed to the Underwriters 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 1991A Bonds," "DESCRIPTION OF THE 1991A BONDS," "AUTHORITY AND SECURITY FOR THE 1991A BONDS," "LEGAL MATTERS," "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 Florida law and the Securities Act of 1933, as amended, 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 Underwriters 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) 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 of the System or Project 1991A (both 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 1991A 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 Post, Buckley, Schuh & Jernigan, 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 Underwriters' Counsel;

(l) A municipal bond insurance policy issued by Municipal Bond Investors Assurance Corporation insuring the payment of the principal of and interest on the Bonds when due;

(m) A Reserve Account Insurance Policy (as defined in the Resolution) issued by Municipal Bond Investors Assurance Corporation with respect to the Reserve Account Requirement (as defined in the Resolution) allocable to the Bonds;

(n) Appropriate evidence that the Bonds have been assigned ratings of Aaa by Moody's Investors Service and AAA by Standard & Poor's Corporation;

(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 Underwriters' Counsel;

(p) The opinion of Underwriters' Counsel, dated the date of Closing, in form and substance acceptable to the Underwriters;

(g) Such additional legal opinions, certificates, instruments and other documents and such multiple copies of the above listed documents as the Underwriters, Underwriters' 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 Underwriters. This Agreement may be terminated in writing prior to the Closing by the Underwriters 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 Underwriters 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 Underwriters, 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 Underwriters, would make it impracticable for the Underwriters 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 Underwriters 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 Underwriters; (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 Underwriters shall fail to accept delivery of the Bonds on the Closing Date upon tender thereof to the Underwriters by the County, and delivery to the Underwriters 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 Underwriters 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 Underwriters, 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) Underwriters or Underwriters' 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 Underwriters, 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 Underwriters, 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 Underwriters shall pay its own out-of-pocket expenses, the fees and expenses of Underwriters' Counsel, and the fees and expenses in connection with the preparation of the Legal Investment Survey and Blue Sky Memoranda 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, and the fees and expenses of any other experts or consultants; (iii) the cost of preparation and printing of the 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 Underwriters may be given by delivering the same in writing to the Underwriters addressed to William R. Hough & Co., 200 West Forsyth Street, Suite 1440, Jacksonville, Florida 32202-4370.

Section 15. Parties and Interests; County's Undertakings; Survival of Representations. This Agreement is made solely for the benefit of the County and the Underwriters, including the successors and assigns of the Underwriters, 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

Board of County Commissioners
of St. Johns County, Florida
August 13, 1991
Page 13

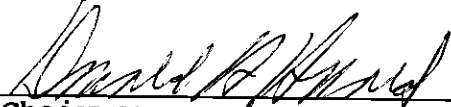
County in this Agreement shall remain in full force and effect regardless of any investigation made by or on behalf of the Underwriters, and shall survive the delivery of and payment for the Bonds.

WILLIAM R. HOUGH & CO.

By: 
Senior Vice President
for the Underwriters

Accepted by the Board of County Commissioners of St. Johns County, Florida on August 13, 1991

(SEAL)

By: 
Chairman

ATTACHMENT 1

*WILLIAM R. HOUGH & CO.
200 W. Forsyth Street, Suite 1440
Jacksonville, Florida 32202*

August 13, 1991

Chairman and Members of the
Board of County Commissioners
of St. Johns County, Florida
St. Augustine, Florida

Re: \$14,680,397.50 St. Johns County, Florida Water and Sewer
Revenue Bonds, Series 1991A

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.....\$.15 per \$1,000
Underwriters' Counsel...\$1.10 per \$1,000
Miscellaneous Expenses....\$.82 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 \$12.73 per \$1,000 which includes \$0 per \$1,000 for risk and \$9.46 per \$1,000 for takedown.

4. The management fee to be charged by the managing underwriter is \$1.20 per \$1,000.

5. No fee, bonus or other compensation is 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 underwriters are William R. Hough & Co., 200 W. Forsyth Street, Suite 1440, Jacksonville, Florida 32202; Smith Barney, Harris Upham & Co. Incorporated, Barnett Center, Eighth Floor, 625 North Flagler Drive, West Palm Beach, Florida 33401; Lehman Brothers, 280 W. Canton Avenue, Suite 120, Winter Park, Florida 32789; and Summit Capital Markets, Inc., 1155 Louisiana Avenue, Suite 204, Winter Park, Florida 32789.

Very truly yours,

WILLIAM R. HOUGH & CO.

By: 

Mitchell N. Owens

Senior Vice President

ANNEX A

MATURITIES, AMOUNTS AND INTEREST RATES \$3,010,000 Current Interest Serial Bonds

<u>Maturity June 1,</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>	<u>Maturity June 1,</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price or Yield</u>
1994	\$265,000	5.40%	100%	1999	\$350,000	6.00%	6.10%
1995	\$280,000	5.60	100	2000	\$370,000	6.10	6.20
1996	\$300,000	5.75	100	2001	\$390,000	6.20	6.30
1997	\$310,000	5.80	5.90	2002	\$415,000	6-3/8	6.45
1998	\$330,000	5.90	6.00				

\$1,955,000 6-1/2% Term Bonds due June 1, 2006 - Yield-6.75%
\$3,265,000 6-1/2% Term Bonds due June 1, 2011 - Price-96-3/8%
(Plus Accrued Interest)

\$6,450,397.50 Capital Appreciation Bonds

<u>Maturity June 1,</u>	<u>Total Principal Amount</u>	<u>Payment at Maturity</u>	<u>Price (% of Maturity Value)</u>	<u>Yield</u>	<u>Maturity June 1,</u>	<u>Total Principal Amount</u>	<u>Payment at Maturity</u>	<u>Price (% of Maturity Value)</u>	<u>Yield</u>
2012	\$868,006.25	\$3,625,000	23.945	7.00%	2017	\$607,731.25	\$3,625,000	16.765	7.05%
2013	\$810,296.25	\$3,625,000	22.353	7.00	2018	\$567,058.75	\$3,625,000	15.643	7.05
2014	\$756,428.75	\$3,625,000	20.867	7.00	2019	\$529,105.00	\$3,625,000	14.596	7.05
2015	\$706,113.75	\$3,625,000	19.479	7.00	2020	\$493,688.75	\$3,625,000	13.619	7.05
2016	\$651,340.00	\$3,625,000	17.968	7.05	2021	\$460,628.75	\$3,625,000	12.707	7.05

The Accreted Value Table appears on Schedule 1 hereto.

REDEMPTION PROVISIONS

The 1991A Bonds maturing June 1 of the years 1994 through 1999 and 2012 through 2021, inclusive, are not subject to redemption prior to maturity. The 1991A Bonds maturing June 1, 2000, 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, 1999 or on any interest payment date thereafter, or as a whole on December 1, 1999 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 (both dates inclusive)</u>	<u>Redemption Prices</u>
December 1, 1999 to November 30, 2000	102%
December 1, 2000 to November 30, 2001	101
December 1, 2001 and thereafter	100

The 1991A Bonds maturing June 1, 2006, 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>Principal Amount</u>
2003	\$445,000
2004	470,000
2005	505,000
2006*	535,000

The 1991A 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>Principal Amount</u>
2007	\$575,000
2008	610,000
2009	650,000
2010	690,000
2011*	740,000

* Maturity

ST. JOHNS COUNTY, FLORIDA
WATER AND SEWER REVENUE BONDS, SERIES 1991A

Delivery Date: 08/22/91

Period Ending	CABS Due 6/ 1/2012 7.000%	CABS Due 6/ 1/2013 7.000%	CABS Due 6/ 1/2014 7.000%	CABS Due 6/ 1/2015 7.000%	CABS Due 6/ 1/2016 7.050%	CABS Due 6/ 1/2017 7.050%	CABS Due 6/ 1/2018 7.050%	CABS Due 6/ 1/2019 7.050%	CABS Due 6/ 1/2020 7.050%	CABS Due 6/ 1/2021 7.050%
8/22/91	1,197.25	1,117.65	1,043.35	973.95	898.40	838.25	782.15	729.80	680.95	635.35
12/ 1/91	1,220.12	1,139.00	1,063.28	992.55	915.68	854.37	797.20	743.84	694.05	647.57
6/ 1/92	1,262.82	1,178.86	1,100.49	1,027.29	947.96	884.49	825.30	770.06	718.51	670.40
12/ 1/92	1,307.02	1,220.12	1,139.01	1,063.25	981.38	915.67	854.39	797.20	743.84	694.03
6/ 1/93	1,352.77	1,262.83	1,178.88	1,100.46	1,015.97	947.95	884.51	825.30	770.06	718.49
12/ 1/93	1,400.11	1,307.03	1,220.14	1,138.98	1,051.78	981.36	915.68	854.40	797.21	743.82
6/ 1/94	1,449.12	1,352.77	1,262.84	1,178.84	1,088.86	1,015.96	947.96	884.51	825.31	770.04
12/ 1/94	1,499.84	1,400.12	1,307.04	1,220.10	1,127.24	1,051.77	981.38	915.69	854.40	797.19
6/ 1/95	1,552.33	1,449.12	1,352.79	1,262.81	1,166.97	1,088.84	1,015.97	947.97	884.52	825.29
12/ 1/95	1,606.66	1,499.84	1,400.14	1,307.00	1,208.11	1,127.22	1,051.78	981.39	915.70	854.38
6/ 1/96	1,662.90	1,552.34	1,449.14	1,352.75	1,250.70	1,166.96	1,088.86	1,015.98	947.98	884.49
12/ 1/96	1,721.10	1,606.67	1,499.86	1,400.09	1,294.78	1,208.09	1,127.24	1,051.80	981.39	915.67
6/ 1/97	1,781.34	1,662.90	1,552.36	1,449.10	1,340.42	1,250.68	1,166.98	1,088.87	1,015.99	947.95
12/ 1/97	1,843.68	1,721.10	1,606.69	1,499.82	1,387.67	1,294.77	1,208.11	1,127.25	1,051.80	981.37
6/ 1/98	1,908.21	1,781.34	1,662.92	1,552.31	1,436.59	1,340.41	1,250.70	1,166.99	1,088.88	1,015.96
12/ 1/98	1,975.00	1,843.69	1,721.12	1,606.64	1,487.23	1,387.66	1,294.79	1,208.13	1,127.26	1,051.77
6/ 1/99	2,044.12	1,908.22	1,781.36	1,662.87	1,539.65	1,436.57	1,340.43	1,250.71	1,166.99	1,088.85
12/ 1/99	2,115.67	1,975.01	1,843.71	1,721.07	1,593.93	1,487.21	1,387.68	1,294.80	1,208.13	1,127.23
6/ 1/00	2,189.72	2,044.13	1,908.24	1,781.31	1,650.11	1,539.63	1,436.59	1,340.44	1,250.72	1,166.96
12/ 1/00	2,266.36	2,115.68	1,975.03	1,843.66	1,708.28	1,593.91	1,487.23	1,387.69	1,294.81	1,208.10
6/ 1/01	2,345.68	2,189.73	2,044.16	1,908.19	1,768.50	1,650.09	1,539.66	1,436.61	1,340.45	1,250.68
12/ 1/01	2,427.78	2,266.37	2,115.70	1,974.97	1,830.84	1,708.26	1,593.93	1,487.25	1,387.70	1,294.77
6/ 1/02	2,512.75	2,345.69	2,189.75	2,044.10	1,895.37	1,768.47	1,650.12	1,539.67	1,436.61	1,340.41
12/ 1/02	2,600.70	2,427.79	2,266.39	2,115.64	1,962.18	1,830.81	1,708.28	1,593.95	1,487.25	1,387.66
6/ 1/03	2,691.72	2,512.76	2,345.72	2,189.69	2,031.35	1,895.35	1,768.50	1,650.13	1,539.68	1,436.58
12/ 1/03	2,785.93	2,600.71	2,427.82	2,266.33	2,102.96	1,962.16	1,830.84	1,708.30	1,593.95	1,487.21
6/ 1/04	2,883.44	2,691.73	2,512.79	2,345.65	2,177.09	2,031.33	1,895.38	1,768.52	1,650.14	1,539.64
12/ 1/04	2,984.36	2,785.94	2,600.74	2,427.74	2,253.83	2,102.93	1,962.19	1,830.86	1,708.31	1,593.91
6/ 1/05	3,088.81	2,883.45	2,691.76	2,512.72	2,333.28	2,177.06	2,031.36	1,895.40	1,768.53	1,650.10
12/ 1/05	3,196.92	2,984.37	2,785.97	2,600.66	2,415.52	2,253.80	2,102.96	1,962.21	1,830.87	1,708.26
6/ 1/06	3,308.81	3,088.82	2,883.48	2,691.68	2,500.67	2,333.25	2,177.09	2,031.38	1,895.41	1,768.48
12/ 1/06	3,424.62	3,196.93	2,984.40	2,785.89	2,588.82	2,415.49	2,253.83	2,102.98	1,962.22	1,830.82
6/ 1/07	3,544.48	3,308.83	3,088.86	2,883.40	2,680.08	2,500.64	2,333.28	2,177.11	2,031.39	1,895.35
12/ 1/07	3,668.54	3,424.63	3,196.97	2,984.32	2,774.55	2,588.79	2,415.53	2,253.86	2,102.99	1,962.17
6/ 1/08	3,796.94	3,544.50	3,308.86	3,088.77	2,872.35	2,680.04	2,500.68	2,333.31	2,177.12	2,031.33
12/ 1/08	3,929.83	3,668.55	3,424.67	3,196.88	2,973.60	2,774.51	2,588.83	2,415.55	2,253.87	2,102.94
6/ 1/09	4,067.38	3,796.95	3,544.54	3,308.77	3,078.42	2,872.31	2,680.08	2,500.70	2,333.32	2,177.06
12/ 1/09	4,209.73	3,929.85	3,668.60	3,424.57	3,186.94	2,973.56	2,774.56	2,588.85	2,415.56	2,253.81
6/ 1/10	4,357.07	4,067.39	3,797.00	3,544.43	3,299.27	3,078.38	2,872.36	2,680.11	2,500.71	2,333.25
12/ 1/10	4,509.57	4,209.75	3,929.89	3,668.49	3,415.57	3,186.89	2,973.61	2,774.58	2,588.86	2,415.50
6/ 1/11	4,667.41	4,357.09	4,067.44	3,796.89	3,535.97	3,299.23	3,078.43	2,872.39	2,680.12	2,500.65
12/ 1/11	4,830.77	4,509.59	4,209.80	3,929.78	3,660.62	3,415.53	3,186.94	2,973.64	2,774.60	2,588.79
6/ 1/12	5,000.00	4,667.43	4,357.14	4,067.32	3,789.65	3,535.93	3,299.28	3,078.46	2,872.40	2,680.05
12/ 1/12		4,830.78	4,509.64	4,209.67	3,923.24	3,660.57	3,415.58	3,186.98	2,973.65	2,774.52
6/ 1/13		5,000.00	4,667.48	4,357.01	4,061.53	3,789.60	3,535.98	3,299.32	3,078.47	2,872.32
12/ 1/13			4,830.84	4,509.51	4,204.70	3,923.19	3,660.63	3,415.62	3,186.99	2,973.57
6/ 1/14			5,000.00	4,667.34	4,352.92	4,061.48	3,789.66	3,536.02	3,299.33	3,078.39
12/ 1/14				4,830.70	4,506.36	4,204.65	3,923.25	3,660.66	3,415.63	3,186.90
6/ 1/15				5,000.00	4,829.65	4,506.30	4,204.71	3,923.29	3,660.68	3,415.54
12/ 1/15					5,000.00	4,665.15	4,352.93	4,061.58	3,789.72	3,535.94
6/ 1/16						4,829.59	4,506.37	4,204.76	3,923.30	3,660.58
12/ 1/16						5,000.00	4,665.22	4,352.97	4,061.60	3,789.62
6/ 1/17							4,829.67	4,506.41	4,204.77	3,923.20
12/ 1/17							5,000.00	4,665.27	4,352.99	4,061.49
6/ 1/18								4,829.72	4,506.43	4,204.66
12/ 1/18								5,000.00	4,665.29	4,352.87
6/ 1/19									4,829.74	4,506.31
12/ 1/19									5,000.00	4,665.16
6/ 1/20										4,829.61
12/ 1/20										5,000.00
6/ 1/21										

ANNEX B

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August 22, 1991

To the Board of County Commissioners
of St. Johns County, Florida,
William R. Hough & Co.,
Smith Barney, Harris Upham and Co. Incorporated,
Lehman Brothers and
Summit Capital Markets, Inc.

Dear Sirs:

This letter is being written in response to Section 7 of the Bond Purchase Agreement (the "Agreement") dated August 13, 1991 between St. Johns County, Florida (the "County") and William R. Hough & Co., Smith Barney, Harris Upham & Co. Incorporated., Lehman Brothers and Summit Capital Markets, Inc. 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, 1990. These financial statements and our report thereon dated January 28, 1991 are included in the Official Statement dated August 13, 1991 of the \$____,000,000 St. Johns County, Florida Water and Sewer Revenue Bonds, Series 1991A (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 Conduct 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, 1990. 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, 1990.

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St. Johns County, Florida
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2. For purposes of this letter, we have read the minutes of the meetings of the Board for the period October 1, 1990 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 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, 1990 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 July 31, 1991 in the long term debt or decrease in the fund balance of the County as compared with amounts shown on the September 30, 1990 combined balance sheet of the Board or (ii) for the period from October 1, 1990 to July 31, 1991, 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 below.

Board officials have informed us that the balance of long term debt at July 31, 1991 has changed compared to the balance at September 30, 1990 due to:

- (1) the issuance of the St. Johns County, Florida Solid Waste Disposal Revenue Bonds, Series 1990 issued November 19, 1990 in the original principal amount of \$13,215,000;

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- (2) the issuance of the St. Johns County, Florida Water and Sewer Revenue Bonds, Series 1990B-I and 1990B-II issued December 13, 1990 in the original principal amount of \$21,265,000 and the resulting defeasance of the St. Johns County, Florida Water and Sewer Revenue Bonds, Series 1990A; the Anastasia Sanitary District Water and Sewer Revenue Bonds, Series 1989; and the Anastasia Sanitary District Water and Sewer Revenue Bonds, Series 1986; and
- (3) the scheduled principal payment in the amount of \$70,000 for the St. Johns County, Florida Water and Sewer Revenue Bonds, Series 1989.

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.

3. For purposes of this letter, we have also read the following information (set forth in the Official Statement on page 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.

<u>Item</u>	<u>Page</u>	<u>Description, Procedures and Findings</u>
		"St. Johns County Current County System Summary of Revenues and Expenses"
a.	14.	"Operating Revenues." We compared the dollar amounts for "Water Sales" for each of the fiscal years ended September 30, 1987 through 1990 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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- b. 14. "Operating Revenues." We compared the dollar amounts for "Sewage Treatment" for each of the fiscal years ended September 30, 1987 through 1990 to the audited component unit financial statements of the Board for the respective years and found them to be in agreement.
- c. 14. "Operating Revenues." We compared the dollar amount for "User Fees" for the fiscal year ended September 30, 1990 to the financial statement caption "Service Charges" in the audited component unit financial statements of the Board and found it to be in agreement. We recalculated the dollar amounts for "User Fees" for each of the fiscal years ended September 30, 1987 through 1989 by summing the financial statement caption "Service fees" for the column headings Mainland Water System and Anastasia Sanitary District in the audited component unit financial statements of the Board for the respective years and found them to be mathematically correct.
- d. 14. "Operating Expenses." We compared the dollar amount for "Salaries & Benefits" for the fiscal year ended September 30, 1990 to the audited component unit financial statements of the Board and found it to be in agreement. We recalculated the dollar amounts for "Salaries & Benefits" for each of the fiscal years ended September 30, 1987 through 1989 by summing the financial statement caption "Salaries and benefits" for the column headings Mainland Water System, Anastasia Sanitary District and Eliminations in the audited component unit financial statements of the Board for the respective years and found them to be mathematically correct.
- e. 14. "Operating Expenses." We compared the dollar amount for "Contractual Services" for the fiscal year ended September 30, 1990 to the audited component unit financial statements of the Board and found it to be in agreement. We recalculated the dollar amounts for "Contractual Services" for each of the fiscal years ended September 30, 1987 through 1989 by summing the financial statement caption "Contractual services" for the column headings Mainland Water System, Anastasia Sanitary District and Eliminations in the audited component unit financial statements of the Board for the respective years and found them to be mathematically correct.

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- f. 14. "Operating Expenses." We compared the dollar amount for "Other Operating Expenses" for the fiscal year ended September 30, 1990 to the audited component unit financial statements of the Board and found it to be in agreement. We recalculated the dollar amounts for "Other Operating Expenses" for each of the fiscal years ended September 30, 1987 through 1989 by summing the financial statement caption "Operating expenses" for the column headings Mainland Water System and Anastasia Sanitary District in the audited component unit financial statements of the Board for the respective years and found them to be mathematically correct.
- g. 14. "Operating Expenses." We compared the dollar amount for "Maintenance" for the fiscal year ended September 30, 1990 to the audited component unit financial statements of the Board and found it to be in agreement. We recalculated the dollar amounts for "Maintenance" for each of the fiscal years ended September 30, 1987 through 1989 by summing the financial statement caption "Maintenance" for the column headings Mainland Water System and Anastasia Sanitary District in the audited component unit financial statements of the Board for the respective years and found them to be mathematically correct.
- h. 14. "Non-Operating Revenues (Expenses)." We compared the dollar amount for "Interest Income" for the fiscal year ended September 30, 1990 to the audited component unit financial statements of the Board and found it to be in agreement. We recalculated the dollar amounts for "Interest Income" for each of the fiscal years ended September 30, 1987 through 1989 by summing the financial statement caption "Interest income" for the column headings Mainland Water System and Anastasia Sanitary District in the audited component unit financial statements of the Board for the respective years and found them to be mathematically correct.
- i. 14. "Unit Connection Fees (UCF)." We compared the dollar amount for "Unit Connection Fees (UCF)" for the fiscal year ended September 30, 1990 to the accounting records of the Board and found it to be in agreement. We compared the dollar amount for "Unit Connection Fees (UCF)" for the fiscal year ended September 30, 1989 to the financial statement caption "Capital Contributions" in the audited component unit financial statements of the Board for the year and found it to be in agreement.

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- j. 14. "Debt Service Requirement." We compared the amounts for "Debt Service Requirement" for each of the fiscal years ended September 30, 1987 through 1990 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.
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 intended solely for the information of the Board and for the information of, and assistance to, William R. Hough and Co., Smith Barney, Harris Upham & Co. Incorporated, Lehman Brothers and Summit Capital Markets, Inc. 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



REVISED AS OF AUGUST 6, 1991
COMMITMENT TO ISSUE A
FINANCIAL GUARANTY INSURANCE POLICY

Application No.: 91-07-6056

Sale Date: August 1991 (t)

Program Type: Negotiated-DP

Re: \$14,394,669 (Est.) St. Johns County, Florida, Water and Sewer Revenue
Bonds, Series 1991A

(the "Obligations")

This commitment to issue a financial guaranty insurance policy (the "Commitment") dated August 6, 1991, constitutes an agreement between ST. JOHN COUNTY, FLORIDA (the "Applicant"), and MUNICIPAL BOND INVESTORS ASSURANCE CORPORATION (the "Insurer"), a stock insurance company incorporated under the laws of the State of New York.

Based on an approved application dated July 29, 1991, the Insurer agrees, upon satisfaction of the conditions herein, to issue on the earlier of (i) 120 days of said approval date or (ii) on the date of delivery of and payment for the Obligations, a financial guaranty insurance policy (the "Bond Insurance Policy"), for the Obligations, insuring the payment of principal of and interest on the Obligations when due. The issuance of the Bond Insurance Policy shall be subject to the following terms and conditions:

1. Payment by the Applicant, or by the Trustee on behalf of the Applicant, on the date of delivery of and payment for the Obligations, the following payments:

- a. a nonrefundable premium in the amount of .500% of the total debt service, premium rounded to the nearest one thousand dollars. The premium set out in this paragraph shall be the total premium required to be paid on the Bond Insurance Policy issued pursuant to this Commitment; and
- b. Standard & Poor's Corporation rating agency fees in an amount to be billed directly by Standard & Poor's Corporation, based on the final par and other factors as determined by Standard & Poor's Corporation; and
- c. Moody's Investors Service rating agency fees in an amount to be billed directly by Moody's Investors Service, based on the final par and other factors as determined by Moody's Investors Service.

2. The Obligations shall have received the unqualified opinion of bond counsel with respect to the tax-exempt status of interest on the Obligations.

3. There shall have been no material adverse change in the Obligations or the Resolution, Bond Ordinance, Trust Indenture or other official document authorizing the issuance of the Obligations or in the final official statement or other similar document, including the financial statements included therein.

4. There shall have been no material adverse change in any information submitted to the Insurer as a part of the application or subsequently submitted to be a part of the application to the Insurer.

5. No event shall have occurred which would allow any underwriter or any other purchaser of the Obligations not to be required to purchase the Obligations at closing.

6. All documents executed in connection with the issuance of the Obligations shall contain a provision which requires copies of any amendments to such documents consented to by the Insurer to be sent to Standard & Poor's.

7. A Statement of Insurance satisfactory to the Insurer shall be printed on the obligations.

8. Prior to the delivery of and payment for the Obligations, none of the information or documents submitted as a part of the application to the Insurer shall be determined to contain any untrue or misleading statement of a material fact or fail to state a material fact required to be stated therein or necessary in order to make the statements contained therein not misleading.

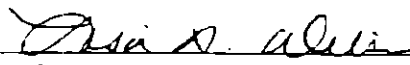
9. No material adverse change affecting any security for the Obligations shall have occurred prior to the delivery of and payment for the Obligations.

10. This Commitment may be signed in counterpart by the parties hereto.

11. The Reserve Account Requirements for the 1991A Bonds must be modified to require that upon the defeasance, redemption or final maturity of the currently outstanding parity debt, the amount on deposit be increased to a level at least equal to the maximum principal and interest scheduled to come due in each future fiscal year. This increase is to initially be provided for with the Insurer Surety Bond.

Dated this 6th day of August, 1991.

MUNICIPAL BOND INVESTORS ASSURANCE CORPORATION

By 
Assistant Secretary

ST. JOHN COUNTY, FLORIDA

By _____
Title: _____



REVISED AS OF AUGUST 6, 1991
COMMITMENT TO ISSUE A
DEBT SERVICE RESERVE SURETY BOND

Application No.: 91-07-6187
Sale Date: August 1991 (t)
Program Type: Negotiated-DP

Re: \$815,394 (Est.) through June 1, 2011, increasing thereafter to \$3,655,000 (Est.) Debt Service Reserve Fund for the \$14,394,669 (Est.) St. Johns County, Florida, Water and Sewer Revenue Bonds, Series 1991A

(the "Obligations")

This commitment to issue a debt service reserve surety bond (the "Commitment") dated August 6, 1991, constitutes an agreement between ST. JOHNS COUNTY, FLORIDA, (the "Applicant"), and MUNICIPAL BOND INVESTORS ASSURANCE CORPORATION (the "Insurer"), a stock insurance company incorporated under the laws of the State of New York.

Based on an approved application dated July 29, 1991, the Insurer agrees, upon satisfaction of the conditions herein, to issue on the earlier of (i) 120 days of said approval date or (ii) on the date of delivery of and payment for the Obligations, a debt service reserve surety bond (the "Surety Bond"), for the Obligations, guaranteeing the payment to the issuer of up to \$1,438,467 (Est.) on the Obligations. The issuance of the Surety Bond shall be subject to the following terms and conditions:

1. The Applicant, or by the Trustee on behalf of the Applicant, on the date of delivery of and payment for the Obligations, will make the following payments:

- a. a nonrefundable premium in the amount of 3.50% of a number, the numerator of which is the sum of the maximum annual debt service scheduled to come due on the 1991A Bonds through June 1, 2011, times 19.75, and the maximum annual debt service scheduled to come due on the 1991A Bonds through final maturity, times 10, and the denominator of which is 29.75. The calculated premium is to be rounded to the nearest one thousand dollars. The premium set out in this paragraph 1.a. shall be the total premium required to be paid on the Surety Bond issued pursuant to this Commitment;
- b. Standard & Poor's Corporation rating agency fees will be billed directly by Standard & Poor's Corporation, in an amount based on the final par and other factors as determined by Standard & Poor's Corporation.
- c. Moody's Investors Service rating agency fees in an amount to be billed directly by Moody's Investors Service, based on the final par and other factors as determined by Moody's Investors Service.

2. The Obligations shall have received the unqualified opinion of bond counsel with respect to the tax-exempt status of interest on the Obligations.

3. There shall have been no material adverse change in the Obligations or the Resolution, Bond Ordinance, Trust Indenture or other official document authorizing the issuance of the Obligations or in the final official statement or other similar document, including the financial statements included therein.

4. There shall have been no material adverse change in any information submitted to the Insurer as a part of the Application or subsequently submitted to be a part of the Application to the Insurer.

5. No event shall have occurred which would allow any underwriter or any other purchaser of the Obligations not to be required to purchase the Obligations at closing.

6. All documents executed in connection with the issuance of the Obligations shall contain a provision which requires copies of any amendments to such documents consented to by the Insurer to be sent to Standard & Poor's.

7. Prior to the delivery of and payment for the Obligations, none of the information or documents submitted as a part of the Application to the Insurer shall be determined to contain any untrue or misleading statement of a material fact or fail to state a material fact required to be stated therein or necessary in order to make the statements contained therein not misleading.

8. No material adverse change affecting any security for the Obligations shall have occurred prior to the delivery of and payment for the Obligations.

9. This Commitment may be signed in counterpart by the parties hereto.

10. Compliance with the Insurer's Term Sheet for Debt Service Reserve Fund Program (see Attachment A).

Dated this 6th day of August, 1991.

MUNICIPAL BOND INVESTORS ASSURANCE CORPORATION

By 
Assistant Secretary

ST. JOENS COUNTY, FLORIDA

By _____
Title: _____



TERM SHEET FOR DEBT SERVICE RESERVE FUND PROGRAM

Introduction

MBIA can, under certain circumstances, issue a debt service reserve fund surety bond (the "Surety Bond"), to be used as a replacement for a cash funded reserve, in any amount up to the full amount of the debt service reserve fund requirement.

MBIA requires that the issuer and/or the underlying obligor of the bonds enter into a Financial Guaranty Agreement with MBIA providing for, among other things, the reimbursement to MBIA of amounts drawn under the Surety Bond. A sample draft of such an agreement is attached.

MBIA will undertake its standard credit analysis of the issuer and/or obligor which may result in requests for modifications of the structure or certain provisions of the bond documents. These changes would be in addition to the specific changes required in all financings where a Surety Bond will be issued (see Required Terms below).

The Surety Bond may be structured to provide debt service reserve fund replacement for the current issue of bonds and any other debt issued on a parity therewith. However, in all cases, the Surety Bond will expire on the final maturity date of the current issue.

The program criteria are subject to change by MBIA.

General Terms

Provision should be made in the bond documents for the creation of a debt service reserve fund and there should be a requirement to maintain that fund at a certain level. It should also be provided that this requirement may be satisfied by cash or a qualified surety bond or a combination of these two (Note: A "qualified surety bond" means a surety bond issued by an insurance company rated in the highest rating category by A.M. Best & Company, Standard & Poor's or Moody's).

In those instances where the issuance of parity debt will cause the debt service reserve fund requirement to increase, MBIA requires that at the time of issuance of such parity debt, either cash or a qualified surety bond be provided so that the increased requirement will be satisfied.

In any event where the debt service reserve fund contains both an MBIA Surety Bond and cash, MBIA requires that the cash be drawn down completely before any demand is made on the Surety Bond. In any event where the debt service reserve fund contains a surety bond from another entity and an MBIA Surety Bond, the documents should provide for a pro-rata draw on each of the surety bonds.

With regard to replenishment, any available monies, as defined in the Indenture or Resolution, should be used first to reimburse MBIA, thereby reinstating the Surety Bond, and second to replenish the cash in the debt service reserve fund.

The rate covenant should be expanded so that, in addition to all other coverage requirements, there are sufficient monies available to pay all amounts owed to MBIA under the terms of the Financial Guaranty Agreement.

If the documents provide for the issuance of additional bonds that do not share a common reserve fund with the current issue, MBIA can issue a surety bond that is, by its terms, available only as a reserve for the current issue. In such cases, MBIA would require a covenant that any revenues available for debt service must be distributed between the current issue and any additional bonds on a pro rata basis without regard to the existence of a funded debt service reserve or a surety bond.

The bond documents should require the Trustee to deliver a Demand For Payment (see attached form) at least three days prior to the date on which funds are required.

Required Terms

With respect to any security interest in collateral granted to the bondholders, MBIA should be granted that same interest subject only to that of the bondholders. This would apply to existing security, if any, as well as any to be granted in the future.

MBIA should receive an opinion from counsel to the issuer/obligor that the Financial Guaranty Agreement is a legal, valid and binding obligation of the issuer/obligor and is enforceable against the issuer/obligor in accordance with its terms.

In general terms, the "flow of funds" would be structured as follows:

All gross revenues should be paid in the following order with the priority indicated:

- (1) expenses of operation and maintenance;
- (2) debt service on the bonds;
- (3) reimbursement of amounts advanced by MBIA under the Surety Bond;
- (4) reimbursement of cash amounts, if any, drawn from the reserve fund;
- (5) replenishment of Renewal and Replacement Fund;
- (6) payment to MBIA of interest on amounts advanced under the Surety Bond;
- (7) all other lawful uses, including the debt service payment on any subordinate bonds.

Provision must be made for MBIA to be paid all amounts owed to it under the terms of the Financial Guaranty Agreement or any other documents before the bond documents may be terminated.

It will be the responsibility of the trustee/paying agent to maintain adequate records, verified with MBIA, as to the amount available to be drawn at any given time under the Surety Bond and as to the amounts paid and owing to MBIA under the terms of the Financial Guaranty Agreement.

There may be no optional redemption of bonds or distribution of funds to the issuer and/or the underlying obligor unless all amounts owed to MBIA under the terms of the Financial Guaranty Agreement or any other documents have been paid in full.

FINANCIAL GUARANTY AGREEMENT (I)

FINANCIAL GUARANTY AGREEMENT

FINANCIAL GUARANTY AGREEMENT made as of [closing date] by and between [issuer] (the "Issuer") and MUNICIPAL BOND INVESTORS ASSURANCE CORPORATION (the "Insurer"), organized under the laws of the state of New York.

W I T N E S S E T H :

WHEREAS, the Issuer has or will issue the Obligations; and

WHEREAS, pursuant to the terms of the Document the Issuer agrees to make certain payments on the Obligations; and

WHEREAS, the Insurer will issue its Surety Bond, substantially in the form set forth in Annex A to this Agreement, guaranteeing certain payments by the Issuer subject to the terms and limitations of the Surety Bond; and

WHEREAS, to induce the Insurer to issue the Surety Bond, the Issuer has agreed to pay the premium for the Surety Bond and to reimburse the Insurer for all payments made by the Insurer under the Surety Bond, all as more fully set forth in this Agreement; and

WHEREAS, the Issuer understands that the Insurer expressly requires the delivery of this Agreement as part of the consideration for the execution by the Insurer of the Surety Bond; and

NOW, THEREFORE, in consideration of the premises and of the agreements herein contained and of the execution of the Surety Bond, the Issuer and the Insurer agree as follows:

ARTICLE I

DEFINITIONS; SURETY BOND

Section 1.01. Definitions. The terms, which are capitalized herein shall have the meanings specified in Annex B hereto.

Section 1.02. Surety Bond.

(a) The Insurer will issue the Surety Bond in accordance with and subject to the terms and conditions of the Commitment.

(b) The maximum liability of the Insurer under the Surety Bond and the coverage and term thereof shall be subject to and limited by the terms and conditions of the Surety Bond.

Section 1.03. Premium. In consideration of the Insurer agreeing to issue the Surety Bond hereunder, the Issuer hereby agrees to pay or cause to be paid the Premium set forth in the in Annex B hereto. The Premium on the Surety Bond is not refundable for any reason..

Section 1.04. Certain Other Expenses. The Issuer will pay all reasonable fees and disbursements of the Insurer's special counsel related to any modification of this Agreement or the Surety Bond.

ARTICLE II

REIMBURSEMENT AND INDEMNIFICATION OBLIGATIONS OF ISSUER AND SECURITY THEREFOR

Section 2.01. Reimbursement for Payments Under the Surety Bond and Expenses; Indemnification.

(a) The Issuer will reimburse the Insurer, within the Reimbursement Period, without demand or notice by the Insurer to the Issuer or any other person, to the extent of each Surety Bond Payment with interest on each Surety Bond Payment from and including the date made to the date of the reimbursement at the lesser of the Reimbursement Rate or the maximum rate of interest permitted by then applicable law.

(b) The Issuer also agrees to reimburse the Insurer immediately and unconditionally upon demand, to the extent permitted by state law, for all reasonable expenses incurred by the Insurer in connection with the Surety Bond and the enforcement by the Insurer of the Issuer's obligations under this Agreement, the Document, and any other document executed in connection with the issuance of the Obligations, together with interest on all such expenses from and including the date incurred to the date of payment at the rate set forth in subsection (a) of this Section 2.01.

(c) The Issuer agrees to indemnify the Insurer, to the extent permitted by state law, against any and all liability, claims, loss, costs, damages, fees of attorneys and other expenses which the Insurer may sustain or incur by reason of or in consequence of (i) the failure of the Issuer to perform or comply with the covenants or conditions of this Agreement or (ii) reliance by the Insurer upon representations made by the Issuer or (iii) a default by the Issuer under the terms of the Document or any other documents executed in connection with the issuance of the Obligations.

(d) The Obligor and the Issuer agree that all amounts owing to the Insurer pursuant to Section 1.03 hereof and this Section 2.01 must be paid in full prior to any optional redemption or refunding of the Obligations.

(e) All payments made to the Insurer under this Agreement shall be paid in lawful currency of the United States in immediately available funds at the Insurer's office at 113 King Street, Armonk, New York 10504, Attention: Accounting and Surveillance Departments, or at such other place as shall be designated by the Insurer.

Section 2.02. Allocation of Payments. The Insurer and the Issuer hereby agree that each payment received by the Insurer from or on behalf of the Issuer as a reimbursement to the Insurer as required by Section 2.01 hereof shall be applied by the Insurer first, toward payment of any unpaid premium; second, toward repayment of the aggregate Surety Bond Payments made by the Insurer and not yet repaid, payment of which will reinstate all or a portion of the Surety Bond Coverage to the extent of such repayment (but not to exceed the Surety Bond Limit); and third, upon full reinstatement of the Surety Bond Coverage to the Surety Bond Limit, toward other amounts, including, without limitation, any interest payable with respect to any Surety Bond Payments then due to the Insurer.

Section 2.03. Security for Payments; Instruments of Further Assurance. To the extent, but only to the extent, that the Document, or any related indenture, trust agreement, ordinance, resolution, mortgage, security agreement or similar instrument, if any, pledges to the Owners or any trustee therefor, or grants a security interest or lien in or on any collateral, property, revenue or other payments ("Collateral and Revenues") in order to secure the Obligations or provide a source of payment for the Obligations, the Issuer hereby grants to the Insurer a security interest in or lien on, as the case may be, and pledges to the Insurer all such Collateral and Revenues as security for payment of all amounts due hereunder and under the Document or any other document executed in connection with the issuance of the Obligations, which security interest, lien and/or pledge created or granted under this Section 2.03 shall be subordinate only to the interests of the Owners and any trustee therefor in such Collateral and Revenues, except as otherwise provided. The Issuer agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, any and all financing statements, if applicable, and all other further instruments as may be required by law or as shall reasonably be requested by the Insurer for the perfection of the security interest, if any, granted under this Section 2.03 and for the preservation and protection of all rights of the Insurer under this Section 2.03.

Section 2.04. Unconditional Obligation. The obligations hereunder are absolute and unconditional and will be paid or performed strictly in accordance with this Agreement, subject to the limitations of the Document, irrespective of:

(a) any lack of validity or enforceability of, or any amendment or other modification of, or waiver with respect to the Obligations, the Document or any other document executed in connection with the issuance of the Obligations; or

(b) any exchange, release or nonperfection of any security interest in property securing the Obligations or this Agreement or any obligations hereunder; or

(c) any circumstances that might otherwise constitute a defense available to, or discharge of, the Issuer with respect to the Obligations, the Document or any other document executed in connection with the issuance of the Obligations; or

(d) whether or not such obligations are contingent or matured, disputed or undisputed, liquidated or unliquidated.

Section 2.05. Insurer's Rights. The Issuer shall repay the Insurer to the extent of payments made and expenses incurred by the Insurer in connection with the Obligations and this Agreement. The obligation of the Issuer to repay such amounts shall be subordinate only to the rights of the Owners to receive regularly scheduled principal and interest on the Obligations.

Section 2.06. On-Going Information Obligations of Issuer.

(a) Quarterly Reports. The Issuer will provide to the Insurer within 45 days of the close of each quarter interim financial statements covering all fund balances under the Document, a statement of operations (income statement), balance sheet and changes in fund balances. These statements need not be audited by an independent certified public accountant, but if any audited statements are produced, they must be provided to the Insurer;

(b) Annual Reports. The Issuer will provide to the Insurer annual financial statements audited by an independent certified public accountant within 90 days of the end of each fiscal year;

(c) Access to Facilities, Books and Records. The Issuer will grant the Insurer reasonable access to the project financed by the Obligations and will make available to the Insurer, at reasonable times and upon reasonable notice all books and records relative to the project financed by the Obligations; and

(d) Compliance Certificate. On an annual basis the Issuer will provide to the Insurer a certificate confirming compliance with all covenants and obligations hereunder and under the Revenue Agreement, the Document or any other document executed in connection with the issuance of the Obligations.

ARTICLE III

AMENDMENTS TO DOCUMENT

So long as this Agreement is in effect, the Issuer agrees that it will not agree to amend the Document or any other document executed in connection with the issuance of the Obligations, without the prior written consent of the Insurer.

ARTICLE IV

EVENTS OF DEFAULT; REMEDIES

Section 4.01. Events of Default. The following events shall constitute Events of Default hereunder:

(a) The Issuer shall fail to pay to the Insurer when due any amount payable under Sections 1.03; or

(b) The Issuer shall fail to pay to the Insurer any amount payable under Sections 1.04 and 2.01 hereof and such failure shall have continued for a period in excess of the Reimbursement Period; or

(c) Any material representation or warranty made by the Issuer under the Document or hereunder or any statement in the application for the Surety Bond or any report, certificate, financial statement, document or other instrument provided in connection with the Commitment, the Surety Bond, the Obligations, or herewith shall have been materially false at the time when made; or

(d) Except as otherwise provided in this Section 4.01, the Issuer shall fail to perform any of its other obligations under the Document, or any other document executed in connection with the issuance of the Obligations, or hereunder, provided that such failure continues for more than 30 days after receipt by the Issuer of written notice of such failure to perform; or

(e) The Issuer shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing; or

(f) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Issuer, or of a substantial part of its property, under of the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law or (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for the Issuer or for a substantial part of its property; and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for 30 days.

Section 4.02. Remedies. If an Event of Default shall occur and be continuing, then the Insurer may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under this Agreement or to enforce performance of any obligation of the Issuer to the Insurer under the Document or any related instrument, and any obligation, agreement or covenant of the Issuer under this Agreement; provided, however, that the Insurer may not take any action to direct or require acceleration or other early redemption of the Obligations or adversely affect the rights of the Owners. In addition, if an Event of Default shall occur due to the failure to pay to the Insurer the amounts due under Section 1.03 hereof, the Insurer shall have the right to cancel the Surety Bond in accordance with its terms. All rights and remedies of the Insurer under this Section 4.02 are cumulative and the exercise of any one remedy does not preclude the exercise of one or more of the other available remedies.

ARTICLE V

SETTLEMENT

The Insurer shall have the exclusive right to decide and determine whether any claim, liability, suit or judgment made or brought against the Insurer, the Issuer or any other party on the Surety Bond shall or shall not be paid, compromised, resisted, defended, tried or appealed, and the Insurer's decision thereon, if made in good faith, shall be final and binding upon the Insurer, the Issuer and any other party on the Surety Bond. An itemized statement of payments made by the Insurer, certified by an officer of the Insurer, or the voucher or vouchers for such payments, shall be prima facie evidence of the liability of the Issuer, and if the Issuer fails to immediately reimburse the Insurer upon the receipt of such statement of payments, interest shall be computed on such amount from the date of any payment made by the Insurer at the rate set forth in subsection (a) of Section 2.01 hereof.

ARTICLE VI

MISCELLANEOUS

Section 6.01. Interest Computations. All computations of interest due hereunder shall be made on the basis of the actual number of days elapsed over a year of 360 days.

Section 6.02. Exercise of Rights. No failure or delay on the part of the Insurer to exercise any right, power or privilege under this Agreement and no course of dealing between the Insurer and the Issuer or any other party shall operate as a waiver of any such right, power or privilege, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Insurer would otherwise have pursuant to law or equity. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the other party to any other or further action in any circumstances without notice or demand.

Section 6.03. Amendment and Waiver. Any provision of this Agreement may be amended, waived, supplemented, discharged or terminated only with the prior written consent of the Issuer and the Insurer. The Issuer hereby agrees that upon the written request of the Paying Agent, the Insurer may make or consent to issue any substitute for the Surety Bond to cure any ambiguity or formal defect or omission in the Surety Bond which does not materially change the terms of the Surety Bond nor adversely affect the rights of the Owners, and this Agreement shall apply to such substituted surety bond. The Insurer agrees to deliver to the Issuer and to the company or companies, if any, rating the Obligations, a copy of such substituted surety bond.

Section 6.04. Successors and Assigns; Descriptive Headings.

(a) This Agreement shall bind, and the benefits thereof shall inure to, the Issuer and the Insurer and their respective successors

and assigns; provided, that the Issuer may not transfer or assign any or all of its rights and obligations hereunder without the prior written consent of the Insurer.

(b) The descriptive headings of the various provisions of this Agreement are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

Section 6.05. Other Sureties. If the Insurer shall procure any other surety to reinsure the Surety Bond, this Agreement shall inure to the benefit of such other surety, its successors and assigns, so as to give to it a direct right of action against the Issuer to enforce this Agreement, and "the Insurer," wherever used herein, shall be deemed to include such reinsuring surety, as its respective interests may appear.

Section 6.06. Signature on Bond. The Issuer's liability shall not be affected by its failure to sign the Surety Bond nor by any claim that other indemnity or security was to have been obtained nor by the release of any indemnity, nor the return or exchange of any collateral that may have been obtained.

Section 6.07. Waiver. The Issuer waives any defense that this Agreement was executed subsequent to the date of the Surety Bond, admitting and covenanting that such Surety Bond was executed pursuant to the Issuer's request and in reliance on the Issuer's promise to execute this Agreement.

Section 6.08. Notices, Requests, Demands. Except as otherwise expressly provided herein, all written notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given or made when actually received, or in the case of telex or telecopier notice sent over a telex or a telecopier machine owned or operated by a party hereto, when sent, addressed as specified below or at such other address as any of the parties may hereafter specify in writing to the others:

If to the Issuer:

Attention:

If to the Paying Agent:

Attention:

If to the Insurer:

Municipal Bond Investors Assurance Corporation
113 King Street
Armonk, New York 10504
Attention: Surveillance Department

Section 6.09. Survival of Representations and Warranties. All representations, warranties and obligations contained herein shall survive the execution and delivery of this Agreement and the Surety Bond.

Section 6.10. Governing Law. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State.

Section 6.11. Counterparts. This Agreement may be executed in any number of copies and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument. Complete counterparts of this Agreement shall be lodged with the Issuer and the Insurer.

Section 6.12. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 6.13. Survival of Obligations. Notwithstanding anything to the contrary contained in this Agreement, the obligation of the Issuer to pay all amounts due hereunder and the rights of the Insurer to pursue all remedies shall survive the expiration, termination or substitution of the Surety Bond and this Agreement.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

[ISSUER]

By _____

Title _____

MUNICIPAL BOND INVESTORS ASSURANCE CORPORATION

President

Assistant Secretary

ANNEX A

SURETY BOND

[To be provided.]

ANNEX B

DEFINITIONS

For all purposes of this Agreement and the Surety Bond, except as otherwise expressly provided herein or unless the context otherwise requires, all capitalized terms shall have the meaning as set out below, which shall be equally applicable to both the singular and plural forms of such terms.

"Agreement" means this Financial Guaranty Agreement.

"Closing Date" means

"Commitment" means the commitment to issue Municipal Bond Guaranty Insurance in the form attached hereto as Annex C.

"Debt Service Payments" means those payments required to be made by or on behalf of the Issuer which will be applied to payment of principal of and interest on the Obligations.

"Demand for Payment" means the certificate submitted to the Insurer for payment under the Surety Bond substantially in the form attached to the Surety Bond as Attachment 1.

"Document" means

"Event of Default" shall mean those events of default set forth in Section 4.01 of the Agreement.

"Insurer" has the same meaning as set forth in the first paragraph of this Agreement.

"Issuer" means

"Obligations" means

"Owners" means the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer or any designee of the Issuer for such purpose.

"Paying Agent" means

"Premium" means

"Reimbursement Period" means, with respect to a particular Surety Bond Payment, the period commencing on the date of such Surety Bond Payment and ending on the earlier of the date of cancellation of the Surety Bond due to nonpayment of Premium when due or on the expiration of [# of months] following such Surety Bond Payment.

"Reimbursement Rate" means Citibank's prime rate plus three (3) percent per annum, as of the date of such Surety Bond Payment, said "prime rate" being the rate of interest announced from time to time by Citibank, N.A., New York, New York, as its prime rate. The rate of interest shall be calculated on the basis of the actual number of days elapsed over a 360-day year.

"State" means

"Surety Bond" means that surety bond attached hereto as Annex A and issued by the Insurer guaranteeing, subject to the terms and limitations thereof, Debt Service Payments required to be made by the Issuer under the Document.

"Surety Bond Coverage" means the amount available at any particular time to be paid under the terms of the Surety Bond, which amount shall never exceed the Surety Bond Limit.

"Surety Bond Limit" means

"Surety Bond Payment" means an amount equal to the Debt Service Payment required to be made by the Issuer pursuant to the Document less (i) that portion of the Debt Service Payment paid by or on behalf of the Issuer, and (ii) other funds legally available for payment to the Owners, all as certified in a Demand for Payment.

ANNEX C

COMMITMENT

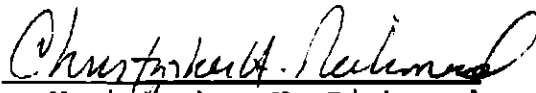
[To be provided.]

Bond Insurer's Consent

The undersigned representative of Financial Guaranty Insurance Company hereby consents, as the Bond Insurer for the St. Johns County, Florida Water and Sewer Revenue Bonds, Series 1989, Series 1990B-I and Series 1990B-II to the deposit of a reserve account insurance policy issued by MBIA into the reserve fund in respect of the St. Johns County Florida Water and Sewer Revenue Bonds, Series 1991A Bonds.

Dated: August 9, 1991

FINANCIAL GUARANTY
INSURANCE COMPANY


Christopher H. Richmond
Director of Public Finance