

RESOLUTION NO. 90-62

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF ST. JOHNS COUNTY, FLORIDA, SUPPLEMENTING RESOLUTION NO. 90-61 ADOPTED BY SAID BOARD ON MARCH 27, 1990, WHICH AUTHORIZED THE ISSUANCE OF ST. JOHNS COUNTY, FLORIDA, WATER AND SEWER REVENUE BONDS, SERIES 1990A, IN AN AGGREGATE PRINCIPAL AMOUNT OF \$7,455,000; FOR THE PURPOSE OF RATIFYING THE COUNTY'S ACCEPTANCE OF THE INSURER'S COMMITMENT; FIXING THE DATE, MATURITIES, INTEREST RATES AND REDEMPTION PROVISIONS FOR THE SERIES 1990A BONDS; ACCEPTING THE DISCLOSURE STATEMENT OF THE BOND PURCHASERS AND AUTHORIZING A NEGOTIATED SALE OF THE SERIES 1990A BONDS AND THE EXECUTION AND DELIVERY OF A PURCHASE CONTRACT WITH RESPECT TO THE SERIES 1990A BONDS; APPROVING A PRELIMINARY OFFICIAL STATEMENT WITH RESPECT TO THE BONDS AND AUTHORIZING A FINAL OFFICIAL STATEMENT WITH RESPECT THERETO; APPOINTING THE REGISTRAR AND PAYING AGENT FOR THE SERIES 1990A BONDS; AND PROVIDING AN EFFECTIVE DATE.

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

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

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

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

"Bond Resolution" shall mean Resolution No. 89-84 adopted by the Board on April 25, 1989, as amended and supplemented, particularly as amended and supplemented by Resolution No. 90-61 adopted by the Board on March 27, 1990.

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

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

"Purchasers" shall mean Smith Barney, Harris Upham & Co. Incorporated and Barnett Brokerage Service, Inc., the purchasers of the Series 1990A Bonds.

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

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

(A) On March 27, 1990, the Board duly adopted Resolution No. 90-61 for the purpose of authorizing the acquisition, construction and erection of Project 1990A and the issuance of the Series 1990A Bonds to pay a part of the cost thereof.

(B) The Issuer has received from Financial Guaranty Insurance Company (the "Insurer") a commitment to provide a policy of municipal bond insurance with respect to the Series 1990A Bonds, a copy of which (less its exhibits) is attached hereto as Exhibit C, the Issuer has accepted said commitment, and it is now appropriate that such acceptance be approved, ratified and confirmed.

(C) It is necessary, appropriate and in accordance with Sections 2.01 and 2.02 of Resolution No. 90-61 that the Board adopt this supplemental resolution at this time in order to fix the date of the Series 1990A Bonds and their maturity dates, interest rates, redemption provisions and other terms, preparatory to the sale thereof to the Purchasers as herein authorized and provided.

(D) The Board is advised that due to the present volatility of the market for tax-exempt public obligations such as the Series 1990A Bonds, it is in the best interest of the Issuer to sell the Series 1990A 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 1990A Bonds and, accordingly, the Board does hereby find and determine that it is in the best financial interest of the Issuer that a negotiated sale of the Series 1990A Bonds be authorized. The Purchasers have offered to purchase the Series 1990A Bonds and have submitted to the Issuer the Purchase Contract expressing the terms of such offer; and the Board does hereby find and determine that it is in the best financial interest of the Issuer that the terms expressed in the

Purchase Contract be accepted by the Issuer and that the Chairman and the Clerk be authorized to execute its acceptance on the Purchase Contract.

(E) It is appropriate that the Issuer approve, ratify and confirm the distribution of a preliminary official statement for the purpose of acquainting potential investors with pertinent information with respect to the Issuer and the Series 1990A Bonds and that the Issuer authorize the distribution of a final official statement contemporaneously with the issuance and delivery of the Series 1990A 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 the Vice Chairman at any time at or prior to the issuance of the Series 1990A Bonds.

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

SECTION 2. ACCEPTANCE OF INSURANCE COMMITMENT. The Issuer's acceptance of the Insurer's commitment to provide a policy of municipal bond insurance with respect to the Series 1990A Bonds is hereby approved, ratified and confirmed.

SECTION 3. SPECIFICATIONS. The Series 1990A Bonds shall be dated as of March 1, 1990, shall be in such denominations, of \$5,000 and integral multiples thereof, and shall bear interest at such rates, payable on such dates, mature on such dates, be redeemable prior to maturity upon the terms and conditions and have such other terms as are set forth in the Purchase Contract.

SECTION 4. SALE OF THE SERIES 1990A BONDS; AUTHORIZATION OF EXECUTION OF PURCHASE CONTRACT. The Purchasers having filed with the Board the disclosure statement required by Section 218.385(4), Florida Statutes, as amended, a copy of which is attached hereto as an exhibit to the Purchase Contract, the Series 1990A Bonds are hereby sold and awarded to the Purchasers at the price and on such other terms and conditions as are stated in the Purchase Contract. The Chairman and the Clerk 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 1990A Bonds in accordance with the provisions of the Purchase Contract.

SECTION 5. APPROVAL OF PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZATION OF FINAL OFFICIAL STATEMENT. The execution and delivery of the Preliminary Official Statement to the Purchasers is hereby approved, ratified and confirmed. As of its date, the Preliminary Official Statement was "deemed final" (except for permitted omissions) by the Issuer for purposes of SEC Rule 15c2-12(b)(1), and the Purchasers were and are authorized to use the Preliminary Official Statement in their marketing efforts. For purposes of SEC Rule 15c2-12(b)(3) and (4), 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 the Chairman or the Vice Chairman prior to the release thereof, is hereby authorized to be delivered by the Issuer to the Purchasers contemporaneously with the issuance and delivery of the Series 1990A Bonds. The Chairman or the Vice Chairman is hereby authorized to evidence the Issuer's approval of the final official statement by his 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. The Issuer hereby authorizes the Purchasers to use and distribute such final official statement in connection with the offer, sale and distribution of the Series 1990A Bonds. 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 1990A Bonds and the other information required by Section 218.38, Florida Statutes, as amended, within the appropriate time periods specified by such section.

SECTION 6. REGISTRAR AND PAYING AGENT. First Union National Bank of Florida, a national banking association, St. Petersburg, Florida, is hereby appointed as Registrar and Paying Agent under the Bond Resolution, to serve as Registrar and Paying Agent for the Series 1990A Bonds; and the Chairman or the Vice Chairman and the Clerk or a 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.

SECTION 7. AUTHORIZATION OF EXECUTION OF OTHER CERTIFICATES AND OTHER INSTRUMENTS. The Chairman, the Vice Chairman, the Clerk and 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 1990A 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 Bond

Resolution and the Purchase Contract and to consummate the transactions contemplated hereby and thereby.

SECTION 8. BOND RESOLUTION IN FULL FORCE AND EFFECT. Except as hereby supplemented, the Bond Resolution shall remain in full force and effect.

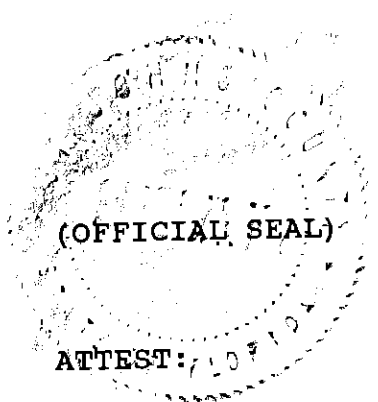
SECTION 9. REPEALING CLAUSE. All resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

SECTION 10. EFFECTIVE DATE. This resolution shall take effect immediately upon its adoption.

PASSED, APPROVED AND ADOPTED this twenty-seventh day of March, 1990.

BOARD OF COUNTY COMMISSIONERS
OF ST. JOHNS COUNTY, FLORIDA


Its Chairman



ATTEST: 109


Its Clerk

I, Carl "Bud" Markel, Clerk of the Board of County Commissioners of St. Johns County, Florida, hereby certify that the foregoing is a true and correct copy of Resolution No. 90-62 of said County passed and adopted on March 27, 1989.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of said County this twenty-seventh day of March, 1990.



Carl "Bud" Markel
Clerk of the Board of County
Commissioners of St. Johns
County, Florida

NEW ISSUE

\$7,490,000*

**St. Johns County, Florida
Water and Sewer Revenue Bonds
Series 1990A**

Dated: March 1, 1990

**Due: June 1, as shown
below**

The Water and Sewer Revenue Bonds, Series 1990A (the "Series 1990A Bonds") are being issued by St. Johns County, Florida (the "County"), as fully registered bonds in denominations of \$5,000 and Integral multiples thereof. Interest (first payment due June 1, 1990 and semiannually thereafter on each June 1 and December 1) will be payable by check or draft of First Union National Bank of Florida, St. Petersburg, Florida, as Registrar and Paying Agent, made out and mailed to the registered owner, as shown on the registration books of the County maintained by the Registrar on the fifteenth day of the month prior to each interest payment date. Principal of the Series 1990A Bonds is payable to the registered owner upon presentation, when due, at the corporate trust office of First Union National Bank of Florida, St. Petersburg, Florida.

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

The Series 1990A Bonds are being issued by the County pursuant to the Constitution and laws of the State of Florida, particularly Chapter 125, Part I, Florida Statutes, as amended, County Ordinance No. 86-89, and other applicable provisions of law, and Resolution No. 89-84 duly adopted by the Board of County Commissioners of the County on April 25, 1989, as amended and supplemented, particularly as amended and supplemented by Resolution No. 90-____ duly adopted by said Board on _____, 1990 (the "Resolution"), for the purpose of (i) acquiring, constructing and erecting certain additions, improvements and extensions (the "Project 1990A") to a portion of the combined water and sewer system owned, operated and maintained by the County and known as the Mainland Utilities System (the "System"), (ii) capitalizing interest on the Series 1990A Bonds as set forth herein, (iii) funding a portion of the Reserve Account, and (iv) paying the costs of issuance incurred with respect to the issuance of the Series 1990A Bonds.

The Series 1990A Bonds are special obligations of the County payable solely from and secured by a lien upon and pledge of (i) the Pledged Funds, as herein defined, 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 levied by the County in connection with the Project 1990A, all as more specifically described herein, on a parity with certain other outstanding obligations of the County, as described herein. Neither the full faith and credit, nor the taxing power of the County is pledged for the payment of the Series 1990A Bonds. The Series 1990A Bonds shall not constitute a lien upon said 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 Series 1990A Bonds will be insured by a municipal bond insurance policy to be issued by Financial Guaranty Insurance Company simultaneously with the delivery of the Series 1990A Bonds.



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

In the opinion of Bond Counsel, under existing law, assuming compliance with certain covenants in the Resolution described herein, interest on the Series 1990A Bonds is excluded from gross income for federal income tax purposes, and the Series 1990A 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 Series 1990A Bonds.

AMOUNTS, MATURITIES, INTEREST RATES AND PRICES
\$ _____ Serial Bonds

Amount	Maturity	Interest Rate	Price	Amount	Maturity	Interest Rate	Price
	1992				1997		
	1993				1998		
	1994				1999		
	1995				2000		
	1996				2001		
\$		%	Term Bonds due June 1, 2000 — Price	%			
\$		%	Term Bonds due June 1, 2001 — Price	%			
\$		%	Term Bonds due June 1, 2010 — Price	%			
\$		%	Term Bonds due June 1, 2011 — Price	%			

The Series 1990A Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval as to legality by Foley & Lardner, Jacksonville, Florida, Bond Counsel. Certain legal matters will be passed on for the County by James G. Sisco, Esquire, St. Augustine, Florida, Attorney for the County. Certain legal matters will be passed upon for the Underwriters by their counsel, Squire, Sanders & Dempsey, Jacksonville, Florida. It is expected that the Series 1990A Bonds in definitive form will be available for delivery in New York, New York on about April 11, 1990.

Smith Barney, Harris Upham & Co.
Incorporated

Barnett Capital Markets Group
Barnett Brokerage Service, Inc.

_____ 1990

*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 offers 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 Series 1990A Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

ST. JOHNS COUNTY, FLORIDA
MEMBERS OF THE BOARD OF COUNTY COMMISSIONERS

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

COUNTY ADMINISTRATOR

R. Daniel Castle

COUNTY CLERK

Carl "Bud" Markel

COUNTY FINANCE DIRECTOR

Henry Hendrix

DIRECTOR OF UTILITIES

Bobby Jones

ATTORNEY FOR THE COUNTY

James G. Sisco, Esquire

CONSULTING ENGINEERS

Camp Dresser & McKee, Inc.
Jacksonville, Florida

BOND COUNSEL

Foley & Lardner
Jacksonville, Florida

FINANCIAL ADVISOR

Public Financial Management, Inc.
Fort Myers, Florida

No dealer, broker, account executive, salesman or other person has been authorized to make any representations or to give any information, other than those contained in this Official Statement, in connection with the offering contained herein, and, if given or made, such other information or representations must not be relied upon as having been authorized by the County. 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 Series 1990A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information contained in this Official Statement has been obtained from public documents, records, and other sources considered to be reliable and, while not guaranteed as to completeness or accuracy by the Underwriters, is believed to be correct. Any statements in this Official Statement involving estimates, assumptions and matters of opinion, whether or not so expressly stated, are intended as such and not as representations of fact, and the County expressly makes no representation that such estimates, assumptions and opinions will be realized or fulfilled. Any information, estimates, assumptions and matters of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in the affairs of the County since the date hereof, or any earlier date as of which such information is given.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 1990A BONDS OFFERED HEREBY 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

Terms not specifically defined herein shall have the meanings given such terms in the Resolution, and all amendments thereto, a summary of which is attached hereto as Appendix D.

The County - St. Johns 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. Its 1989 estimated population is 84,389. Further information concerning St. Johns County is located in Appendix B of this Official Statement.

The Series 1990A Bonds - The Series 1990A Bonds are being issued in fully registered form in denominations of \$5,000 or integral multiples thereof. Interest on the Series 1990A Bonds is payable by check or draft mailed to the registered owners thereof. Principal and premium, if any, shall be paid to each registered owner of the Series 1990A Bonds upon presentation when due at the principal corporate trust office of the Registrar.

The Purpose of the Series 1990A Bonds - The Series 1990A Bonds are being issued to acquire, construct and erect certain additions, extensions and improvements to the County's Mainland Utilities System (the "System") which is composed of a water system and a sewer system, now owned, operated and maintained by the County, to capitalize interest on the Series 1990A Bonds as described herein, to fund a portion of the Reserve Account and to pay the costs of issuance incurred.

Security for the Series 1990A Bonds - The Series 1990A Bonds are payable solely from and secured by a lien upon and a pledge of the Pledged Funds and certain Assessments in accordance with the provisions of the Resolution on a parity with certain outstanding obligations of the County (the "Outstanding Parity Bonds"), as described herein. Pledged Funds include the Net Revenues of the System and Connection Charges, as more particularly described herein. Assessments include the proceeds to be derived by the County from any non-ad valorem special assessments levied by the County which are specifically declared by the Board of County Commissioners to be "Assessments" pledged for the payment of the Series 1990A Bonds and the Outstanding Parity Bonds, as more particularly described herein.

Municipal Bond Insurance - The County has received a commitment from Financial Guaranty Insurance Company to issue, effective as of the date on which the Series 1990A Bonds are issued, a policy of insurance insuring the payment, when due, of the principal of and interest on the Series 1990A Bonds as more fully described in this Official Statement.

Financial Information - The following table shows historical and projected Revenues and Connection Charges, Assessments, expenses and debt service for the System. Said projections are derived from the Consulting Engineers' Report included herein as Appendix A. The Component Unit Financial Statements for the Board of County Commissioners of the County for the year ended September 30, 1989 are included in Appendix C hereto including the Mainland Utilities System within the Section entitled Supplemental Information.

	HISTORICAL (rounded amounts 000's omitted)					PROJECTED (rounded amounts 000's omitted)					
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
OPERATING REVENUES											
Water Sales											
Retail	\$191	\$258	\$305	\$333	\$371	\$ 640	\$ 967	\$1,076	\$1,161	\$1,235	\$1,314
Bulk to ASD	365	624	495	409	507	600	1,081	1,115	1,151	1,206	1,264
TOTAL*	\$556	\$882	\$800	\$742	\$878	\$1,240	\$2,048	\$2,211	\$2,312	\$2,441	\$2,578
Sewer Service Charges											
Meter Installations (Tapping Fees)	22	38	43	30	63	110	646	795	881	968	1,043
TOTAL*	22	38	43	30	63	110	646	795	881	968	1,043
TOTAL*	\$578	\$919	\$843	\$772	\$941	\$1,399	\$2,150	\$3,066	\$3,255	\$3,468	\$3,683
OPERATING EXPENSES											
Contractual Services (a)	\$ 90	\$123	\$124	\$158	\$262						
Operating Expenses (a)	117	138	151	153	162						
Maintenance (a)	30	67	32	44	49						
Water System -											
General Operations (b)						\$ 473	\$ 852	\$ 930	\$1,005	\$1,084	\$1,170
New Inst. Mtis. (b)						25	44	48	52	57	62
Water System Total						\$ 418	\$ 896	\$ 978	\$1,057	\$1,141	\$1,232
Sewage System Total (b)						110	293	332	365	399	436
TOTAL*	\$238	\$328	\$307	\$355	\$393	\$ 526	\$1,189	\$1,310	\$1,422	\$1,540	\$1,668
NET OPERATING REVENUE	\$340	\$591	\$536	\$417	\$468	\$ 871	\$1,561	\$1,756	\$1,833	\$1,920	\$2,015
NON-OPERATING INCOME											
Interest Income	\$ 19	\$ 35	\$ 62	\$111	\$240	\$ 120	\$ 164	\$ 164	\$ 164	\$ 164	\$ 164
Special Assessments	-0-	-0-	-0-	-0-	-0-	-0-	237	237	237	237	237
TOTAL NON-OPERATING INCOME*	\$ 19	\$ 35	\$ 62	\$111	\$240	\$ 120	\$ 401	\$ 401	\$ 401	\$ 401	\$ 401
TOTAL NET REVENUE AND ASSESSMENT*	\$359	\$626	\$598	\$529	\$708	\$ 991	\$1,962	\$2,157	\$2,234	\$2 321	\$2,416
PLEDGE UNIT CONNECTION FEES	-0-	-0-	-0-	-0-	-0-	\$ 296	\$ 407	\$ 569	\$ 602	\$ 557	\$ 586
TOTAL NET REVENUE + U.C.F.*	\$359	\$626	\$598	\$529	\$708	\$1,287	\$2,369	\$2,726	\$2,836	\$2,878	\$3,002
ANNUAL DEBT SERVICE PAYMENT											
Existing Issue-1980 (c)	\$142	\$144	\$144	\$143	\$144						
Series 1989 Issue	n.a.	n.a.	n.a.	n.a.	55	\$ 658	\$ 650	\$ 911	\$ 912	\$ 910	\$ 907
Series 1990A Issue (d)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	186	681	755	750	757
TOTAL DEBT SERVICE*	\$142	\$144	\$144	\$143	\$199	\$ 658	\$ 836	\$1,592	\$1,667	\$1,660	\$1,664
DEBT SERVICE - Coverage Factor (Net Revenue and Assessment)	2.527	4.360	4.147	3.700	3.553	1.507	2.346	1.385	1.3461	1.395	1.452
DEBT SERVICE COVERAGE (NET ASSESSMENTS PLEDGE U.C.F.)						1.957	2.833	1.711	1.700	1.730	1.804
EXCESS, AVAILABLE FOR RENEWAL & REPLACEMENT	\$217	\$483	\$454	\$386	\$509	\$ 333	\$1,126	\$ 565	\$ 567	\$ 657	\$ 752
REQUIRED RENEWAL & REPLACEMENT - 5% OF GROSS OPERATING REVENUE	\$ 29	\$ 46	\$ 42	\$ 39	\$ 47	\$ 70	\$ 138	\$ 154	\$ 161	\$ 170	\$ 185

* Totals may not appear accurate due to rounding.

(a) Contractual Services, Operating Expenses, and Maintenance are all from historical audits, with Operating Expenses including such items as Salaries, and benefits, Chemicals, Utilities, etc.

(b) Water System and Sewer System expenses for the existing Mainland utility system service area reflect figures prepared in conjunction with issuance of outstanding parity bonds. Additionally, the new Mainland utility system service area expenses were projected using the same expense criteria as the water and sewer rate study of July 1988 by Hart Environmental, for the period of fiscal year 1991-1995.

(c) The Existing 1980 Debt Service Issue was defeased with the Series 1989 Bonds.

(d) The Series 1990 Bonds debt service was based on information provided by the financial advisor using an assumed net interest cost of 7.04%. The debt service figures are net of capitalized interest.

(e) The Renewal and Replacement (RRR) requirement is set by the gross operating revenues.

(f) Revenue projections are based on the rates in Table 6 of the Consulting Engineers' report included herein as Appendix A, with new service area connections projected in fiscal year 1991.

(g) Bulk sales to ASD is for finished water beginning in fiscal year 1991.

OFFICIAL STATEMENT
Relating To

\$7,490,000
St. Johns County, Florida
Water and Sewer Revenue Bonds
Series 1990A

INTRODUCTION

The purpose of this Official Statement, which includes the cover page, the summary statement and the appendices, is to furnish information with respect to the \$7,490,000 aggregate principal amount of Water and Sewer Revenue Bonds, Series 1990A (the "Series 1990A Bonds") of St. Johns County, Florida (the "County").

The Series 1990A Bonds are issued pursuant to and under the authority of Chapter 125, Part I, Florida Statutes, as amended, County Ordinance 86-89, duly enacted on December 9, 1986, and other applicable provisions of law (collectively the "Act") and Resolution No. 89-84 of the County, duly adopted by the Board of County Commissioners of St. Johns County (the "Board") on the 25th day of April, 1989, as amended and supplemented, particularly as amended and supplemented by Resolution No. 90-_____ duly adopted by the Board on _____, 1990 (the "Resolution"). A summary of certain provisions of the Resolution is attached hereto as Appendix D.

The Series 1990A Bonds are being issued (i) to acquire and construct certain additions, extensions and improvements ("Project 1990A") to the water and sewer system owned, operated and maintained by the County known as the Mainland Utilities System (the "System"), (ii) to capitalize interest on the Series 1990A Bonds, (iii) to fund a portion of the Reserve Account and (iv) to pay the costs of issuance with respect to the Series 1990A Bonds.

For a complete description of the terms and conditions of the Series 1990A Bonds, reference is made to the Resolution. All terms defined in the Resolution shall have the same meanings in this Official Statement unless indicated to the contrary or the context expressly requires otherwise. All information included herein has been provided by the County except where attributed to other sources. The description of the Series 1990A Bonds and the documents authorizing and securing the same and the information from and summaries of all reports, statutes, and documents not contained in this Official Statement and other instruments referred to herein, do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each. 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. Henry Hendrix,

St. Johns County Administration Building, St. Augustine, Florida 32085, telephone (904) 824-8131 or from Public Financial Management, Inc., 5900 Enterprise Parkway, Fort Myers, Florida 33905, telephone (813) 693-7117.

The County has received a commitment from Financial Guaranty Insurance Company to issue, effective as of the date on which the Series 1990A Bonds are issued, a policy of insurance insuring the payment, when due, of the principal and interest on the Series 1990A Bonds. See "MUNICIPAL BOND INSURANCE."

DESCRIPTION OF THE SERIES 1990A BONDS

General

The Series 1990A Bonds shall be dated March 1, 1990 and are being issued as fully registered bonds in denominations of \$5,000 and integral multiples thereof. Interest on the Series 1990A Bonds (first payment due June 1, 1990 and semiannually on each June 1 and December 1 thereafter) will be payable by check or draft of First Union National Bank of Florida, St. Petersburg, Florida, as Registrar ("Registrar") and Paying Agent ("Paying Agent"), made out and mailed to the address of the registered owner, as shown on the registration books of the Registrar on the fifteenth day of the month prior to each interest payment date (the "Record Date"). Interest on the Series 1990A Bonds shall be calculated on a 360-day year. The principal of and premium, if any, on the Series 1990A Bonds is payable to the registered owner upon presentation, when due, at the principal corporate trust office of First Union National Bank of Florida, St. Petersburg, Florida, as Paying Agent and Registrar.

Optional Redemption

The Series 1990A Serial Bonds maturing on June 1, 19__ through June 1, ____ shall not be redeemable prior to their stated dates of maturity (other than for mandatory redemptions as hereinafter described). The Series 1990A Serial Bonds maturing on or after June 1, 19__ are redeemable, at the option of the County, in part, by lot, or in such other manner as the Registrar shall deem fair and appropriate, within a maturity if less than an entire maturity is to be redeemed, on June 1, 19__, or on any interest payment date thereafter, or as a whole on June 1, 19__ 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:

Redemption Periods
(Both Dates Inclusive)

Redemption Prices

Special Mandatory Redemption

Certain of the Series 1990A Bonds are subject to Special Mandatory Redemption as follows:

Grant Redemption Bonds

The County has made application for and may receive a grant for the purpose of paying a portion of the cost of Project 1990A. Prior to or contemporaneously with the sale of the Series 1990A Bonds, the County shall by resolution of the Board designate particular Series 1990A Bonds, in an aggregate principal amount substantially equivalent to the amount of the grant applied for, which shall be subject to mandatory redemption from grant funds (the "Grant Redemption Bonds"), as provided in the Resolution and subject to the terms and conditions provided therein.

A par amount not exceeding \$ _____ of Series 1990A Bonds maturing on June 1, _____ are subject to special mandatory redemption, to the extent of any grant proceeds received by the County, in accordance with provisions of the Resolution pertaining thereto, in whole or in part by lot, on June 1, _____ or any June 1 or December 1 prior thereto, at the Redemption Price of _____ % of the par value thereof, plus interest thereon to the date of redemption.

Assessments Redemption Bonds

Prior to or contemporaneously with the sale of the Series 1990A Bonds, the County shall by resolution of the Governing Body designate particular Series 1990A Bonds, subject to mandatory redemption by operation of the Assessments Fund (the "Assessments Redemption Bonds"). Such Assessments Redemption Bonds shall be in an aggregate principal amount substantially equivalent to the principal amount of the Project 1990A Assessments, shall be Serial or Term Bonds which shall amortize substantially according to the scheduled receipt by the County of the installments of the principal of and interest on the Assessments, and shall mature not later than the final installment of the Assessments. 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.

The Series 1990A Term Bonds maturing on June 1, _____ are subject to mandatory redemption by operation of the Assessments Fund in the manner provided in the Resolution, in whole or in part by lot, on June 1, _____ or any June 1 or December 1

thereafter, at the Redemption Price of ___% of the par value thereof, plus interest thereon to the date of redemption.

Mandatory Redemption

The Series 1990A Bonds maturing on June 1, _____ will be subject to mandatory redemption prior to maturity by such method as the Registrar shall deem fair and appropriate, on June 1, _____ and on June 1 of each year thereafter, at a price of par plus accrued interest to the date of redemption, in the years and in the amounts as follows:

<u>Year</u>	<u>Amounts</u>
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The Series 1990A Bonds maturing on June 1, _____ will be subject to mandatory redemption prior to maturity by such method as the Registrar shall deem fair and appropriate, on June 1, _____ and on June 1 of each year thereafter, at a price of par plus accrued interest to the date of redemption, in the years and in the amounts as follows:

<u>Year</u>	<u>Amounts</u>
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The Series 1990A Bonds maturing on June 1, _____ will be subject to mandatory redemption prior to maturity by such method as the Registrar shall deem fair and appropriate, on June 1, _____ and on June 1 of each year thereafter, at a price of par plus accrued interest to the date of redemption, in the years and in the amounts as follows:

<u>Year</u>	<u>Amounts</u>
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The Series 1990A Bonds maturing on June 1, _____ will be subject to mandatory redemption prior to maturity by such method as the Registrar shall deem fair and appropriate, on June 1, _____ and on June 1 of each year thereafter, at a price of par plus accrued interest to the date of redemption, in the years and in the amounts as follows:

<u>Year</u>	<u>Amounts</u>
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Notice of Redemption

Notice of redemption of the Series 1990A Bonds, unless waived, shall be mailed, postage prepaid, by registered or certified mail by the Registrar not less than 30 days nor more than 60 days before the date fixed for redemption to the registered owners of any Series 1990A Bonds or portions of Series 1990A Bonds which are to be redeemed, at their addresses as they appear on the registration books kept by the Registrar. Failure of the registered owner of any Series 1990A Bonds which are to be redeemed to receive any such notice or any defect in any such notice shall not affect the validity of the proceedings for the redemption of Series 1990A Bonds for which proper notice has been given. Interest shall cease to accrue on any of the Series 1990A Bonds duly called for prior redemption if payment of the redemption price has been duly made or provided for. The privilege of transfer or exchange of any of the Series 1990A Bonds so called for redemption is suspended for a period commencing 15 days preceding the date of selection of the Series 1990A Bonds to be redeemed and ending on the redemption date. Reference is made to the Resolution for other restrictions and limitation on sale, transfer or exchange of the Series 1990A Bonds.

SECURITY FOR THE SERIES 1990A BONDS

General

The Series 1990A Bonds are special obligations of the County and will be payable solely from and secured by a lien upon and a pledge of the Pledged Funds and the Assessments on a parity with the County's Water and Sewer Revenue Bonds, Series 1989, of which \$10,430,000 remain outstanding (the "Outstanding Parity Bonds") which, together with the Series 1990A Bonds and any Additional Bonds issued pursuant to the Resolution are hereinafter referred to as the "Bonds". 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 the 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. Assessments include the proceeds to be derived by the County from any non-ad valorem special assessments levied by the County which are specifically declared by the Board of County Commissioners to be "Assessments" pledged for the payment of the Bonds.

Pledged Funds

(1) Net Revenues. The Net Revenues of the System include all income and moneys received by the County from the fees and charges and assessments made and collected by the County (excluding Connection Charges, Assessments and other non-ad valorem special assessments) for the use of the services or facilities of the System, together with all earnings and income derived from the investment of moneys under the provisions of the Resolution which are transferred to the Revenue Fund or the Interest Account as provided in the Resolution, less Operating Expenses.

(2) 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 cost 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 cost of 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 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 the Resolution.

Assessments

Assessments include the proceeds to be derived by the County from the non-ad valorem special assessments which shall be 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 shall be expressly declared by resolution of the Board to be Assessments, as defined and pledged in the Resolution, 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 shall have the right to levy and collect non-ad valorem special assessments upon some or all of the parcels of real property specially benefitted by any Additional Project or by any portion thereof without declaring that such assessments shall be Assessments, as defined and pledged in the Resolution, 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 the interest on any particular Series of Bonds or Subordinated Indebtedness or any other obligations of the County.

The County has determined to impose, levy and collect Assessments with respect to a portion of Project 1990A (the "Project 1990A Assessments"). The County covenants in the Resolution that it will take all actions necessary for the lawful levy and collection of the Project 1990A Assessments. All Project 1990A Assessments are required to be deposited into the Assessments Fund promptly upon receipt.

Limited Obligations

The County is not obligated to pay the Series 1990A Bonds or the interest thereon except from the Pledged Funds and the Assessments and neither the faith and credit, nor the taxing power of the County is pledged for the payment of the Series 1990A Bonds. The Series 1990A Bonds shall not constitute a lien upon the System or any other property of the County, nor shall they constitute an indebtedness of the County within the meaning of any constitutional or statutory provision or limitation.

Flow of Funds

The Resolution provides for the application of Pledged Funds and Assessments as follows:

Connection Charges. The County 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. Excess Connection Charges are deposited into the Stabilization Account. For operation of the Current Account and the Stabilization Account and the ability of the County to use such funds for the payment of debt service on the Series 1990 Bonds, reference is hereby made to the Summary of Certain Provisions of the Resolution set forth in Appendix D hereto.

Assessments. All Assessments shall be deposited by the County into the Assessments Fund promptly upon receipt thereof. After first reimbursing itself for costs incurred in connection with the imposition, levy and collection of the Assessments, on or before the last day of each month in every Bond Year, all moneys in the Assessments Fund shall be deposited to the Debt Service Fund until the aggregate amount of all such deposits therein during each Bond Year shall equal all of the installments of the Assessments scheduled to be paid to the County during such Bond Year and all such moneys thus deposited shall be applied by the County in the same manner as other moneys in the Debt Service Fund pursuant to the Resolution. On each April 1 and/or such

other date as may be authorized by the Board, moneys in the Assessments Fund in excess of the aggregate amount of installments scheduled to be paid to the County in such Bond Year shall be applied by the County to the payment of Assessments Redemption Bonds in accordance with the provisions of the Resolution.

Gross Revenues. All Gross Revenues shall be deposited by the County into the Revenue Fund, promptly upon receipt thereof. On or before the last day of each month 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 County 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 that the County 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, subject to the requirements imposed by the Resolution with respect to the Annual Budget.

(2) Debt Service Fund. Next, the County 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 Assessments Fund pursuant to the Resolution, 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 County in the manner provided in the Resolution 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 shall be deposited or credited in the following manner and in the following order of priority:

(a) Interest Account. The County 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.

(b) Principal Account. Next, the County shall deposit into or credit to the Principal Account the sum which, together with surplus money 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.

(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 County 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.

(d) Reserve Account. Next, the County 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 County to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds to the extent moneys in the Interest Account, the Principal Account and the Bond Amortization Account shall be insufficient for such purpose. Whenever there shall be surplus moneys in the Reserve Account by reason of a decrease in the Reserve Account Requirement, such surplus moneys shall be deposited by the County into the Interest Account.

(3) Subordinated Indebtedness. Next, the County 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, the County 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 amount on deposit in the Renewal and Replacement Fund exceeds the Renewal and Replacement Fund Requirement, such excess shall be withdrawn and deposited to the credit of the Revenue Fund.

(5) Rebate Fund. Next, the County may, at its option, deposit into or credit to the Rebate Fund the amount required to be deposited therein pursuant to the Resolution.

(6) Excess Revenues. Finally, the County 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.

Rate Covenant

In and by the Resolution, the County has covenanted and agreed that it will fix, establish, maintain and collect fees and charges (excluding Connection Charges, Assessments and other non-ad valorem special assessments) for the use of the services and facilities of the System ("Rates") and revise the same effective at the beginning of each fiscal year, to the extent necessary, to provide (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 County 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 Maximum Debt Service Requirement and at least one hundred percent (100%) of any amount 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 ("Required Deposits"), (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 County in the immediately preceding fiscal year), without taking into account Connection Charges, equal to at least one hundred ten percent (110%) of the Maximum Debt Service Requirement and at least one hundred percent (100%) of any Required Deposits, (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 Maximum Debt Service Requirement, less debt service for all Assessments Redemption Bonds, and at least one hundred percent (100%) of any Required Deposits, 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 Maximum Debt Service Requirement, less debt service for all Assessments Redemption Bonds, and at least one hundred percent (100%) of any Required Deposits. Such Rates shall not be so reduced that the same will be insufficient to provide Net Revenues in each fiscal year fully adequate for the purposes provided therefor by the Resolution, provided, however, anything in the Resolution to the contrary notwithstanding, no provision of the Resolution shall be construed to obligate the County to impose or, once imposed, continue Connection Charges; but at any time and while Connection Charges shall be in effect and imposed by the County, the same shall be pledged under the Resolution to the extent provided therein.

Reserve Account

The Resolution provides for the establishment and maintenance of a Reserve Account. Upon delivery of the Series 1990A Bonds, there shall be deposited into the Reserve Account a sum which, together with other moneys on deposit in the Reserve Account, shall equal the Reserve Account Requirement for the Bonds, which sum shall be maintained for the benefit of the holders of the Bonds. No further payments shall be required to be made into the Reserve Account as long as the amount on deposit therein shall equal the Reserve Account Requirement for the outstanding 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 described in the Resolution.

The "Reserve Account Requirement" as of any date of calculation, is an amount 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.

Operation and Maintenance

The County 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

County will obtain and renew to the full extent required by applicable law all permits for acquisition, construction and operation of the System.

Mortgage or Sale of System

The County 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 the Resolution, until all of the Bonds and the Outstanding Parity Bonds and all interest thereon shall have been paid in full or provision for payment has been made.

Insurance

So long as the Net Revenues are pledged for payment of the Bonds, the County 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 County 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 or equipment of the System.

Additional Bonds

The Series 1990A Bonds shall for all purposes be considered to be Additional Bonds issued under the authority of the Resolution and shall be entitled to all the protection and security provided in and by the Resolution for the Outstanding Parity Bonds, and the Series 1990A Bonds shall be in all respects entitled to the same security, rights and privileges enjoyed by the Outstanding Parity Bonds. The general covenants and pledges contained in the Resolution shall be applicable to the Series 1990A Bonds in like manner as applicable to the Outstanding Parity Bonds. The principal of, interest on and redemption premiums on the Series 1990A Bonds shall be payable from the Debt Service Fund established by the Resolution on a parity with the Outstanding Parity Bonds, and deposits shall be made into the Debt Service Fund by the County in amounts fully sufficient to pay the principal of and interest on the Series 1990A Bonds and on the Outstanding Parity Bonds as such principal and interest become due. The Reserve Account established by the Resolution shall be applicable pro rata to the Series 1990A Bonds in the same manner as applicable to the Outstanding Parity Bonds.

No Additional Bonds, payable from the Pledged Funds on a parity with the Series 1990A Bonds and Outstanding Parity Bonds then Outstanding pursuant to the Resolution, shall be issued except upon the conditions and in the manner provided in the Resolution. Under the Resolution, the County 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 County.

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

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

(B) There shall have been obtained and filed with the County a certificate of an independent certified public accountant: (1) stating that he has examined the books and records of the County 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 County 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 County 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) stating that such Net Revenues adjusted as provided in (E) below, 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 into the Assessments Fund as stated pursuant to clause (2) of this paragraph, equal at least 1.10 times the Maximum Debt Service Requirement for all Outstanding Bonds and such Additional Bonds then proposed to be issued; (4) stating that such adjusted Net Revenues and the amount of Assessments allowed under clause (3) of this paragraph and such Connection Charges, adjusted as provided in (E) below, equal at least 1.20 times the Maximum Debt Service Requirement for all Outstanding Bonds and such Additional Bonds then proposed to be issued; (5) stating that such adjusted Net Revenues equal at least 1.10 times 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; (6) stating that such

adjusted Net Revenues and such Connection Charges, adjusted as provided in (E) below, equal at least 1.20 times 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 (7) 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 the foregoing, 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 the foregoing, the phrase "immediately preceding Fiscal Year or any twelve (12) consecutive months selected by the County 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 County, as follows:

(1) If the County, 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 acquired facilities of the System, 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 had produced revenues, during all of such twelve consecutive months.

(2) In the event the County 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, from which Project or Projects the County 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 from existing residential and business development during the first twelve (12) months of operation of such Project after completion of the construction or acquisition thereof.

(3) If the County, in connection with the issuance of Additional Bonds, shall enter into a contract (with a duration not less than the final maturity of such Additional Bonds) with any public or private entity whereby the County agrees to furnish services in connection with any water and/or sewer system, then the Net Revenues of the System during the twelve (12) consecutive months shall be increased by the least amount which said public or private entity shall guarantee to pay in any one year for the furnishing of said services by the County, after deducting therefrom the proportion of operating expenses and repair, renewal and replacement cost attributable in such year to such services.

(4) In the event the County shall be constructing or acquiring additions, extensions or improvements to the System from the proceeds of such Additional Bonds and shall have 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 from existing residential and business users of the facilities to be financed by 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 the Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of the 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 the Resolution; provided, however, any Supplemental Resolution authorizing the issuance of Additional Bonds may provide that any of the covenants contained in the Resolution 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 otherwise provided in the Resolution, 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 County shall include a provision in any Supplemental Resolution authorizing the issuance of Variable Rate Bonds pursuant to the Resolution 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 the Resolution.

(G) In the event any Additional Bonds are issued for the purpose of refunding any Bonds then Outstanding, the above conditions 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 paragraph (B) above 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 authorized to be issued under the Resolution are not issued simultaneously, such Bonds which are subsequently issued shall be subject to the conditions of paragraph (B) above.

(I) In addition to all of the other requirements specified with respect to the issuance of Additional Bonds, the County 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 County to issue Additional Bonds.

MUNICIPAL BOND INSURANCE

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

1990A Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

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

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "Corporation"), a Delaware holding company. The Corporation is a wholly-owned subsidiary of General Electric Capital Corporation ("GE Capital"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is domiciled in the State of New York and is subject to regulation by the State of New York Insurance Department. As of December 31, 1989, the total capital and surplus of Financial Guaranty was approximately \$441,500,000. Copies of Financial Guaranty's financial statements, prepared on the basis of statutory accounting principles, and the Corporation's financial statements, prepared on the basis of generally accepted accounting principles, may be obtained by writing to Financial Guaranty at 175 Water Street, New York, New York 10038, Attention: Communications Department. Financial Guaranty's telephone number is (212) 607-3000.

PRELIMINARY SOURCES AND USES OF FUNDS*

The proceeds to be received from the sale of the Series 1990A Bonds, together with other monies from the County, shall be applied as follows:

Sources:

Principal Amount of the Series 1990A Bonds	\$7,490,000
Accrued Interest on the Series 1990A Bonds	13,440
 Total Sources	 <u>\$7,503,440</u>

USES:

Deposit to Construction Fund	\$6,061,211
Deposit to Interest Account**	434,873
Deposit to Reserve Account	754,418
Costs of Issuance (including Underwriters' Discount and Bond Insurance Premium)	<u>252,938</u>
 Total Uses:	 \$7,503,440

*Preliminary, subject to change.

**Includes Accrued Interest plus capitalized interest through December 1991 on the Assessment Redemption Bonds and through December 1990 on all other Series 1990A Bonds.

DEBT SERVICE SCHEDULE

Year ending June 1	Outstanding Parity Bonds	Series 1990A Bonds			Total Debt Service
		Principal	Amortization Installments	Interest	
1990	536,010.42				
1991	650,312.50				
1992	911,182.50				
1993	911,082.50				
1994	909,782.50				
1995	906,907.50				
1996	907,417.50				
1997	910,957.50				
1998	907,157.50				
1999	911,282.50				
2000	907,877.50				
2001	907,237.50				
2002	909,000.00				
2003	908,250.00				
2004	911,000.00				
2005	912,000.00				
2006	911,250.00				
2007	908,750.00				
2008	909,500.00				
2009	908,250.00				
2010					
2011					
2012					
2013					
2014					
2015					

Totals:

HISTORICAL AND PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE

The following table is based on information contained in the Consulting Engineers' Report included herein as Appendix A. The Component Unit Financial Statements for the Board of County Commissioners of the County for the year ended September 30, 1989 are included in Appendix C hereto including the Mainland Utilities System within the Section entitled Supplemental Information.

	HISTORICAL (rounded amounts 000's omitted)					PROJECTED (rounded amounts 000's omitted)					
	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
OPERATING REVENUES											
Water Sales											
Retail	\$191	\$238	\$305	\$333	\$371	\$ 640	\$ 967	\$1,076	\$1,161	\$1,235	\$1,314
Bulk to ASD	365	624	-95	409	507	600	1,081	1,135	1,151	1,206	1,264
TOTAL*	\$556	\$862	\$800	\$742	\$878	\$1,240	\$2,048	\$2,211	\$2,312	\$2,441	\$2,578
Sewer Service Charges						110	646	795	881	960	1,043
Meter Installations (Tapping Fees)	22	38	43	30	63	50	56	60	62	59	62
TOTAL*	\$578	\$919	\$843	\$772	\$941	\$1,399	\$2,750	\$3,066	\$3,255	\$3,468	\$3,683
OPERATING EXPENSES											
Contractual Services (a)	\$ 90	\$123	\$124	\$158	\$262						
Operating Expenses (a)	117	138	151	153	162						
Maintenance (a)	30	67	32	44	49						
Water System -						\$ 473	\$ 852	\$ 930	\$1,005	\$1,084	\$1,170
General Operations (b)											
New Inst. MIs. (b)						25	44	48	52	57	62
Water System Total						\$ 418	\$ 896	\$ 978	\$1,057	\$1,141	\$1,232
Sewage System Total (b)						110	293	332	365	399	436
TOTAL*	\$238	\$328	\$307	\$355	\$393	\$ 526	\$1,189	\$1,310	\$1,422	\$1,540	\$1,668
NET OPERATING REVENUE	\$340	\$591	\$536	\$417	\$468	\$ 871	\$1,561	\$1,756	\$1,833	\$1,920	\$2,015
NON-OPERATING INCOME											
Interest Income	\$ 19	\$ 35	\$ 62	\$111	\$240	\$ 120	\$ 164	\$ 164	\$ 164	\$ 164	\$ 164
Special Assessments	-0-	-0-	-0-	-0-	-0-	-0-	237	237	237	237	237
TOTAL NON-OPERATING INCOME*	\$ 19	\$ 35	\$ 62	\$111	\$240	\$ 120	\$ 401	\$ 401	\$ 401	\$ 401	\$ 401
TOTAL NET REVENUE AND ASSESSMENT*	\$359	\$626	\$598	\$529	\$708	\$ 991	\$1,962	\$2,157	\$2,234	\$2,321	\$2,416
PLEDGE UNIT CONNECTION FEES	-0-	-0-	-0-	-0-	-0-	\$ 296	\$ 407	\$ 569	\$ 602	\$ 557	\$ 586
TOTAL NET REVENUE + U.C.F.*	\$359	\$626	\$598	\$529	\$708	\$1,287	\$2,369	\$2,726	\$2,836	\$2,878	\$3,002
ANNUAL DEBT SERVICE PAYMENT											
Existing Issue-1980 (c)	\$142	\$144	\$144	\$143	\$144						
Series 1989 Issue	n.a.	n.a.	n.a.	n.a.	55	\$ 658	\$ 650	\$ 911	\$ 912	\$ 910	\$ 907
Series 1990A Issue (d)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	186	681	755	754	757
TOTAL DEBT SERVICE*	\$142	\$144	\$144	\$143	\$199	\$ 658	\$ 836	\$1,592	\$1,667	\$1,664	\$1,664
DEBT SERVICE - Coverage Factor (Net Revenue and Assessment)	2.527	4.360	4.147	3.700	3.553	1.507	2.346	1.385	1.3461	1.395	1.452
DEBT SERVICE COVERAGE (NET ASSESSMENTS PLEDGE U.C.F.)						1.957	2.833	1.713	1.700	1.730	1.804
EXCESS, AVAILABLE FOR RENEWAL & REPLACEMENT	\$217	\$483	\$454	\$386	\$509	\$ 333	\$1,126	\$ 565	\$ 567	\$ 657	\$ 752
REQUIRED RENEWAL & REPLACEMENT - 5% OF GROSS OPERATING REVENUE	\$ 29	\$ 46	\$ 42	\$ 39	\$ 47	\$ 70	\$ 138	\$ 154	\$ 163	\$ 174	\$ 185

* Totals may not appear accurate due to rounding.

(a) Contractual Services, Operating Expenses, and Maintenance are all from historical audits, with Operating Expenses including such items as Salaries, and benefits, Chemicals, Utilities, etc.

(b) Water System and Sewage System expenses for the existing Mainland utility system service area reflect figures prepared in conjunction with issuance of outstanding Parity Bonds. Additionally, the new Mainland utility system service area expenses were projected using the same expense criteria as the Water and Sewer Rate Study of July 1988 by Hart Environmental, for the period of Fiscal Year 1991-1995.

(c) The Existing 1980 Debt Service (issue was defeased with the Series 1989 Bonds.

(d) The Series 1990 Bonds Debt Service was based on information provided by the financial advisor using an assumed net interest cost of 7.04%. The debt service figures are net of capitalized interest.

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

(f) Revenue projections are based on the Rates in Table A of the Consulting Engineers' Report included herein as Appendix A, with new service area connections projected in Fiscal Year 1991.

(g) Bulk sales to ASD is for finished water beginning in Fiscal Year 1991.

OPERATING RESULTS OF THE SYSTEM

	<u>Four Months Ended</u> <u>January 31, 1989</u>	<u>Four Months Ended</u> <u>January 31, 1990*</u>
OPERATING REVENUE		
Water Sales	228,374	348,608
Meter Installation (Tap Fees)	17,075	21,000
Sewer Fees	<u>0</u>	<u>3,956</u>
TOTAL	245,449	373,564
OPERATING EXPENSES		
Contractual Services	60,436	74,647
Operating Expenses	39,019	48,490
Maintenance	<u>13,120</u>	<u>6,178</u>
TOTAL	112,575	129,315
NET OPERATING REVENUE	132,874	244,249
NON OPERATING INCOME	<u>48,206</u>	<u>153,942</u>
TOTAL NET REVENUE	182,080	398,191

Source: County Finance Department

*Includes revenues due to rate increases
June and October, 1989.

THE SYSTEM

The Mainland Utilities System is one of three governmental utilities systems providing utility service within the unincorporated area of St. Johns County, Florida. Under an agreement with the County, the City of St. Augustine, Florida provides some water and sewer services in portions of the unincorporated area of the County located near the City. The Anastasia Sanitary District (ASD), an independent special district created within St. Johns County and under the direction of the Board of County Commissioners of St. Johns County, services the area east of the Matanzas River and south of the City of St. Augustine. Mainland Utilities System has contracted with ASD for the provision of operational and administrative services by ASD personnel. Such personnel operate as the St. Johns County Utilities Department. ASD is currently supplied with raw water from the Mainland Utilities System through a bulk sales agreement, with the provision that treated water will be supplied upon the completion of the new Tillman Ridge water plant being constructed within the Mainland Utilities System from proceeds of the Outstanding Parity Bonds.

The existing Mainland Utilities System service area is bounded generally by the existing City of St. Augustine system service area on the northeast, Matanzas River on the east, the State Road 206 corridor on the south, the Interstate 95 corridor on the west, and the Florida East Coast railway on the north. A map included in Appendix A -- Report of Consulting Engineers presents both the existing and expansion service areas of the Mainland Utilities System.

Water System

The Water System was constructed initially in 1980-1981 with proceeds of a Community Facilities Loan and Grant from Farmers Home Administration, U.S. Department of Agriculture. Additional facilities have been or are in the process of being constructed and were financed with the proceeds of the Outstanding Parity Bonds. Principal water system facilities include:

Water supply - currently, new wells are being constructed in the existing Mainland Utilities System service area from proceeds of the Outstanding Parity Bonds. These new wells are timed for completion prior to the estimated October, 1990 construction completion of Project 1990A, therefore, the water supply figures reflect the expanded capacity.

(1) Shallow Well Supplies: 7 wells in the Tillman Ridge field, capacity 400 gallons per minute (gpm) or .576 million gallons per day (mgd) each. The wellfield itself has a safe yield withdrawal capacity of 5.0 mgd, with 5 additional well sites and appropriate easements for pipeline.

(2) Deep Well Supplies: 2 wells in the Tillman Ridge water treatment plant site area draw from the Floridan aquifer at the rate of each 2,100 gpm (3.0 mgd). The shallow well raw water and deep well raw water are blended prior to treatment in not less than a 1.1 ratio, in order to reduce the mineral content to a supply treatable by lime softening.

Water Treatment - the current water treatment plant in the Mainland Utilities System has 1.0 mgd capacity using a lime softening treatment process. There is also a 1 million gallon finished water ground storage tank and high service pumping.

The existing Mainland Utilities System water treatment plant, located on Shore Drive, will be abandoned upon completion of a new water treatment plant at the Tillman Ridge site being financed from proceeds of the Outstanding Parity Bonds. The initial rated capacity of the new Mainland Utilities System water treatment plant will be 4.6 mgd. Once the new plant is on line, the ASD water treatment plant will be abandoned and the filters re-installed in the Tillman Ridge water plant, increasing the capacity to 7.0 mgd in approximately 1992. Also, upon completion of the Tillman Ridge water plant, the high service pumps will be

upgraded in order to increase its pumping capacity. The Tillman Ridge water plant is expected to be completed approximately midway through fiscal year 1991, or about six months after completion of Project 1990A. Due to this gap in time between the two construction periods, an emergency well and water treatment system will be constructed in the State Road 16 service area.

Finished water distribution system - the existing system consists of 8-inch and smaller pipeline, along with related valves and hydrants providing sufficient pressure in the System to meet demand.

Finished Water Transmission System - the existing transmission system serves only the existing service area of the County. There are currently plans to extend the transmission system and also provide for more looped lines, which will create a more efficient transmission system.

Pipeline Interconnection to ASD System - there is currently a 10-inch pipeline from the Shore Drive plant to State Road 312, which connects the two systems. Once the new Tillman Ridge plant goes on line the Mainland water system will utilize the existing raw water transmission line to transport finished water to the ASD system.

Wastewater System

The Mainland Utilities System has not previously owned or operated a wastewater system. Construction of wastewater facilities has begun with the use of Outstanding Parity Bond proceeds in the Interstate 95/State Road 207 interchange area.

Largest Retail Customers

	<u>Water and Usage Gallons January 31, 1990 Billing</u>
Ponce De Leon Care Center	26,000
Cardinal Management Inc. /Moultrie Apts.	29,000
Regency Health Care Center	20,100
Southgate Trailer Park	13,400
Publix Supermarkets, Inc.	11,000
Moultrie Woods Townhomes	10,000
Charles Morand, MD	7,500
Shatila & Sons	3,000
Coral Landing	5,000
Chi, Kao Shih/Hunan Palace	4,200

Mandatory Connection

On May 23, 1989, the governing body of the County enacted Ordinance 89-21 requiring mandatory connection to the System's water and sewer facilities. As of June 15, 1989, 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 two hundred feet from the structure or improvement.

Rates, Fees and Charges

On March 16, 1990, the Board adopted rates, fees and charges, as shown below.

<u>User Charges</u>	<u>Existing Mainland Service Area (Effective June 1989)</u>	<u>Project 1990A Service Area (As Adopted March 1990)</u>
<u>Water Rates - Monthly</u>		
Minimum (4,000 gallons allowed)	\$ 13.10	\$ 15.40
Overage (per 1,000 gallons)	\$ 3.40	\$ 3.85
* <u>Sewer User Fees (Monthly)</u>		
Minimum (4,000 gallons allowed)	\$ 13.35	\$ 35.00
Overage (per 1,000 gallons)	\$ 3.15	\$ 8.75
<u>Tapping Fees</u>		
<u>Water Meter Size</u>		
3/4 - inch	\$ 300.00	\$ 300.00
1 - inch	412.00	412.00
1 1/2 - inch	1,200.00	1,200.00
2 - inch	1,800.00	1,800.00
3 - inch	3,750.00	3,750.00
4 - inch	6,000.00	6,000.00
6 - inch	9,750.00	9,750.00
<u>Bulk Water Sales</u>		
October 1, 1989 - September 30, 1990 ¹	\$1.35 per 1,000 gal. Raw	
October 1, 1990 ¹ - September 30, 1992	2.70 per 1,000 gal. Finished	
<u>Unit Connection Fees²</u>		
<u>Existing Mainland Service Area</u>		
* Water (per gpd)	\$ 3.00	
* Sewer (per gpd)	3.80	
<u>At Construction Completion</u>		
* Water (per gpd)		-0-
* Sewer (per gpd)		-0-
<u>First Year After Construction</u>		
* Water (per gpd)		\$ 1.50
* Sewer (per gpd)		3.83
<u>Second Year After Construction</u>		
* Water (per gpd)		\$ 2.50
* Sewer (per gpd)		6.37
<u>Third Year After Construction & After</u>		
* Water (per gpd)		\$ 3.50
* Sewer (per gpd)		8.92
<u>Special Assessment/MSBU</u>		
* Water - Fire Flow (per sq. ft.)		\$ 0.057 ³ **
* Sewer - Collection System (gpd) ²		3.87

¹ Sewer charges and fees are calculated on gallons of metered potable water.

² Preliminary, not to exceed figures; final figures will be determined after public hearing pursuant to Section 197.3612, Florida Statutes (1989).

1. Adjust date of rate change to actual date of initial finished water purchase upon completion of Tillman Ridge Plant. This rate change is project with actual adoption scheduled for plant completion.

2. Based on schedule of typical volume usage per dwelling unit type or establishment type.

Collection Practices; Delinquences; Reduced Rates

Customers of the Mainland Utilities System are billed on a monthly basis by the St. Johns County Utilities Department. Water and sewage service will be billed jointly. In the event of nonpayment of a bill for water or sewer services ten days after cutoff notice has been mailed to the customer and at least thirty days from the date the payment was originally due services to that customer may be discontinued or terminated. At the end of fiscal years 1989, 1988, 1987, 1986 and 1985, the over-60-day delinquent water accounts receivable of the System which were not collected were .0007%, .0007%, .003%, .003% and .002% of total billing respectively.

On May 23, 1989 by joint Resolution No. 89-5, of the governing bodies of the County and the ASD, the ASD agreed to purchase from the County and the County agreed to sell to the ASD untreated water at a rate of \$1.35 per thousand gallons up to a maximum of three (3) million gallons per day. Upon completion of the Tillman Ridge water treatment plant, treated water will be sold to ASD instead of untreated water at reduced rates as shown in the foregoing rate schedule. The resolution may be terminated by either party on 30 days prior notice. The System provides no other exemptions or reduced rates from the rates and fees described herein.

Regulation

The United States Environmental Protection Agency ("EPA") and the Florida Department of Environmental Regulation ("FDER") promulgate various regulations governing operation of the System. Associated with the regulations are various monitoring and reporting requirements. In addition, EPA and FDER have also promulgated regulations in regard to grant moneys that may be received by the System for the planning, design and construction of various projects. The grant-related regulations touch upon a wide variety of matters, including planning, methodologies, design criteria, construction activities, and the operation, maintenance and financing of facilities.

The System is not facing any EPA or FDER mandated schedules for elimination of discharges, or any wastewater related administrative orders or consent decree decisions.

In addition to regulation of the wastewater treatment facilities, EPA and FDER regulate the quality of the System's water. The System is currently in compliance with all applicable regulations relating to water quality.

THE PROJECT 1990A

The Consulting Engineers, Camp Dresser & McKee, Inc., Jacksonville, Florida (the "Consulting Engineers"), have issued a Consulting Engineer's Report dated March 15, 1990 which is

reproduced in its entirety in Appendix A to this Official Statement. All of the improvements planned will be located near the Interstate-95/State Road 16 Interchange.

Water System Improvements

The planned improvements for the water system consist of a transmission main from the Tillman Ridge water treatment plant currently being constructed and distribution facilities, as well as a 300,000 gallon elevated storage tank.

The new water treatment plant (financed with proceeds of the Outstanding Parity Bonds) is located at the County's wellfield on Tillman Ridge just north of County Road 214 and west of Interstate-95. The transmission main will be routed from the water plant north to County Road 208. The proposed routing runs north along the logging road owned by a private individual, northeast across Trestle Bay Swamp to Ag Center Drive, then north to County Road 208.

The area around the Interstate-95/State Road 16 interchange will be serviced by water mains located on both sides of State Road 16, and a 12-inch water main will extend eastward along the south boundary of State Road 16 to the approximate location of the Fountains development on the eastern extreme of the service area.

Specific pipeline and storage tank facilities are to be constructed and located as follows:

Water Treatment Plant to State Road 16/County Road 208 - 12" transmission main

West of State Road 16/Interstate-95 interchange - 8" & 12" distribution line

West of Interstate-95 to Inman Road - 12" transmission main

Inman Road to the Fountains - 12" transmission main

Inman Road - 8" distribution line

North Retail Area - North of State Road 16 - 8" distribution line

The above projects require a total of approximately 11,750 linear feet of 8" pipeline and 55,200 linear feet of 12" pipeline.

A 300,000 gallon elevated storage tank will be located in the northeast quadrant of the Interstate-95 - State Road 16 interchange.

Wastewater System Improvements

The wastewater collection system, including pumping stations and force mains, was designed to collect wastewater generated in the Interstate-95/State Road 16 interchange area. The gravity collection will extend outward to the west from the interchange to the Kentucky Fried Chicken restaurant on County Road 208; to the property line of the proposed Sembler Outlet Mall, west on State Road 16; and east to Inman Farms Road on State Road 16. The pipe sizes range in diameter from 8 to 15 inches, with an estimated 12,000 linear feet of pipeline.

The pumping and transmission system for the immediate service area consists of 2 pumping stations and force mains to deliver the raw wastewater to the treatment plant. The pumping stations are described as follows:

Pump Station No. 1 - State Road 16 West:

Located on the north side of State Road 16 adjacent to the Interstate-95 exit ramp and the Exxon gas station. This pump station was designed to collect all of the wastewater flow from the western portion of the service area. The pump station will be furnished with two 4-inch pumps and 10 hp motors having a capacity of 300 gpm each.

Pump Station No. 2 - State Road 16 and Green Acres Road:

To be located near the intersection of Green Acres Road with State Road 16. This pump station is the master pumping station for the entire service area and will be provided with a diesel generator providing a stationary source of auxiliary power. The pump station will be furnished with two 4-inch 15 hp pumps and motors, having a capacity of 370 gpm each. These pumps can also be increased in capacity with relative ease. This pump station will deliver wastewater flow directly to the wastewater treatment plant from the interchange area.

The transmission system is designed to accommodate the flow from the entire proposed service area. Specific details are as follows:

Stagecoach RV Park on County Road 208 to MH #5 - 4" force main

Fountains to wastewater treatment plant - 8" force main

Pump Station No. 2 to wastewater treatment plant - 10" and 12" force main.

The above items require approximately 26, 150 linear feet of pipeline ranging from 4" - 12".

The wastewater treatment plant to be constructed is a 500,000 gallons/day field erected package wastewater treatment plant.

The plant is to be constructed as a round steel tank, with an anticipated future use as a sludge digester as part of a larger wastewater treatment plant.

Land Purchase

The effluent disposal method selected took into account such conditions as site availability, land acreage, soil characteristics, site vegetation, and presence of wetlands systems. Effluent will be discharged into isolated wetlands following tertiary treatment. The County has selected a site for both the wastewater treatment plant and effluent disposal after tertiary treatment. One hundred acres are being purchased for this purpose with proceeds of the Series 1990A Bonds. The area is located south of State Road-16 south of Industrial Center Drive, and consists of scrub and pine flatwoods and is primarily undeveloped with some commercial and light industrial establishments located in the industrial park to the north of the property.

Cost of the Project

Preliminary Estimated Project Costs:

Wastewater Collection System		\$	370,867
Contingency	(10%)		37,087
Engineering/Admin.	(15%)		55,630
		\$	<u>463,584</u>
Wastewater Transmission		\$	586,043
Contingency	(10%)		58,604
Engineering/Admin.	(15%)		87,906
		\$	<u>732,553</u>
Wastewater Treatment Plant		\$	892,378
Contingency	(10%)		89,238
Engineering/Admin.	(15%)		133,857
		\$	<u>1,115,473</u>
Effluent Disposal		\$	482,274
Contingency	(10%)		48,227
Engineering/Admin.	(15%)		72,341
		\$	<u>602,842</u>
Land		\$	900,000
Water Transmission and Storage		\$	1,749,981
Contingency	(10%)		174,998
Engineering/Admin.	(15%)		262,497
		\$	<u>2,187,476</u>
Water Wells and Temp. Treatment		\$	150,000
Contingency	(10%)		15,000
Engineering	(15%)		22,500
		\$	<u>187,500</u>
Total Estimated Project Costs		\$	6,189,428

Permits

Although the County has not yet received all permits necessary for the construction and operation of the planned improvements, it has no reason to believe that such permits will not be timely received.

Study of Consulting Engineers

The Consulting Engineers' Report, which appears as Appendix A hereto, sets forth the projected operating results for each of the six fiscal years from 1990 through 1995. The projections reflect debt service coverage for the Outstanding Parity Bonds and the Series 1990A Bonds. The Consulting Engineer's Report should be read in its entirety, including the considerations and assumptions upon which the projected operating results are based.

The projection of operating results included in the Report of the Consulting Engineers is based on assumptions of future events. The assumptions used were reviewed with and approved by the County and are based on present circumstances and information currently available. While the Consulting Engineers believe that the considerations and assumptions used constitute reasonable basis for the preparation of the projections, the achievement of projected operations is dependent upon the occurrence of future events which cannot be assured.

RATINGS

Standard and Poor's Corporation and Moody's Investors Service, Inc., have assigned their municipal bond ratings of a "___" and "___", respectively, to this issuance of Series 1990A Bonds, with the understanding that upon delivery of the Series 1990A Bonds a policy insuring the payment when due of the principal of and interest on the Series 1990A Bonds will be issued by Financial Guaranty.

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 agency if, in the judgment of the respective agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 1990A Bonds.

LEGAL MATTERS

Certain legal matters in connection with the authorization, issuance and sale of the Series 1990A 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. Certain legal matters will be passed upon for the Underwriters by their Counsel, Squire, Sanders & Dempsey, Jacksonville, Florida.

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 Series 1990A 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 Series 1990A 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 Series 1990A Bonds to be included in gross income retroactive to the date of issuance of the Series 1990A 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 Series 1990A 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 Series 1990A Bonds and the application of the proceeds of the Series 1990A Bonds.

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

The Series 1990A 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 Series 1990A Bonds or, in the case of banks and certain

other financial institutions, interest expense allocable to interest on the Series 1990A 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 Series 1990A 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 Series 1990A Bonds.

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

An environmental tax is imposed on corporations (other than S corporations, regulated investment companies, real estate investment trusts, and REMICs) by Section 59A of the Code. The environmental tax is effective for taxable years beginning after 1988, and before 1992. The amount of the environmental tax is equal to 0.12% of the excess of the alternative minimum taxable income (determined with regard to net operating losses and the deduction for the environmental tax) over \$2 million. The environmental tax may be imposed even if the corporation pays no alternative minimum tax because the corporation's regular income tax liability exceeds its alternative minimum tax liability. For purposes of the environmental tax, alternative minimum taxable income includes interest on tax-exempt obligations, such as the Series 1990A 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 Series 1990A 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 tax years beginning after 1986. Interest on tax-exempt obligations, such as the Series 1990A 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 Series 1990A Bonds, may be subject to federal income taxation under Section 1375 of the Code for S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of the S corporation consists of passive investment income.

Florida Tax Matters

It is also the opinion of Bond Counsel that, under existing law, the Series 1990A 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.

LITIGATION

It is the opinion of the County Attorney, that no legal proceedings are pending or threatened which materially affect the County's ability to perform its obligations to the owners of the Series 1990A 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 Series 1990A Bonds or in any way contesting the validity of the Series 1990A Bonds or any proceedings of the County taken with respect to the authorization, sale or issuance of the Series 1990A Bonds or the pledge or application of any moneys provided for the payment of the Series 1990A Bonds.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Florida law requires the County to make a full and fair disclosure of any bonds or other debt obligations which it has issued or guaranteed and which are or have been in default as to principal or interest at any time after December 31, 1975 (including bonds or other debt obligations for which it has served as a conduit issuer). 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 has not undertaken an independent review of bonds or other debt obligations for which it served only as a conduit issuer, if any. To the extent any of such bonds or other debt obligations are in default as to principal and interest, the

obligation of the County thereunder is limited solely to funds received by the party borrowing the proceeds of such bonds or other debt obligations and the County is not obligated to pay principal and interest on such bonds or debt obligations from any other funds of the County.

ENFORCEABILITY OF REMEDIES

The remedies available to the registered owners of the Series 1990A Bonds upon an event of default under the Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the Resolution may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 1990A Bonds will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery.

ANNUAL FINANCIAL REPORT

The Financial Statements of the County for the System for the fiscal year ended September 30, 1989, reproduced herein as Appendix C, are integral parts of this Official Statement. Copies of the Financial Statements and the Report of the auditors are available from the Finance Director upon request.

UNDERWRITING

Smith Barney, Harris Upham & Co. Incorporated and Barnett Capital Markets Group, a division of Barnett Brokerage Service, Inc. (the "Underwriters") have agreed, subject to certain conditions, to purchase the Series 1990A Bonds from the County at a price equal to \$ _____ plus accrued interest at the date of delivery. The offer of the Underwriters to purchase the Series 1990A Bonds, accepted by the County, provides for the purchase of all of the Series 1990A Bonds.

The Series 1990A Bonds are being offered for sale to the public at the prices shown on the cover hereof. The Underwriters may offer and sell the Series 1990A Bonds to certain dealers and others at prices lower than the public offering prices and such public offering prices may be changed, from time to time, by the Underwriter.

FINANCIAL ADVISOR

Public Financial Management, Inc., Fort Myers, Florida, is serving as financial advisor to the County with respect to the sale of the Series 1990A Bonds. The Financial advisor assisted in the preparation of this Official Statement and in other

matters relating to the planning, structuring and issuance of the Series 1990A Bonds and provided other advice. Public Financial Management, Inc. is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading of municipal securities or any other negotiable instruments. Public Financial Management, Inc. is a wholly owned subsidiary of Marine Midland Bank, N.A.

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 this 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 representation of fact, and no representation is made that any of the estimates will be realized.

AUTHORIZATION OF AND CERTIFICATION OF OFFICIAL STATEMENT

The delivery of this Official Statement has been duly authorized by the Board of County Commissioners of St. Johns County, Florida. At the time of delivery of the Series 1990A Bonds, the Chairman or Vice-Chairman of the Board of County Commissioners 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 delivery of the Series 1990A Bonds contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they are made, not misleading.

ST. JOHNS COUNTY, FLORIDA
BOARD OF COUNTY
COMMISSIONERS

By: _____
Chairman

APPENDIX A--REPORT OF CONSULTING ENGINEERS

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environmental engineers, scientists,
planners, & management consultants

CAMP DRESSER & MCKEE INC.

6650 Southpoint Parkway, Suite 330
Jacksonville, Florida 32216

March 15, 1990

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

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

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

Dear Mr. Castle:

We have prepared this report to provide pertinent engineering information for inclusion in the official statement pertaining to the issuance of \$7,490,000 for the St. Johns County, Florida Water and Sewer Revenue Bonds, Series 1990A.

1. INTRODUCTION

The Series 1990A Bonds are being issued to finance the construction of water and sewer facilities in the I-95/SR16 corridor. These facilities, at a total project cost of approximately \$6,189,428 are necessary in order to provide water and sewer service to an existing primarily commercial area of approximately 200,000 gallons/day of flow. The facilities will also provide capacity for an additional proposed flow of approximately 300,000 gallons/day. These facilities include the following:

- o A potable water transmission and distribution system to supply the average daily flow and fire protection for the area surrounding the I-95/SR16 interchange. The transmission line will extend north from the proposed Tillman Ridge Water Plant to CR 208. The distribution system will provide average daily potable water demands and fire flow requirements for the existing establishments in the I-95/SR16 interchange. The distribution system will also extend to serve the area adjacent to Inman Farms Road and east from Inman Farms Road to the proposed Fountains development. The transmission and distribution system consists of approximately 66,950 feet of pipe ranging in diameter from 8 to 12 inches.
- o A gravity wastewater collection system consisting of approximately 12,000 feet of piping ranging in size from 8 to 15 inches in diameter. This gravity system will, at a minimum, be capable of transporting the wastewater from the existing establishments and the proposed near term development in the interchange of I-95/SR16 to one of the two pumping stations. A collection system will also be provided to serve the Inman Farms area.

- o Two wastewater pumping stations that will collect raw wastewater from the west and east side of the I-95/SR16 interchange and transport the wastewater to the proposed wastewater treatment plant. Pump Station No 1 will collect the wastewater from the area west of I-95 and Pump Station No. 2 collects the flow from Pump Station No. 1 and the wastewater generated from the east side of the interchange and also acts as the master pumping station from the interchange into the treatment facility.
- o A 500,000 gallon per day advanced wastewater treatment facility providing tertiary treatment. An effluent reuse system utilizing existing wetlands with an initial capacity of approximately 350,000 gallons per day is also provided. The effluent system will also include an effluent pumping station and transmission line to deliver the treated wastewater to the wetlands.
- o A wastewater transmission system that transports raw wastewater from the two pumping stations to the treatment facility. This system consists of approximately 26,150 feet of pipe ranging in diameter size from 4 to 12 inches.
- o A 300,000 gallon elevated water storage tank that will assist in maintaining the required water pressure in the service area and providing the necessary storage to meet the fire flow demands.

Camp Dresser & McKee Inc. (CDM), has been the engineering firm responsible for the financial planning as well as the engineering design of this project. A substantial amount of data was obtained from the St. Johns County Utility and Administrative staff, for which we are very grateful. We address the following aspects of the County's Mainland Utility System in this report:

- o General information and administration
- o A description of the Mainland service area
- o Proposed capital improvements to the Mainland Utility System.
- o The numbers and types of customers and their usage of the system.
- o Projections of revenues, expenses, debt service coverage, and necessary rates.
- o Summary of conclusions.

2. GENERAL INFORMATION AND ADMINISTRATION

2.1 Organization

The St. Johns County Utilities Department is responsible for the provision of water and sewer services within the County's service areas. There are two separate water service areas, Anastasia Sanitary District and the Mainland Water System. The employees working for St. Johns County in their utility department are actually employed by Anastasia Sanitary District, with their services then contracted out to Mainland. There is currently one functional sewer service area, Anastasia Sanitary District (ASD), with construction for sewer service in process for the Mainland Water System. The Mainland Water System will be referred to in the remainder of this report as the Mainland Utility System due to the provision of sewer service as well as water service. Figure 1 provides an organizational chart of the department.

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

Mr. Bobby Jones is the Director of St. Johns County Utilities Department, as an employee of ASD. Mr. Jones has been employed with the department since November, 1981.

Mr. Herbert Van Der Mark is the Construction Manager for St. Johns County Utilities Department, as an employee of ASD. Mr. Van Der Mark has been with the department for fifteen months.

2.2 Billing and Collection

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

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

2.3 Planning

The service area of this planned expansion to the Mainland Utility System is in the vicinity of the intersection of Interstate 95 and State Road 16 and along the State Road 16 corridor east to the City of St. Augustine service area.

CDM evaluated the immediate needs in this service area for a planning horizon of only 3-5 years. This was done in order to accommodate present and near term developments with a financially feasible project.

The service area of I-95/SR16 was previously delineated in planning documents provided by engineering consultants, Waitz and Frye and Hart Environmental, in two independent studies, as well as the County's Comprehensive Plan. The total area build-out is projected to be 2 million gallons/day. The current facilities have been designed to provide 500,000 gallons/day in the interim, with expansion planned for future phases of construction. There is an immediate need for 200,000 gallons/day of service, with 500,000 gallons/day of services needed in a 3-5 year period.

These flow projections were based on an inventory of all existing establishments, commercial and industrial, and the estimation of potable water demands or wastewater flow contribution. Previous studies completed for St. Johns County were used as a base for this flow inventory. The inventory was expanded to include the entire State Road 16 corridor to evaluate all potential scenarios for providing cost-effective utility service. The inventory of commercial and residential establishments is provided in Table 1 with the assigned wastewater flow, and Table 2 with the estimated water demand.

The water flow rates for the inventory of existing commercial and residential developments were developed using the unit connection flow data provided by the County from Ordinance 89-21, Schedule A. The wastewater flow was estimated to equal 85 percent of the Schedule A water flow.

In this manner, all of the existing flows having potential impacts on the newly implemented utilities system were accounted for. Future flows resulting from the potential development of undeveloped land were not addressed in this study due to the limited scope and planning period established for this project. Three potential development areas were included in the study due to their commitment to locate in the service area. The potential developments are:

1. A 225,000 square foot outlet mall and 7,500 square foot restaurant proposed by the Sembler Corporation for opening in September/October 1990. This project has received zoning approval, with final plan review approval expected by early March, with construction to follow.
2. A 150,000 square foot shopping center and golf course residential community (The Fountains) of a minimum of 600 single family homes proposed by Herb Underwood for site development construction in early 1990. Zoning approval has been received. The development plan has been submitted for County staff review. The shopping center portion of the project will follow the residential by about 2 years.
3. A potential residential development which may occur on property owned by the West Augustine Land Company. (Garlack Development). This development is only a proposal at this time, with rezoning required from its open rural status.

TABLE 1
EXISTING UNITS AND PROPOSED DEVELOPMENTS
I-95 AND SR-16 SERVICE AREA
WASTEWATER FLOW CONTRIBUTION

Part I - Existing Units

Section No.	Name	Units (a)	Unit Type (a)	Gals. Unit (a)	Wastewater Flow (b) (gallons/day)
6	Sunshine Inn Restaurant	60	Seat	50	3,000
6	Sunshine Inn	46	Room	150	6,900
6	Days Inn	120	Room	150	18,000
6	Days Inn Restaurant	60	Seat	50	3,000
6	Howard Johnson	60	Room	150	9,000
6	Howard Johnson Restaurant	70	Seat	50	3,500
6	Scottish Inn	144	Room	150	21,600
6	Buccaneer Restaurant	100	Seat	50	5,000
6	Exxon	2	WC	250	500
6	Texaco	2	WC	250	500
6	RV Park	35	Space	200	7,000
7	I-95 Motor Inn	120	Room	150	18,000
7	Denny's	100	Seat	75	7,500
7	Kentucky Fried Chicken	30	Seat	50	1,500
5	Southern Bell	60	Gal./Per	35	2,100
5	Parker	250	Gal./Per	35	8,750
5	Burkhardt	30	Gal./Per	35	1,050
8	Waffle House	30	Seat	75	2,250
8	Starvin Marvin	2	WC	250	500
8	McDonalds	70	Seat	50	3,500
8	Lil Champ	2	WC	250	500
8	Citgo	2	WC	250	500
8	Dairy Queen	60	Seat	50	3,000
8	Gift O Rama	2	WC	250	500
8	Goodbees Restaurant	120	Seat	75	9,000
8	Red Carpet	103	Room	150	15,450
8	Shell Station	2	WC	250	500
8	Amoco	2	WC	250	500
Total Existing Wastewater Flow					153,100

TABLE 1 (continued)
EXISTING UNITS AND PROPOSED DEVELOPMENTS
I-95 AND SR-16 SERVICE AREA
WASTEWATER FLOW CONTRIBUTION

Part II - Proposed Developments

Section No.	Name	Units (a)	Unit Type (a)	Gals./Unit (a)	Wastewater Flow (gallons/day)
6	Sembler Mall	158,320	Sq. Ft.	.1	15,832
6	Sembler Restaurant	150	Seat	50	7,500
6	Fountains-Homes	600	SFU	300	180,000
6	Fountains-Shopping	150,000	Sq. Ft.	.1	15,000
6	Garlack Development	200	SFU	300	60,000
Total Proposed Wastewater Flow					278,332
Total Wastewater Flow					<u>431,432</u>

(a) Units are expressed in accordance with Exhibit A of the Water and Sewer Capacity Agreement. Restaurants are per seat, motels are per room, shopping centers are per sq. ft., etc.

TABLE 2
EXISTING UNITS AND PROPOSED DEVELOPMENTS
I-95 AND SR-16 SERVICE AREA
WATER FLOW DEMAND

Part I - Existing Units

Section No.	Name	Units	Unit Type (a)	Gals./Unit (a)	Water Demand (b) (gallons/day)
6	Sunshine Inn Restaurant	60	Seat	50	3,000
6	Sunshine Inn	46	Room	150	6,900
6	Days Inn	120	Room	150	18,000
6	Days Inn Restaurant	60	Seat	50	3,000
6	Howard Johnson	60	Room	150	9,000
6	Howard Johnson Restaurant	70	Seat	50	3,500
6	Scottish Inn	144	Room	150	21,600
6	Buccaneer Restaurant	100	Seat	50	5,000
6	Exxon	2	WC	250	500
6	Texaco	2	WC	250	500
6	RV Park	35	Space	200	7,000
6	Single Family Unit	1	SFU	300	300
7	I-95 Motor Inn	120	Room	150	18,000
7	Denny's	100	Seat	75	7,500
7	Kentucky Fried Chicken	30	Seat	50	1,500
7	Tensolite	28	Gal./Per	35	980
7	Riley Gear	45	Gal./Per	35	1,575
7	ARG Center	10	Gal./Per	20	200
9	W.D. Dupont	20	Gal./Per	20	400
9	St. Johns Precast	30	Gal./Per	35	1,050
9	UPS	40	Gal./Per	35	1,400
9	Single Family Units	13	SFU	300	3,900
9	Scandinavian Lamp	10	Gal./Per	20	200
10	Single Family Units	2	SFU	300	600
10	Florida Highway Patrol	30	Gal./Per	20	600
40	Single Family Units	2	SFU	300	600
37	Single Family Units	12	SFU	300	3,600
37	Church	200	Seat	3	600
5	Southern Bell	60	Gal./Per	35	2,100
5	Parker	250	Gal./Per	35	8,750
5	Burkhardt	30	Gal./Per	35	1,050

TABLE 2 (continued)
EXISTING UNITS AND PROPOSED DEVELOPMENTS
I-95 AND SR-16 SERVICE AREA
WATER FLOW DEMAND

Section No.	Name	Units	Unit Type (a)	Gals./Unit (b)	Water Demand (b) (gallons/day)
8	Waffle House	30	Seat	75	2,250
8	Starvin Marvin	2	WC	250	500
8	McDonalds	70	Seat	50	3,500
8	Lil Champ	2	WC	250	500
8	Single Family Unit	23	SFU	300	6,900
8	Citgo	2	WC	250	500
8	Dairy Queen	60	Seat	50	3,000
8	Gift O Rama	2	WC	250	500
8	Goodbees Restaurant	120	Seat	75	9,000
8	Red Carpet	103	Room	150	15,450
8	Shell Station	2	WC	250	500
8	Amoco	2	WC	250	500
Total Existing Water Demand					176,005
<u>Part II - Proposed Developments</u>					
6	Sembler Mall	158,320	Sq. Ft.	.1	15,832
6	Sembler Restaurant	150	Seat	50	7,500
6	Fountains-Homes	600	SFU	300	180,000
6	Fountains-Shopping	150,000	Sq. Ft.	.1	15,000
6	Garlack Development	200	SFU	300	60,000
Total Proposed Water Flow					278,332
Total Water Demand					454,337

(a) Units are expressed in accordance with Exhibit A of the Water and Sewer Capacity Agreement. Restaurants are per seat, motels are per room, shopping centers are per sq. ft., etc.

(b) Water Demand is based on the gallon/day water usage from Ordinance 89-21, Unit Connection Fee, Schedule A.

To summarize, the total estimated wastewater flow existing in the immediate service area, to be served by the proposed collection system is 153,100 gallons per day based on the wastewater flow, equaling Schedule A waterflow. Approximately 23,000 gallons per day of wastewater flow is produced by residential (and some commercial) development that is spread over the project route at such distances to make connections to the new utility system impractical. The near term proposed wastewater flow resulting from development activity by the three previously mentioned developers would produce an anticipated additional flow of 278,332 gallons per day. The total estimated wastewater flow in the immediate service area is 431,432 gallons per day.

The potable water demand in the service area was calculated using Ordinance 89-21 Unit Connection Fee, Schedule A flow data. The immediate water flow in the service area is estimated to be 176,005 gallons per day. The near term proposed water flow is estimated to be 278,332 gallons per day, resulting in a total estimated water flow in the service area of 454,337 gallons per day. These flow estimates and the locations of the flow contributions were used to develop the utility system layouts and preliminary design.

2.4 Service Areas

Mainland Utility System

The existing Mainland Utility System service area is bounded generally by the existing City of St. Augustine system service area on the northeast, Matanzas River on the east, the State Road 206 corridor on the south, the Interstate 95 corridor on the west, and the FEC railway on the north. Figures 2 and 3 present both the existing and expansion service areas of the Mainland Utility System, Figure 2 represents water and Figure 3 wastewater.

The other utility system owned by St. Johns County, Anastasia Sanitary District (ASD), is governed separately by the St. Johns Board of County Commissioners acting as an independent district. The Anastasia Sanitary District currently has two outstanding bond issues, Series 1986 and Series 1989, which are secured by district funds only. The District also has a separate rate structure. The District is currently supplied with raw water from the Mainland Utility System through a bulk sales agreement, with the provision that treated water will be supplied upon the completion of the new Tillman Ridge Water plant. The bulk sales agreement is not subject to termination, due to the fact that they both have the same governing body.

3.0 EXISTING FACILITIES

The Mainland Utility System has not previously owned or operated a wastewater system. Construction of wastewater facilities has begun with the use of Series 1989 bond funds in the I-95/SR 207 interchange area.

Currently existing water facilities consist of the following:

- o Water supply - currently, new wells are being constructed in the existing Mainland service area. These new wells are timed for completion prior to the estimated October 1990 construction completion in the new service area, therefore, the water supply figures reflect the new construction capacity.
 - (1) Shallow Well Supplies: 7 wells in the Tillman Ridge field, capacity 400 gallons per minute (gpm) or .576 million gallons per day (mgd) each. The wellfield itself has a safe yield withdrawal capacity of 5.0 mgd, with 5 additional well sites and appropriate easements for pipeline.
 - (2) Deep well supplies: 2 wells in the Tillman Ridge water treatment plant site area draw from the Floridan aquifer at the rate of each 2,100 gpm (3.0 mgd). The shallow well raw water and deep well raw water are blended prior to treatment in not less than a 1:1 ration, in order to reduce the mineral content to a supply treatable by lime softening.
- o Water Treatment - the current water treatment plant in the Mainland Utility System has a 1.0 mgd capacity using a lime softening treatment process. There is also a 1 million gallon finished water ground storage tank and high service pumping.

The existing Mainland water treatment plant, located on Shore Drive, will be abandoned upon completion of a new water treatment plant at the Tillman Ridge site. The initial rated capacity of the new Mainland water treatment plant will be 4.6 mgd. Once the new plant is on line, the Anastasia water treatment plant will be abandoned and the filters re-installed in the Tillman Ridge water plant, increasing the capacity to 7.0 mgd in approximately 1992. Also, upon completion of the Tillman Ridge water plant, the high service pumps will be upgraded in order to increase their pumping capacity. The Tillman Ridge water plant is expected to be completed approximately midway through FY '91, or about six months after completion of the SR16 corridor construction. Due to this gap in time between the 2 construction periods, an emergency well and water treatment system will be constructed in the SR16 service area. This will provide an interim water supply as well as function as a future backup system.

- o Finished water distribution system - the existing system consists of 8-inch pipeline and smaller, along with related valves and hydrants. There is sufficient pressure in the system to meet demand.
- o Finished Water Transmission System - the existing transmission system serves only the existing service area of the County. There are currently plans to extend the transmission system and also provide for more looped lines, which will create a more efficient transmission system.

- o Pipeline Interconnection to the Anastasia Sanitary District - there is currently a 10-inch pipeline from the Shore Drive plant to SR 312, which connects the two systems. Once the new Tillman Ridge plant goes on line the Mainland water system will utilize the existing raw water transmission line to transport finished water to the ASD system.

4.0 SERIES 1989 BOND STATUS

The status of the current construction projects for the Mainland Utility System, funded by the Series 1989 Bonds is provided on Table 3.

There are sufficient funds available for the completion of these projects.

5.0 IMPROVEMENT PROGRAM - SERIES 1990A BONDS - I-95/SR16 CORRIDOR

5.1 Project Description - Water System Improvements

The planned improvements for the water system consist of a transmission main from the County's Tillman Ridge water treatment plant currently being constructed, distribution facilities, as well as a 300,000 gallon elevated storage tank. Figure 4 presents the proposed water system configuration.

The new water treatment plant (funded with Series 1989 bonds) is located at the County's wellfield on Tillman Ridge just north of County Road 214 and west of I-95. The plan is to furnish potable water to the new service area from this centrally located facility. The transmission main will be routed from the water plant north to County Road 208. The proposed routing runs north along the logging road owned by Charles Usina, northeast across Trestle Bay Swamp to Ag Center Drive, then north to CR 208.

The water distribution system proposed for the new service area will provide adequate potable water service to meet demands and requirements of fire protection. The area around the interchange will be serviced by water mains located on both sides of State Road 16, and a 12 inch water main will extend eastward along the south boundary of State Road 16 to the approximate location of the Fountains development on the eastern extreme of the service area. Fire protection and storage capacity adequate to shave peak water demands will be provided by an elevated storage tank to be located in the vicinity of the immediate service area. The storage demands are estimated to be approximately 300,000 gallons based on the requirement to provide for the average daily potable water demand and a fire flow of 1,500 gallons per minute for a 2 hour duration.

The transmission and distribution system water lines were sized based on the conditions of an average daily flow of approximately 576,000 gallons per day and a peak flow based on fire protection requirements of 2,160,000 gallons per day. The distribution system water lines were sized to deliver potable water given the specific demands of the establishments to be served.

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TABLE 3
ST. JOHNS COUNTY
MAINLAND WATER SYSTEM
SERIES 1989 BONDS, CONSTRUCTION PROJECTS STATUS

<u>WASTEWATER</u>						
<u>Bid No</u>	<u>Contractor</u>	<u>Project</u>	<u>Bid Price</u>	<u>Last Change Order</u>	<u>Current Contract Amount</u>	<u>Substantial Completion Date</u>
89-34	WPC Ind & Util.	Wastewater Treatment Plant & Effluent Disposal	\$1,637,000	# 4	\$1,538,639	5/8/90
89-42	N. Florida Utility	Raw Wastewater Transmission	\$ 705,047			5/19/90
<u>WATER</u>						
89-54	Chapman Construction	Shallow Wells	\$ 473,285			5/12/90
89-54	Am. Drilling	Deep Wells	\$ 159,800	# 1	\$ 155,800	2/7/90
89-35	Ed. Waters & Sons	Raw Water Transmission	\$ 921,860			6/6/90
90-1	Indian River Ind. Utility	Water Treatment Plant	\$4,972,777			5/1/91
90-2	Chapman Construction	Finished Water Transmission	\$ 300,176			7/90

Specific pipeline and storage tank facilities are to be constructed and located as follows:

- o Water Treatment Plant to SR16/CR 208 - 12" transmission main
- o West of SR16/I-95 interchange - 8" & 12" distribution line
- o West of I-95 to Inman Road - 12" transmission main
- o Inman Road to the Fountains - 12" transmission main
- o Inman Road - 8" distribution line
- o North Retail Area - North of SR16 - 8" distribution line

The above projects require a total of approximately 11,750 linear feet of 8" pipeline and 55,200 linear feet of 12" pipeline.

- o 300,000 gallons elevated storage tank to be located in the northeast quadrant of the I-95 - State Road 16 interchange.

5.2 Project Description - Wastewater System

Unlike the water system, there are no existing or proposed wastewater facilities which can be utilized in the development of the area's wastewater system. The entire wastewater utility had to be developed for this project, with the most critical aspect being the method of effluent disposal.

The wastewater collection system, including pumping stations and force mains, was designed to collect wastewater generated in the interchange area at I-95/SR16. The gravity collection will extend outward to the west from the interchange to the Kentucky Fried Chicken restaurant on County Road 208; to the property line of the proposed Sembler Outlet Mall, west on State road 16; and east to Inman Farms Road on State Road 16. The pipe sizes range in diameter from 8 to 15 inches, with an estimated 12,000 linear feet of pipeline. Figure 5 presents the proposed wastewater system configuration.

The pumping and transmission system for the immediate service area consists of 2 pumping stations and force mains to deliver the raw wastewater to the treatment plant. The pumping stations are described as follows:

- o Pump Station No. 1 - State Road 16 West:
Pump Station No. 1 is located on the north side of State Road 16 adjacent to the I-95 exit ramp and the Exxon gas station. This pump station was designed to collect all of the wastewater flow from the western portion of the service area. The pump station will be furnished with two 4-inch pumps and 10 hp motors having a capacity of 300 gpm each. The flexibility to expand this pump station capacity will also be available if the flow rate begins to increase because of unexpected development. This pumping station is necessary to transfer wastewater through the I-95 interchange into the master pumping station (Pump Station No. 2).

- o Pump Station No. 2 - State Road 16 and Green Acres Road: Pump Station No. 2 is to be located near the intersection of Green Acres Road with State Road 16. This pump station is the master pumping station for the entire service area. For that reason, it will be provided with a diesel generator providing a stationary source of auxiliary power. The pump station will be furnished with two 4-inch, 15 hp pumps and motors, having a capacity of 370 gpm each. These pumps can also be increased in capacity with relative ease. This pump station will deliver wastewater flow directly to the wastewater treatment plant from the interchange area.

The transmission system is designed to accommodate the flow from the entire proposed service area. Specific details are as follows:

- o Stagecoach RV Park on CR 208 to Manhole #5 - 4" force main
- o Fountains to wastewater treatment plant - 8" force main
- o Pump Station No. 2 to wastewater treatment plant - 10" and 12" force main.

The above items require approximately 26,150 linear feet of pipeline ranging from 4" - 12".

The wastewater treatment plant to be constructed is a 500,000 gallons/day field erected package wastewater treatment plant. The plant is to be constructed as a round steel tank, with the anticipated future use as a sludge digester as part of a larger wastewater treatment plant.

The effluent disposal method selected took into account such conditions as site availability, land acreage, soil characteristics, site vegetation, and presence of wetlands systems. Effluent will be discharged into isolated wetlands on the Dupont property following tertiary treatment. More specific details are as follows:

- o Dupont Property Site

This was the site selected for both the wastewater treatment plant and effluent disposal. 100 acres are being purchased for this purpose. The area is located south of SR-16 south of Industrial Center Drive, and consists of scrub and pine flatwoods. The area is primarily undeveloped with some commercial and light industrial establishments located in the industrial park to the north of the property.

5.3 Project Schedule

All preliminary designs have been completed, with the schedule for completion as follows:

<u>Facility</u>	<u>Final Design</u>	<u>Completion Dates</u>	
		<u>Bid Award</u>	<u>Subst. Completion</u>
Wastewater Treatment Plant	4/15/90	4/15-5/15/90	10/1/90
WWTP Site Work	3/26/90	5/14/90	8/13/90
Wetlands	3/19/90	5/14/90	10/1/90
Effluent Storage & Pumping	1/29/90	3/19/90	8/6/90
Pipeline	4/9/90	5/21/90	10/1/90
Water Storage Tank	1/22/90	2/28/90*	5/7/90

* Award is contingent upon bond sale.

As a means of meeting a schedule calling for construction completion by October 1, 1990, a prepurchase of materials, equipment, and major electrical and mechanical components of the facility is planned. This prepurchase program will significantly reduce the time requirements of the general contractor in terms of installation and construction. Additionally, it is estimated that approximately 16 percent of the material costs will be saved by County prepurchase.

5.4 Project Costs

Total project costs for the water and wastewater improvements are presented in Table 4. The costs are broken down into construction costs, contingency, and engineering/administration. The costs are all to be financed through the Series 1990A Bonds.

5.5 Special Assessments

In order to provide an equitable financial structure for the financing of the new service area, two elements were analyzed for reimbursement through assessment; fire flow protection and wastewater collection. The fireflow protection element was more equitable to finance through an assessment rather than a unit connection fee for the following reasons. The water transmission lines were sized to provide fire protection to the entire I-95/SR16 corridor, with the benefit available to properties within 500 feet of the line. Therefore, a per square foot assessment is to be adopted and levied against all benefited property owners, regardless of whether the

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TABLE 4
SOURCES AND USES OF FUNDS

<u>Uses of Funds</u>		
<u>Preliminary Estimated Project Costs:</u>		
Wastewater Collection System		\$ 370,867
Contingency	(10%)	37,087
Engineering/Admin.	(15%)	55,630
		<u>\$ 463,584</u>
Wastewater Transmission		\$ 586,043
Contingency	(10%)	58,604
Engineering/Admin.	(15%)	87,906
		<u>\$ 732,553</u>
Wastewater Treatment Plant		\$ 892,378
Contingency	(10%)	89,238
Engineering/Admin.	(15%)	133,857
		<u>\$1,115,473</u>
Effluent Disposal		\$ 482,274
Contingency	(10%)	48,227
Engineering/Admin.	(15%)	72,341
		<u>\$ 602,842</u>
Land		\$ 900,000
Water Transmission and Storage		\$1,749,981
Contingency	(10%)	174,998
Engineering/Admin.	(15%)	262,497
		<u>\$2,187,476</u>
Water Wells and Temp. Treatment		\$ 150,000
Contingency	(10%)	15,000
Engineering	(15%)	22,500
		<u>\$ 187,500</u>
Total Estimated Project Costs		<u><u>\$6,189,428</u></u>
<u>Sources of Funds</u>		
Series 1990A Bonds - Construction		<u><u>\$6,189,428</u></u>

property is developed or vacant. The average annual debt service for fire flow protection is estimated to be \$148,000, based on a twenty-year assessment program. The estimated fireflow charge is \$.0573 per square foot. The wastewater collection system was more equitable to finance through an assessment, in order to identify and collect only from those properties benefiting from the collection system. There were areas of the I-95/SR16 corridor with very low density, making it not cost effective to serve. Therefore, the collection system costs will be financed by an assessment based on the same gallon per day basis as was used for the unit connection fee. The average annual debt service for wastewater collection is estimated to be \$90,000, based on a ten-year assessment program. The estimated wastewater assessment charge is \$3.87 per gallon, including financing costs.

Public hearings were held on March 13, 1990, to establish the service areas and set up an MSBU for assessment purposes. The County will adopt a resolution on November 13, 1990, as required by FS 197.3632(3)(a), including (i) a clear statement of the Board's intent to use the FS197.3632 Uniform Method for Collection (ii) a statement of the need for the levy of the special assessment, and (iii) a legal description of the boundaries of the real property subject to the levy. On or about June 11, 1991 a hearing will be held to adopt the assessment rolls. The assessment areas are shown in Figure 6 (fire flow) and Figure 7 (wastewater collection). The wastewater collection service area is the immediate customer base in the interchange area. The fire flow protection service area is composed of the entire service area corridor, to a depth of 500 feet on both sides of the roadway, with wetland areas excluded.

6.0 CUSTOMER AND CAPACITY DATA

Table 5 provides a summary of historical and projected customer data as well as the pertinent operations and permit data. Sufficient raw and finished water will be available for both the Anastasia Sanitary District and the Mainland Utility System.

Tables 1 and 2 presented the estimated customer data for the new Mainland Utility System service area. The existing water flow from Table 2 was 176,005 gallons per day (gpd), with a proposed flow of 278,332 gpd. The Sembler Mall and Restaurant flow, although not existing, is scheduled to be on line at construction completion. Also, 25,000 gpd of the Fountains flow is expected to be on line at that time, or during the first year. The estimate for future flow from the proposed flow was based on 60 single family homes connecting per year at 300 gpd, or a total of 18,000 gpd per year. These figures were incorporated into those shown of the Mainland Utility System.

6.1 Revenues and Expenses

Table 6 presents a summary of revenues and expenses for the existing Mainland service area as well as the new service area in the I-95/SR16 corridor. The historical information presented is for the existing Mainland service area only. The data is consistent with information presented in the Series 1989 Bond Issue for the period of Fiscal years 1985 through 1988. Fiscal Year 1989 is based on actual financial figures furnished by St. Johns County.

TABLE 5
ST. JOHNS COUNTY
WATER CAPACITIES

Fiscal Year	Water ERC's (a)		Billed Water Demand (million gallons)		Raw Pumpage (e) (million gallons)		Treated Water (f) (million gallons)		CONSUMPTIVE USE PERMIT (g) (million gallons)		
	ASD	MUS	ASD (c)	MUS (d)	Total	Annual	Max Day	Annual	Max Day	Annual	Max Day
1986 (b)	7,738	1,375	517.177	114.967	632.144	162.5	.737	134.8			
1987 (b)	8,202	1,552	539.013	136.647	675.660	181.7	n/a	155.6			
1988 (b)	8,054	1,834	539.552	172.891	712.443	183.5	.810	167.4			
1989 (b)	8,545	2,080	540.091	173.065	713.156	n/a		182.2	1.046	762.9	2.61
1990	8,844	2,288	561.682	200.429	762.111	1,013.6		891.6	3.66	810.3	2.78
1991	9,154	3,455	581.371	264.826	846.197	1,125.4		990.0	4.06	857.8	2.94
1992	9,474	3,689	601.694	282.762	884.456	1,176.3		1,034.8	4.25	901.6	3.08
1993	9,806	3,939	622.779	301.924	924.703	1,229.8		1,081.9	4.44	949.0	3.25
1994	10,149	4,205	644.563	322.313	966.876	1,285.9		1,131.2	4.65	996.5	3.41

- (a) ERC's equal Equivalent Residential Connections. ASD figures for the period of FY 1990-1994 were increased by 3.5%, based on the average annual rate of increase from FY 1986-1989. MUS figure for FY 1990 was based on a 10% increase, although historically it has been 17% annually. MUS figure for FY 1991 was based on a 10% increase for the existing service area, and 938 ERC's for the SR16 service area (225,000 gpd/80 gpd/3 people per ERC). MUS for FY 1992-1994 was based on annual rate of 6.77.%
- (b) Fiscal Year 1986-1989 data was actual. Raw Pumpage and Treated Water data for this period was for MUS only.
- (c) Billed Gallons for ASD for the period of FY 1990-1994 was based on 58 gpd/capita (actual for FY 1989).
- (d) Billed Gallons for MUS for the period of FY 1990 was based on 80 gpd/capita (actual for FY 1987). FY 1991-1994 was based on 70 gpd/capita.
- (e) Raw Pumpage for the period of FY 1990-1994 was based on Total Billed Gallons increased by 33% for a combination of processing gallonage and distribution system leakage.
- (f) Treated water for the period of FY 1990-1994 was based on Total Billed Gallons increased by 17% for system leakage allowances.
- (g) The Consumptive Use Permit is the permitted withdrawal from raw water supplies, issued by the St. Johns Water Management District.

TABLE 6
ST. JOHNS COUNTY
MAINLAND UTILITY SYSTEM
SUMMARY OF REVENUES AND EXPENSES

	HISTORICAL				
	1985	1986	1987	1988	1989
Operating Revenues					
Water Sales					
Retail	\$190,558	\$257,720	\$305,222	\$333,089	\$371,232
Bulk to ASD	365,360	623,803	495,087	408,977	506,547
TOTAL	<u>\$555,918</u>	<u>\$881,523</u>	<u>\$800,309</u>	<u>\$742,066</u>	<u>\$877,779</u>
Sewer Service Charges	0	0	0	0	0
Meter Installations (Tapping Fees)	<u>21,945</u>	<u>37,545</u>	<u>43,075</u>	<u>29,950</u>	<u>62,975</u>
TOTAL	\$577,863	\$919,068	\$843,384	\$772,016	\$940,754
Operating Expenses					
Contractual Services (a)	\$ 90,420	\$123,151	\$124,479	\$157,924	\$262,293
Operating Expenses (a)	117,363	138,469	150,594	152,756	161,542
Maintenance (a)	<u>29,762</u>	<u>66,697</u>	<u>31,954</u>	<u>43,868</u>	<u>49,062</u>
TOTAL	\$237,545	\$328,317	\$307,027	\$354,548	\$472,897
Net Operating Revenue	\$340,318	\$590,751	\$536,357	\$417,468	\$467,857
Non-Operating Income					
Interest Income	\$ 18,978	\$ 35,367	\$ 62,007	\$111,228	\$240,402
Special Assessments	—	—	—	—	—
Total Non-Operating Income	\$ 18,978	\$ 35,367	\$ 62,007	\$111,228	\$240,402
Total Net Revenue	\$359,296	\$626,118	\$598,364	\$528,696	\$708,259
Pledged Unit Conn. Fees	0	0	0	0	0
Total Net Rev. + U.C.F.	<u>\$359,296</u>	<u>\$626,118</u>	<u>\$598,364</u>	<u>\$528,696</u>	<u>\$708,259</u>
Annual Debt Service Payment					
Series 1980 Issue (c)	\$142,200	\$143,600	\$144,300	\$142,900	\$144,500
Series 1989 Issue	n.a.	n.a.	n.a.	n.a.	54,867
Series 1990A Issue (d)	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL Debt Service	<u>\$142,200</u>	<u>\$143,600</u>	<u>\$144,300</u>	<u>\$142,900</u>	<u>\$199,367</u>
Debt Service Coverage Factor (Net)	2.527	4.360	4.147	3.700	3.553
Debt Service Coverage (Net + Pledged U.C.F.)	—	—	—	—	—
Excess, Available for R&R	\$217,096	\$482,518	\$454,064	\$385,796	\$508,892
Reqd R&R - 5% of Gross Oper. Revenue (e)	\$ 28,893	\$ 45,953	\$ 42,169	\$ 38,601	\$ 47,038

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TABLE 6 (continued)
ST. JOHNS COUNTY
MAINLAND WATER SYSTEM
SUMMARY OF REVENUES AND EXPENSES

PROJECTED

	1990	1991	1992	1993	1994	1995
Operating Revenues						
Water Sales						
Retail (f)	\$ 639,872	\$ 967,414	\$1,075,924	\$1,160,800	\$1,235,476	\$1,314,652
Bulk to ASD (g)	600,000	1,080,700	1,135,400	1,150,500	1,206,300	1,263,700
TOTAL	<u>\$1,239,872</u>	<u>\$2,048,114</u>	<u>\$2,211,324</u>	<u>\$2,311,300</u>	<u>\$2,441,776</u>	<u>\$2,578,352</u>
Sewer Service Charges	109,532	645,724	795,217	880,731	959,945	1,042,859
Meter Installations (Tapping Fees)	50,000	56,400	60,200	62,400	58,900	62,100
TOTAL	<u>\$1,399,404</u>	<u>\$2,750,238</u>	<u>\$3,066,741</u>	<u>\$3,254,431</u>	<u>\$3,460,621</u>	<u>\$3,683,311</u>
Operating Expenses						
Water System -						
General Operations (b)	\$ 392,814	\$ 852,402	\$ 929,806	\$1,005,465	\$1,084,489	\$1,170,179
New Inst. Mtls. (b)	25,000	44,162	48,014	52,195	56,805	61,845
Water System Total	<u>\$ 417,814</u>	<u>\$ 896,564</u>	<u>\$ 977,820</u>	<u>\$1,057,660</u>	<u>\$1,141,294</u>	<u>\$1,232,024</u>
Sewage System Total (b)	\$ 109,532	293,398	331,960	364,936	398,907	436,335
TOTAL	<u>\$ 527,346</u>	<u>\$1,189,962</u>	<u>\$1,309,780</u>	<u>\$1,422,596</u>	<u>\$1,540,201</u>	<u>\$1,668,359</u>
Net Operating Revenue	<u>\$ 872,058</u>	<u>\$1,560,276</u>	<u>\$1,756,961</u>	<u>\$1,831,835</u>	<u>\$1,920,420</u>	<u>\$2,014,952</u>
Non-Operating Income						
Interest Income	\$ 120,000	\$ 163,862	\$ 163,862	\$ 163,862	\$ 163,862	\$ 163,862
Special Assessments	-0-	237,020	237,020	237,020	237,020	237,020
Total Non-Operating Income	<u>\$ 120,000</u>	<u>\$ 400,882</u>	<u>\$ 400,882</u>	<u>\$ 400,882</u>	<u>\$ 400,882</u>	<u>\$ 400,882</u>
Total Net Revenue	<u>\$ 992,058</u>	<u>\$1,961,158</u>	<u>\$2,157,843</u>	<u>\$2,232,717</u>	<u>\$2,321,302</u>	<u>\$2,415,834</u>
Pledged Unit Conn. Fees	296,281	406,896	568,656	601,511	556,770	585,636
Total Net Rev. + U.C.F.	<u>\$1,288,339</u>	<u>\$2,368,054</u>	<u>\$2,726,499</u>	<u>\$2,843,228</u>	<u>\$2,878,072</u>	<u>\$3,001,470</u>
Annual Debt Service Payment						
Series 1980 Issue (c)						
Series 1989 Issue	658,403	650,313	911,183	911,083	909,783	906,908
Series 1990 Issue (d)		185,591	680,709	755,315	754,295	757,138
TOTAL Debt Service	<u>\$ 658,403</u>	<u>\$ 835,904</u>	<u>\$1,591,892</u>	<u>\$1,666,398</u>	<u>\$1,666,078</u>	<u>\$1,664,046</u>
Debt Service						
Coverage Factor (Net)	1.507	2.346	1.356	1.34	1.395	1.452
Debt Service Coverage (Net + Pledged U.C.F.)	1.957	2.833	1.713	1.70	1.73	1.804
Excess, Available for R&R	<u>\$ 333,655</u>	<u>\$1,125,254</u>	<u>\$ 565,951</u>	<u>\$ 566,319</u>	<u>\$ 657,224</u>	<u>\$ 751,788</u>
Reqd R&R - 5% of Gross Op. Revenue (e)	<u>\$ 69,970</u>	<u>\$ 137,512</u>	<u>\$ 153,337</u>	<u>\$ 162,722</u>	<u>\$ 173,031</u>	<u>\$ 184,166</u>

TABLE 6 (continued)
ST. JOHNS COUNTY
MAINLAND WATER SYSTEM
SUMMARY OF REVENUES AND EXPENSES

- (a) Contractual Services, Operating Expenses, and Maintenance are all from historical audits, with Operating Expenses including such items as Salaries and Benefits, Chemicals, Utilities, etc.
- (b) Water System and Sewage System expenses for the existing Mainland Utility System service area reflect Series 1989 Bond, Appendix A, Table No. 3 figures. Additionally, the new Mainland Utility System service area expenses were projected using the same expense criteria as the Water and Sewer Rate Study of July 1988 by Hart Environmental, for the period of FY 1991-1995.
- (c) The Series 1980 Issue debt service was defeased with the Series 1989 Bonds.
- (d) The Series 1990 Issue debt service was based on information provided by the financial advisor. The debt service figures are net of capitalized interest.
- (e) The Renewal and Replacement (R&R) requirement is 5% of the gross operating revenues.
- (f) Revenue projections are based on the rates in Table 6, with new service area connections projected in FY 91.
- (g) Bulk sales to ASD is for finished water beginning in FY 91.

Projections for Fiscal Year 1990 are for the existing Mainland service area, and is based on the adopted budget. Fiscal Year 1991 through 1995 projections were based on the existing Mainland service area figures from the Series 1989 Bond Issue, plus separate projections for the new I-95/SR 16 corridor service area. Revenue projections for the new area were based on the flow data from Tables 1 and 2 times the projected user fee rates from Table 6. For purposes of projection for Fiscal Year 1991, Sembler Mall was considered to be contributing flow. The flow for Fiscal Years 1992 through 1995, assumed an additional 18,000 gpd (60 single family homes times 300 gpd).

The operating expenses were based on the same flow data as was used for projecting revenue in the new service area.

Non-operating income for the new service area consists of interest income (interest on the debt service reserve only) plus special assessment revenue. The special assessment revenue was based on the amounts needed from assessments to repay debt service for the fireflow portion of the water lines, as well as construction costs for wastewater collection.

Pledged unit connection fees were from the Series 1989 Bond Issue for the existing area, as well as the projected collection of connection fees in the new service area.

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

6.2 Schedule of Fees and Charges

Table 7 presents a schedule of fees and charges for both the existing Mainland service area and new service area.

The new service area charges were developed such that debt service coverage for this area is met independent of the existing service area. The unit connection fees for the new service area were developed to be phased in within three years after construction completion. Also listed as fees are the estimated Special Assessment amounts for fire flow costs and wastewater collection system.

6.3 Bond Rate Covenant

The current authorizing bond resolution, Section 5.07, requires that St. Johns County "fix, establish, maintain and collect fees and charges (excluding Connection Charges, Assessments and other non-ad valorem special assessments) for the use of the services and facilities of the System ("Rates") and revise the same effective at the beginning of each fiscal year, to the extent necessary, which shall provide Net Revenues, together with certain of the Assessments as described in the Resolution, in such fiscal year (1) equal to at least one hundred twenty percent (120%) of the sum required to pay the debt service to become due in such fiscal year on all of the Bonds then outstanding and at least one hundred percent (100%)

TABLE 7
ST. JOHNS COUNTY
MAINLAND WATER SYSTEM
SCHEDULE OF FEES AND CHARGES

<u>User Charges</u>	<u>Existing Mainland Service Area (Effective June 1989)</u>	<u>I-95/SR 16 Service Area (As Adopted March 1990)</u>
<u>Water Rates - Monthly</u>		
Minimum (4,000 gallons allowed)	\$ 13.10	\$ 15.40
Overage (per 1,000 gallons)	\$ 3.40	\$ 3.85
<u>Sewer User Fees (Monthly)</u>		
Minimum (4,000 gallons allowed)	\$ 13.35	\$ 35.00
Overage (per 1,000 gallons)	\$ 3.15	\$ 8.75
<u>Tapping Fees</u>		
<u>Water Meter Size</u>		
3/4 - inch	\$ 300.00	\$ 300.00
1 - inch	412.00	412.50
1 1/2 - inch	1,200.00	1,200.00
2 - inch	1,800.00	1,800.00
3 - inch	3,750.00	3,750.00
4 - inch	6,000.00	6,000.00
6 - inch	9,750.00	9,750.00
<u>Bulk Water Sales (per 1,000 gallons)</u>		
October 1, 1989 ¹ - September 30, 1990 ¹	\$1.35 Raw	
October 1, 1990 ¹ - September 30, 1992	2.70 Finished	
<u>Unit Connection Fees²</u>		
Water (per gpd)	\$ 3.00	
Sewer (per gpd)	3.80	
At Construction Completion		
Water (per gpd)		-0-
Sewer (per gpd)		-0-
First Year After Construction		
Water (per gpd)		\$1.50
Sewer (per gpd)		3.83
Second Year After Construction		
Water (per gpd)		\$2.50
Sewer (per gpd)		6.37
Third Year After Construction & After		
Water (per gpd)		\$3.50
Sewer (per gpd)		8.92
<u>Special Assessment/MSBU</u>		
Water - Fire Flow (per sq ₂ ft.)		\$0.0573
Sewer - Collection System ²		3.87

TABLE 7 (continued)
ST. JOHNS COUNTY
MAINLAND WATER SYSTEM
SCHEDULE OF FEES AND CHARGES

1. Adjust date of rate change to actual date for finished water sales, once Tillman Ridge Water Treatment Plant completed. This rate change is projected with actual adoption scheduled for plant completion.
2. Based on schedule of typical volume usages per dwelling unit type or commercial establishment type; schedule is incorporated in the Rate Ordinance.

of certain other amounts required by the Resolution, or (2) if any Connection Charges are currently being imposed and clause (B) below shall be satisfied, (A) equal to at least one hundred ten percent (110%) of the sum required to pay the debt service to become due in such fiscal year on all of the Bonds then outstanding and at least one hundred percent (100%) of such certain other amounts required by the Resolution, and (B) together with 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 sum required to pay the debt service to become due in such fiscal year on all of the Bonds then outstanding and at least one hundred percent (100%) of such certain other amounts required by the Resolution."

Debt service coverage historically has ranged from approximately 2.5 to 4.4 coverage. The projected coverage factors range from approximately 1.35 to 2.35, without unit connection fees and from 1.7 to 2.8, including unit connection fees.

7.0 CONCLUSIONS

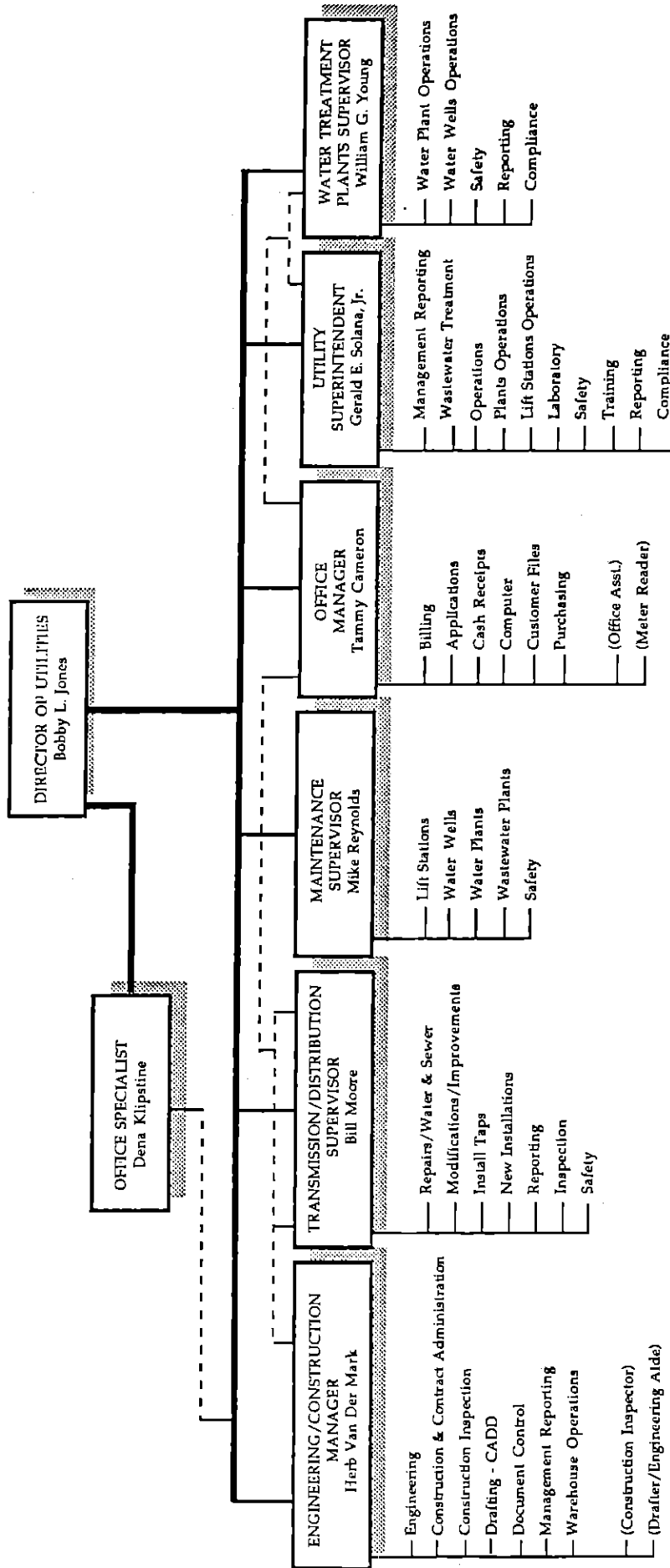
- o The proposed Improvement Program is both necessary and sound and is designed in accordance with accepted engineering standards using proven technology.
- o Proceeds of the Water and Sewer Revenue Bonds, Series 1990A in conjunction with investment earnings, are estimated to be sufficient to fund the program.
- o The existing Department of St. Johns County Utilities management and staff are well qualified to operate the water and sewer systems.
- o We have found that both the water and sewer systems have been well operated and maintained.
- o 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 1990 Revenue Bond requirements through 1995 based on the rate schedule provided in Table 7.
- o Upon completion of construction, it is reasonable to expect that operating permits will be obtained.

Sincerely,

Michael A. White. P.E.
Associate

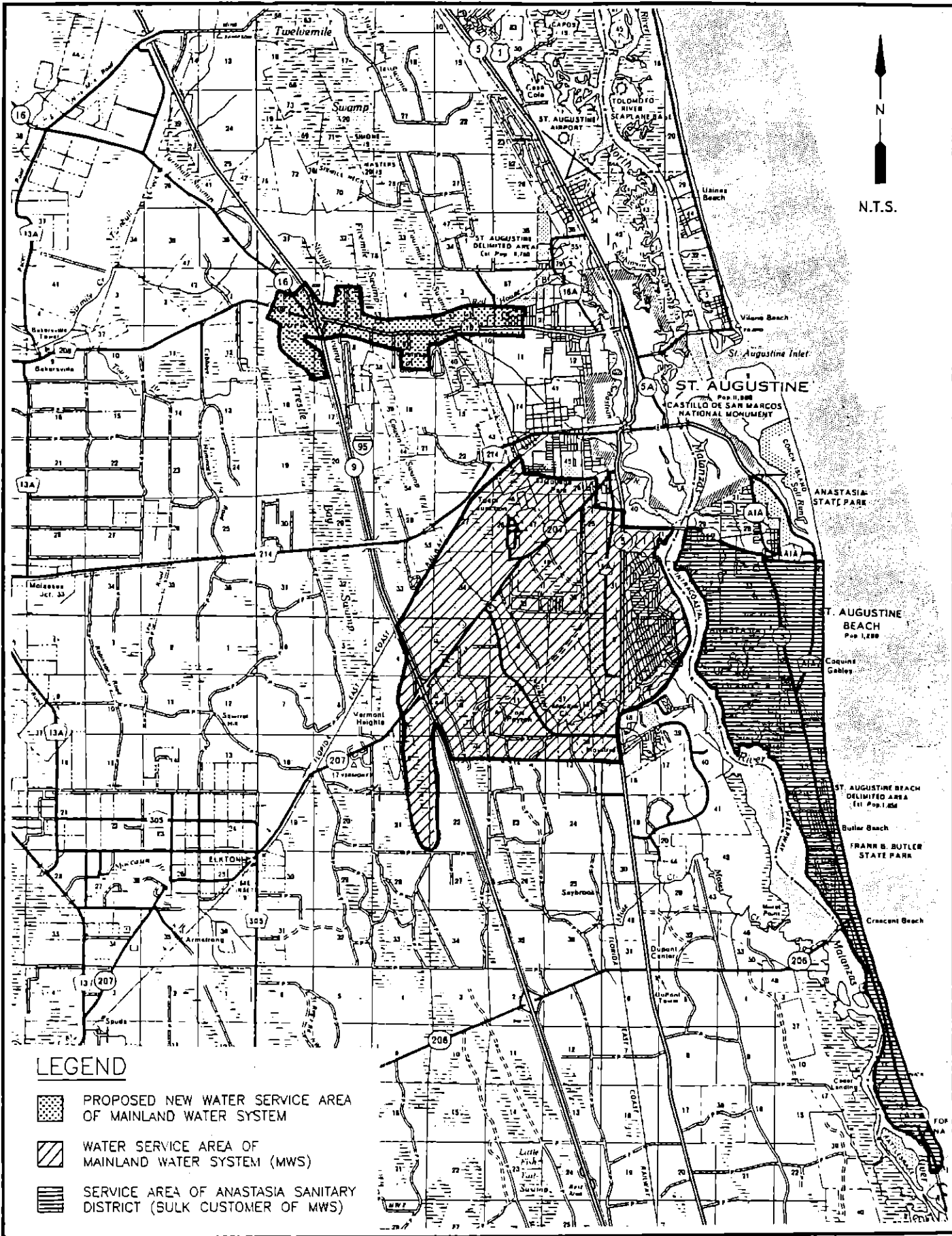
BOND.1/2
M1590

FUNCTIONAL ORGANIZATIONAL CHART
ST. JOHNS COUNTY UTILITY DEPARTMENT



----- Support as Required
() New Positions (four)

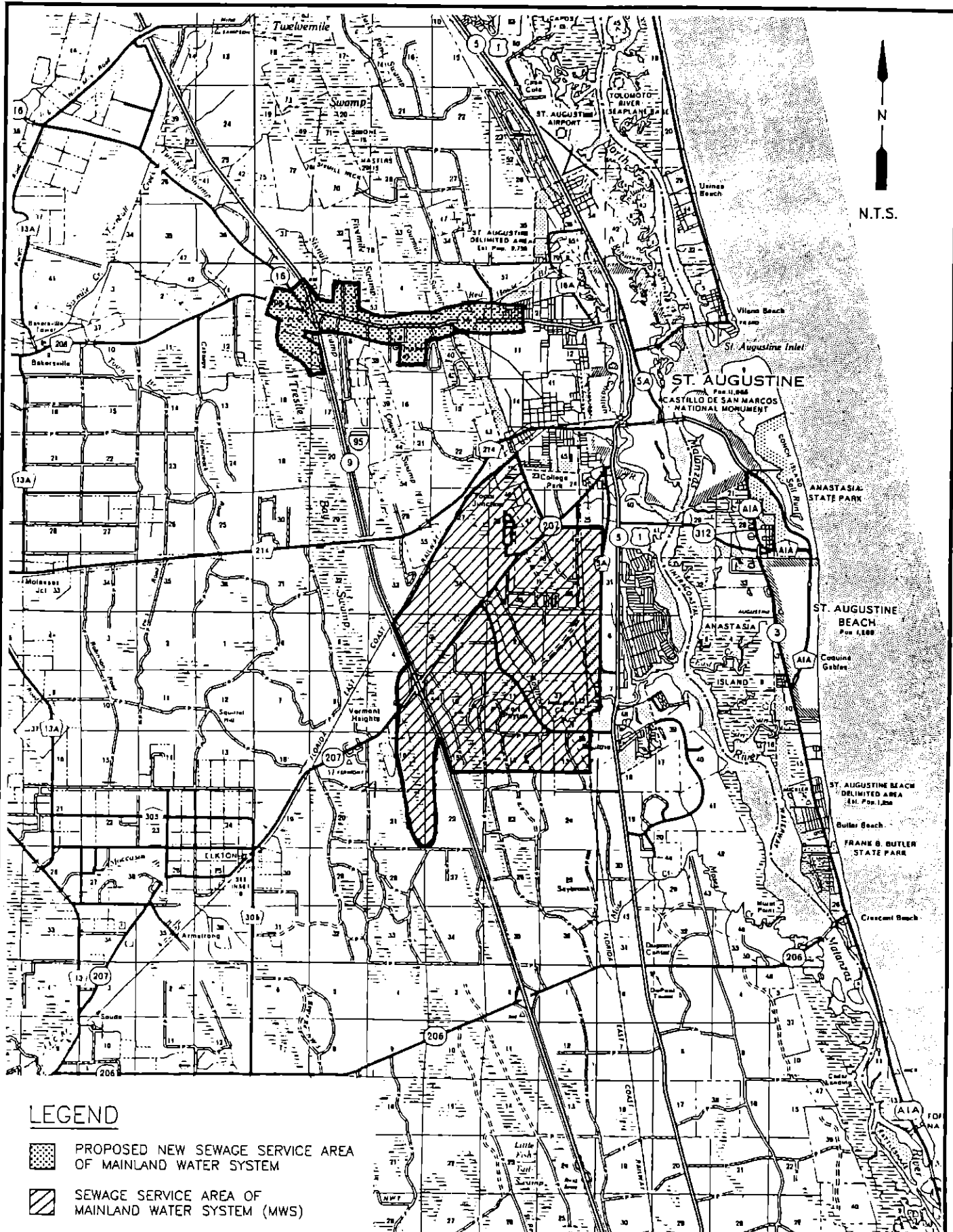
FIGURE 1



MAINLAND WATER SYSTEM SERVICE AREA



environmental engineers, scientists,
planners, & management consultants

CDM



N
N.T.S.

LEGEND

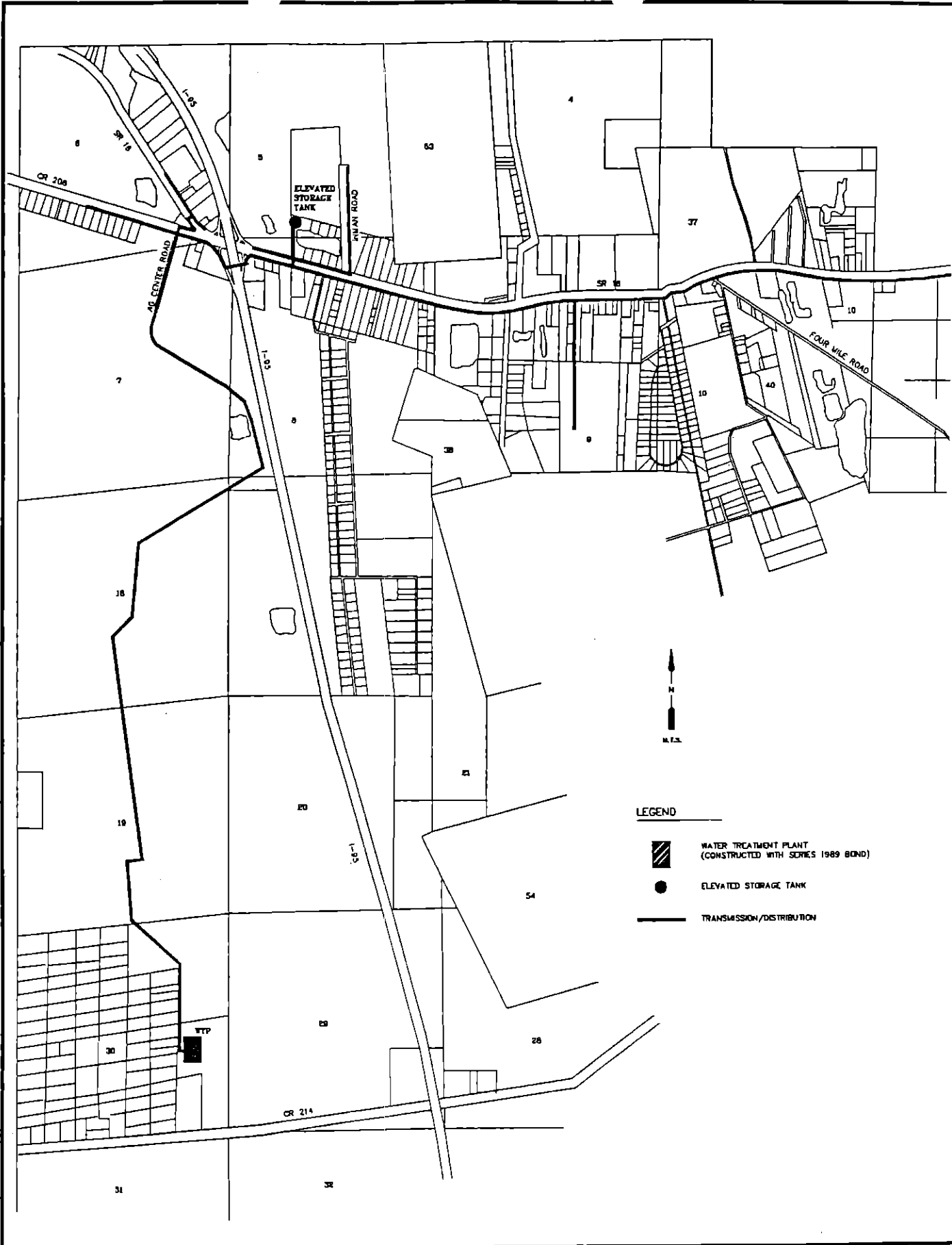
-  PROPOSED NEW SEWAGE SERVICE AREA OF MAINLAND WATER SYSTEM
-  SEWAGE SERVICE AREA OF MAINLAND WATER SYSTEM (MWS)

MAINLAND SEWAGE SYSTEM SERVICE AREA

environmental engineers, scientists,
planners, & management consultants



SJCWATER.DWG

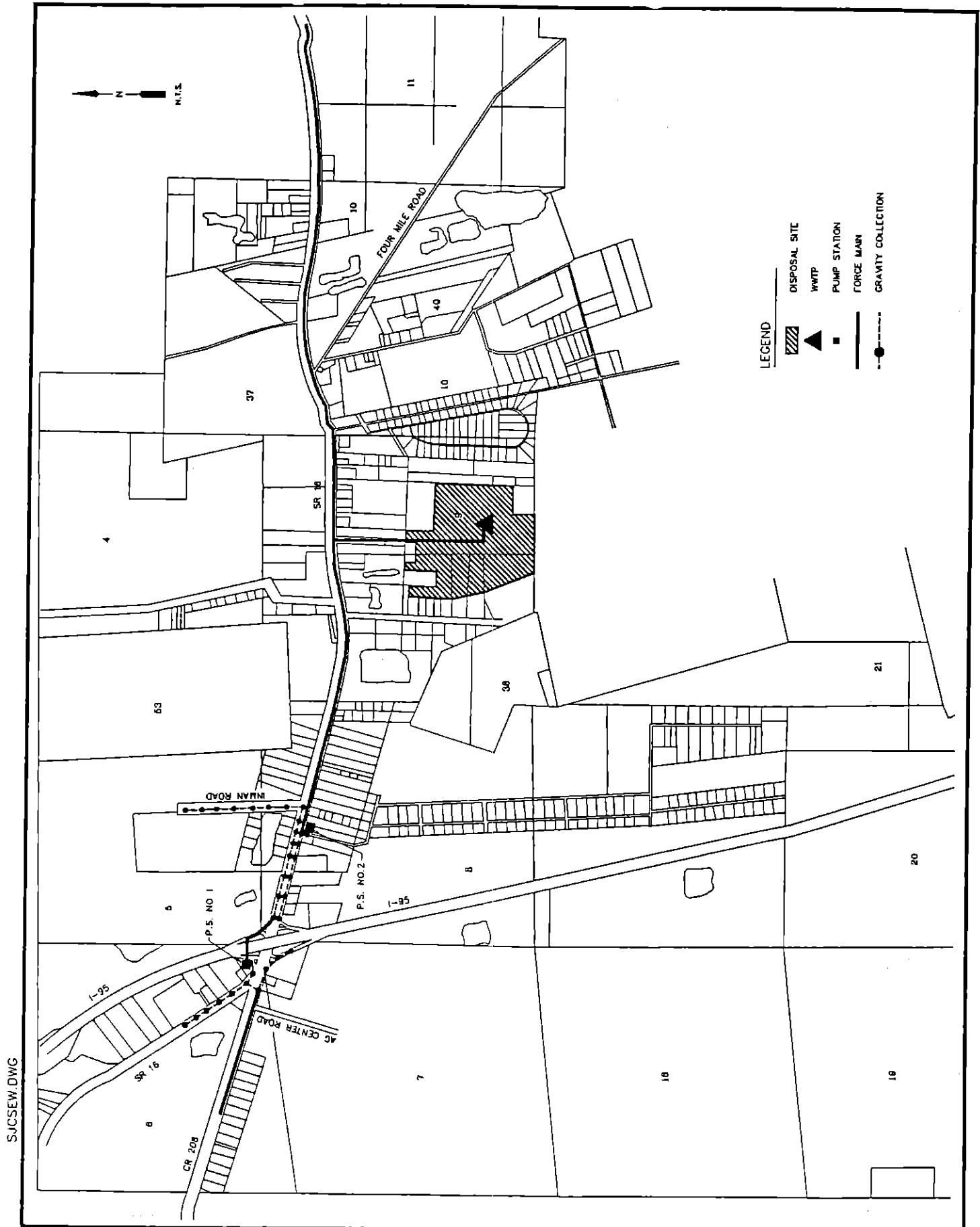


MAINLAND WATER SYSTEM
 WATER SYSTEM IMPROVEMENTS

environmental engineers, scientists,
 planners, & management consultants



FIGURE 4

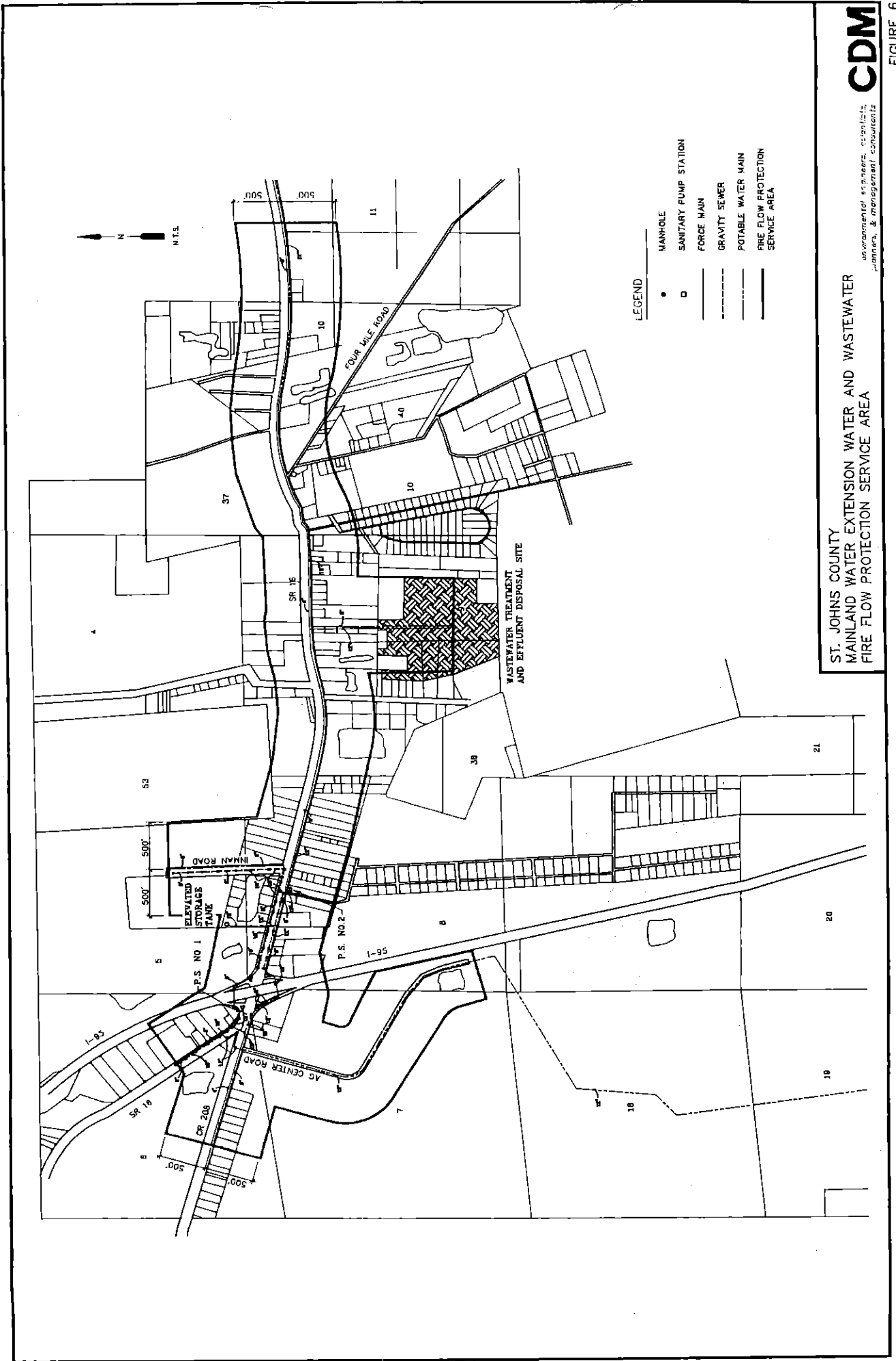


SJCSEW.DWG

MAINLAND WATER SYSTEM
WASTEWATER SYSTEM IMPROVEMENTS

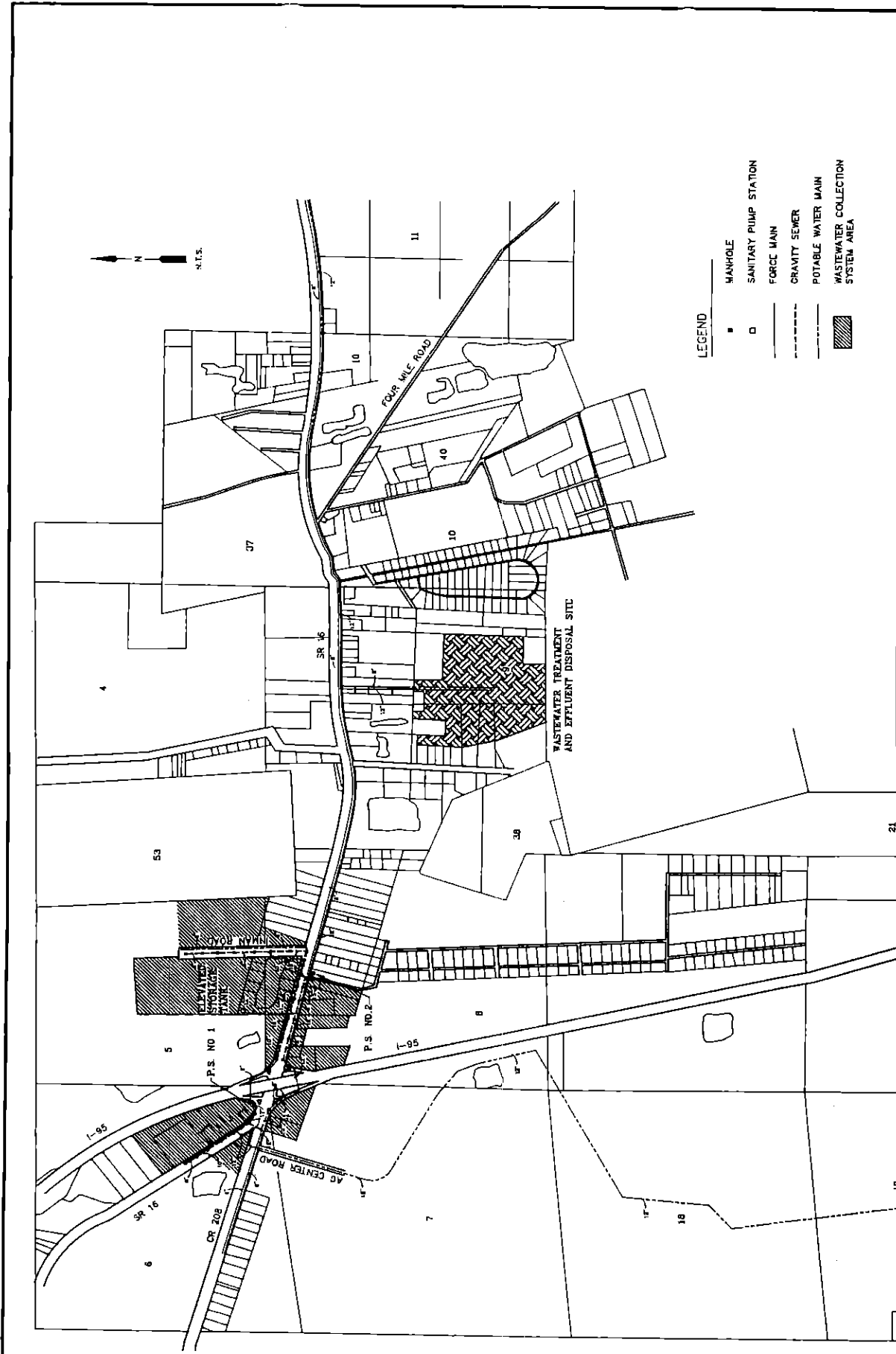
environmental engineers, scientists,
planners, & management consultants





- LEGEND
- MANHOLE
 - SANITARY PUMP STATION
 - FORCE MAIN
 - - - GRAVITY SEWER
 - POTABLE WATER MAIN
 - FIRE FLOW PROTECTION SERVICE AREA

ST. JOHNS COUNTY
 MAINLAND WATER EXTENSION WATER AND WASTEWATER
 FIRE FLOW PROTECTION SERVICE AREA



- LEGEND**
- MANHOLE
 - SANITARY PUMP STATION
 - FORCE MAIN
 - - - GRAVITY SEWER
 - - - POTABLE WATER MAIN
 - ▨ WASTEWATER COLLECTION SYSTEM AREA

**ST. JOHNS COUNTY
MAINLAND WATER EXTENSION WATER AND WASTEWATER
WASTEWATER COLLECTION SYSTEM AREA**

APPENDIX B--GENERAL INFORMATION CONCERNING ST. JOHNS
COUNTY, FLORIDA

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APPENDIX B

GENERAL INFORMATION CONCERNING THE COUNTY

THE FOLLOWING INFORMATION CONCERNING ST. JOHNS COUNTY, FLORIDA IS INCLUDED ONLY FOR THE PURPOSES OF PROVIDING GENERAL BACKGROUND INFORMATION.

Location

St. Johns County (the "County") encompasses approximately 608 square miles and is located in the Northeast region of the State of Florida. The County is located directly south of Duval County, Florida, and it 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 three incorporated municipalities located in the County: St. Augustine, Hastings, 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 sixth statewide in the percentage change in population growth from 1980 to 1988.

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

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

(1) University of Florida Bureau of Economic and Business Research

Commerce and Industry

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

The strength of the employment growth and the steady growth in population has brought a corresponding increase in housing construction. From 1981 to 1985, multi-family construction exceeded that for single-family units, but the high population growth in 1986 generated a demand for single family housing as well as retailing and service employment.

Agriculture

Agribusiness remains a key sector of the state and the Northeast region's economy. Agriculture is a major industry in St. Johns County and in 1988 provided the County with on-farm revenue on excess of \$35 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 1988 are as follows:

Potatoes	\$21,200,000
Cabbage	1,700,000
Other Vegetables	2,000,000
Forest Products	4,000,000
Livestock and Dairy	2,000,000
Corn and Grain Sorghum	500,000
Cut Flowers and Nurseries	3,500,000
Poultry	<u>1,000,000</u>
Total	\$35,900,000

Source: Florida Department of Agriculture
St. Johns County Extension Service, 1988.

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 employment by category for March, 1990.

<u>Distribution</u>	<u>Number of Employees</u>	<u>Percentage of Total</u>
Manufacturing	3,090	12.41%
Construction	1,108	4.45
Transportation, Communications & Utilities	406	1.63
Wholesale Trade	797	3.20
Retail Trade	6,514	26.16
Finance, Insurance and Real Estate	878	3.53
Service	7,115	28.57
Government	4,374	17.56
Agriculture (Except Domestic, Self Employed, Unpaid Family Workers and Seasonal Workers)	<u>619</u>	<u>2.49</u>
TOTAL	24,901	100.00%

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

Major Employers

The following table shows the major employers in St. Johns County and their approximate level of employment as of May, 1989.

<u>Establishment</u>	<u>Product</u>	<u>Approximate Employment</u>
St. Johns County School Board	Education	1,495
Grumman St. Augustine Corporation	Aircraft overhaul and modification	1,150
St. Johns County	County Government	772
Florida School for the Deaf and Blind	Educational Institution	620
V.A.W. of America, Inc.	Aluminum Extrusion	400
Tree of Life, Inc.	Health Food Distributor	300
Luhrs Corporation	Pleasure Crafts/Sport Fishing Boats	230
Parker Hannifan Corporation	Manufacturing	225
Florida Department of Military Affairs	Florida National Guard Headquarters	211
City of St. Augustine	Municipal Government	205
Flagler College	Four-year Liberal Arts College	200
Florida East Coast Railway	Interstate Railroad Freight & Express	150
Tensolite Company	Hi-tech Wire Insulation	100
Wise Foods (Division of Bordon, Inc.)	Potato Chip Manufacturer	90
St. Augustine Record, Inc.	Daily Newspaper	85

Source: St. Augustine and St. Johns County Chamber of Commerce, State of Florida 1989 Director of Florida Industries and personal contact.

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 1A, serve the County. Bus transportation is provided by Greyhound with 11 northbound and 11 southbound buses each day.

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

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

Health Care Facilities

Medical facilities are provided by Flagler Hospital, which has 115 beds, and the St. Augustine General Hospital, which has 115 beds. There are approximately 102 physicians in the area, including specialists in most fields. The County has six nursing homes; two of which are assisted 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 nine elementary schools, three middle schools, one junior-senior high school, one high school, and exceptional child center (ungraded), two elementary parochial schools, a parochial high school,

a tri-county Vocational and Technical Center, and Flagler College, which is a four-year liberal arts constitution in which more than 1,000 students are enrolled. The State operates the Florida School for the Deaf and Blind in St. Augustine with primary school through senior high school levels.

Source: St. Augustine and St. Johns County Chamber of Commerce, 1988.

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	39,828	37,868	1,960	4.9	5.4

Note: Figures for 1989 are preliminary as of July, 1989.

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

ST. JOHNS COUNTY, FLORIDA
TAXABLE ASSESSED PROPERTY VALUATIONS

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

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

Source: State of Florida, Department of Revenue, Florida Ad Valorem Valuations and Tax Data. St. Johns County Property Appraiser

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 ³	46,143,338	43,844,842	95.02	2,298,496
1989 ³	46,313,747	45,855,152	99.01	458,595

¹Aggregate 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.

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

³The process is not complete until the sale of tax certificates.

Source: State of Florida, Department of Revenue, Florida Ad Valorem Valuations and Tax Data, 1980-1987, Tax Collector, St. Johns County, 1988-1989.

ST JOHNS COUNTY, FLORIDA
NET DEBT STATEMENT
March 1, 1990

(Adjusted to give effect to the issuance of the Series 1990A Bonds)

<u>Direct Debt</u>	<u>General Obligation Bonds</u>	<u>Non-Self Supporting Revenue Bonds</u>	<u>Self Supporting Revenue Bond:</u>
St. Johns County, Florida Board of County Commissioners Certificates of Indebtedness (Courthouse Construction and Repair) Dated 7/1/66	\$ 165,000		
Limited Ad Valorem Tax Refunding Bonds, Series 1988	4,475,000		
General Obligation Bonds, Series 1989	8,190,000		
Refunding Revenue Bonds, Dated 10/15/86		\$1,745,000	
Water and Sewer Refunding Revenue bonds, Dated 8/15/86 (\$5,130,000 less \$500,000 in Reserve Account)			\$4,620,000
Anastasia Sanitary District, Water and Sewer Revenue Bonds, Series 1989 (\$505,983 in Reserve Account)			\$4,859,017
St. Johns County Water and Sewer Revenue Bonds, Series 1989 (\$10,430,000 less \$912,000 in Reserve Account) (the Outstanding Parity Bonds)			9,518,000
Sales Tax Revenue Bonds, Series 1989		\$21,095,000	
Capital Improvement Revenue Bonds, Series 1987A (\$2,775,000 less \$200,619 in Reserve Account)		2,574,381	

<u>Direct Debt (cont.)</u>	<u>General Obligation Bonds</u>	<u>Non-Self Supporting Revenue Bonds</u>	<u>Self Supporting Revenue Bonds</u>
Transportation Improvement Revenue bonds, Series 1988		12,135,000	
Water and Sewer Revenue Bonds, Series 1990 (\$754,418* in Reserve Account)(this issue)			<u>6,735,582*</u>
Total Direct Debt	<u>\$12,830,000</u>	<u>\$37,549,381</u>	<u>\$25,732,599*</u>

Underlying and Overlapping Debt

City of St. Augustine, Florida Water and Sewer Revenue Refunding Bonds, Series 1986 (\$27,930,000 less \$2,706,937 in Reserve Account)			\$25,223,063
Cigarette Tax Bonds, Issue of 1961 (\$80,000), Issue of 1971 (\$130,000)(\$210,000 less \$116,000 in Reserve Account)		\$ 94,000	
Guaranteed Entitlement Revenue Bonds, Series 1988		2,145,000	
Public Service Tax Revenue Bonds, Series 1988		4,000,000	
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	\$ 275,000		
City of Hastings, Florida Water and Sewer Bonds (\$370,500 less \$15,369 in Reserve Account)			\$ 355,131

*Preliminary, Subject to change

<u>Underlying and Overlapping Debt (cont.)</u>	<u>General Obligation Bonds</u>	<u>Non-Self Supporting Revenue Bonds</u>	<u>Self Supportin Revenue Bonds</u>
St. Johns County Board of Public Instruction Certificates of Indebtedness Dated 6/1/67 (\$660,000 less \$103,435 in Reserve Account)		\$ 556,565	
State Board of Education Series 1979		\$ 2,645,000	
School District of St. Johns County General Obligation Bonds, Series 1989	\$47,000,000		
Total Underlying and Overlapping Debt	\$47,275,000	\$ 9,440,565	\$25,578,194
Total Direct, Underlying and Overlapping Debt	\$60,105,000	\$46,989,946	\$51,310,793*

DEBT RATIOS

Direct Underlying and Overlapping General Obligation Debt			\$60,105,000
Per Capita			\$712.2
As a Percent of Taxable Assessed Valuation			1.88
As a Percent of Total Assessed Valuation			1.40
Direct, Underlying and Overlapping General Obligation and Non-Self Supporting Revenue Debt			\$107,094,946
Per Capita			\$1,269.0
As a Percent of Taxable Assessed Valuation			3.35
As a Percent of Total Assessed Valuation			2.67
1989 Estimated St. Johns County Population			84,380
1989 Taxable Assessed Valuation for St. Johns County			\$3,199,281,650
1989 Total Assessed Valuation for St. Johns County			\$4,073,350,700

*Preliminary, subject to change

Police and Fire Protection

St. Johns County is served by the Sheriff's Department, which has approximately 250 full- and part-time employees including deputies, the detective division, communications, jail and administrative personnel. There are sixteen 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 five-member Board of County Commissioners elected for staggered terms of four years. The Board of County Commissioners will be increased to seven members in 1990. The Chairman and Vice-Chairman are elected by the Board. The Board apportions and levies County taxes and controls the expenditure of all County funds, except for schools, which are controlled by the Board of Public Instruction. The budget year of the County runs from October 1 to the following September 30. Operating revenue is raised from ad valorem taxes and personal property taxes, with supplements from State and federal sources for County roads, welfare and health. The Board operates a county road system and has power to establish, build, maintain, repair, protect, and preserve these facilities. The Board may issue bonds for all lawful purposes. The Board correlates and is responsible for various types of elections in the County. Other elected officials serving County-wide are a five-member Board of Public Instruction (each of whom are elected from a specific district), a Superintendent of Public Instruction, a Property Appraiser, a Tax Collector, a Supervisor of Elections, a Sheriff, and a Clerk of the Circuit Court who is also Ex-Officio Clerk of the Board of County Commissioners. The Board appoints a County Administrator who serves at the will of the Board.

APPENDIX C--FINANCIAL STATEMENTS AND AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 1989

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

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Price Waterhouse



REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

December 18, 1989

Board of County Commissioners
St. Johns County, Florida

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

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

December 18, 1989
Board of County Commissioners
Page 2



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

Price Waterhouse

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

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

See Accompanying Notes to Financial Statements.

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

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

See Accompanying Notes to Financial Statements.

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

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

See Accompanying Notes to Financial Statements.

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

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:						
Taxes	\$16,294,514	\$15,009,320	\$ (485,194)	\$ 5,120,876	\$ 5,319,606	\$ 198,730
Special assessments levied				538,710	1,515,476	976,766
Licenses and permits	824,900	681,443	(143,457)			
Federal revenues	150	151	1			
State revenues						
Shared revenues	3,366,828	3,587,930	221,102	1,615,000	1,677,227	62,227
Grants	409,449	254,235	(155,214)	33,925	246,791	212,866
Local grants and shared revenues	360	32,856	32,496	46,083	68,931	22,848
Charges for services	1,142,900	1,127,969	(14,931)	668,676	510,864	(157,812)
Fines and forfeitures	984,660	1,402,858	418,198			
Interest income	315,000	596,650	281,650	272,277	639,875	367,598
Miscellaneous revenue	64,000	188,100	124,100	1,150	158,219	157,069
<u>Total revenues</u>	<u>23,402,761</u>	<u>23,681,512</u>	<u>278,751</u>	<u>8,296,697</u>	<u>10,136,989</u>	<u>1,840,292</u>
Expenditures:						
Current:						
General government	4,787,731	4,580,155	207,576	742,256	624,143	118,113
Public safety	5,974,365	6,023,764	(49,399)	1,285,125	1,117,136	167,989
Physical environment	364,642	285,768	78,874			
Transportation				7,709,711	3,649,352	4,060,359
Economic environment	41,077	39,661	1,416			
Human services	1,907,600	1,838,619	68,981		4,111	(4,111)
Culture and recreation	1,155,834	1,133,776	22,058	1,247,380	543,738	703,642
Capital outlay	595,127	561,476	33,651	1,533,816	1,392,147	141,669
Debt service:						
Principal retirement						
Interest and fiscal charges						
<u>Total expenditures</u>	<u>14,826,376</u>	<u>14,463,219</u>	<u>363,157</u>	<u>12,518,288</u>	<u>7,330,627</u>	<u>5,187,661</u>
Excess (deficit) of revenues over expenditures	8,576,385	9,218,293	641,908	(4,221,591)	2,806,362	7,027,953
Other financing sources (uses):						
Operating transfers in	694,508	1,194,153	499,645	139,969	582,890	442,921
Operating transfers out	(9,261,208)	(9,152,880)	108,328	(124,508)	(124,508)	
Bond proceeds and other	(38,137)	(38,137)		(4,056)	(4,055)	1
Excess (deficit) of revenues and other sources over expenditures and other uses	(28,452)	1,221,429	1,249,881	(4,210,186)	3,260,689	7,470,975
Fund balance, beginning of year	1,975,140	1,975,140		6,242,963	6,242,963	
Fund balance, end of year	<u>\$ 1,946,688</u>	<u>\$ 3,196,569</u>	<u>\$1,249,881</u>	<u>\$ 2,032,777</u>	<u>\$ 9,503,652</u>	<u>\$7,470,975</u>

See Accompanying Notes to Financial Statements.

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

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

See Accompanying Notes to Financial Statements.

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

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

See Accompanying Notes to Financial Statements.

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

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

See Accompanying Notes to Financial Statements.

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

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

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

NOTE 1 Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

Governmental Fund Types

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

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

Proprietary Fund Types

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

Fiduciary Fund Types

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

Account Groups

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

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

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

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

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

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

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

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

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

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

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

NOTE 2 - Cash and Investments

The County's cash and investments are as follows:

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

NOTE 3 - Fixed Assets

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

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

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

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

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

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

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

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

NOTE 4 - Interfund Balances

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

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

NOTE 5 LONG-TERM DEBT

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

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

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

General Government:-

Revenue bonds:

\$12,495,000 1988 Transportation Improvement Revenue Bonds secured by local option gas tax due in annual installments of \$360,000 to \$1,140,000 through October 1, 2007; interest at 5.1% to 7.625% payable semi-annually	\$12,135,000
\$3,140,000 1987 Capital Improvement Revenue Bonds secured by state guaranteed entitlement revenues and parimutuel taxes, due in annual installments of \$170,000 to \$350,000 through July 1, 2000; interest at 5.0% to 7.875% payable semi-annually	2,775,000

\$4,060,000 1986 Refunding Revenue Bonds secured by half-cent sales tax revenues, due in annual installments of \$740,000 to \$895,000 through October 1, 1991; interest at 4.25% to 5.50% payable semi-annually	<u>1,745,000</u>
	<u>16,655,000</u>
General obligation bonds:	
\$8,190,000 General Obligation Bonds due in annual installments of \$210,000 to \$705,000 through September 1, 2009; interest at 6.2% to 6.75% payable semi-annually	8,190,000
\$4,685,000 1988 Limited Ad Valorem Tax Refunding Bonds due in annual installments of \$210,000 to \$470,000 through March 1, 2003; interest at 5.0% to 7.3% payable semi-annually	4,475,000
\$1,300,000 1966 General Obligation Bonds due in annual installments of \$65,000 to \$85,000 through July 1, 1991; interest at 4.4% to 5.5% payable semi-annually	<u>165,000</u>
	<u>12,830,000</u>
Arbitrage liability	<u>203,000</u>
General long-term compensated absences payable	<u>373,932</u>
Total General Government	<u>\$30,061,932</u>

Enterprise:

Revenue bonds:

\$10,430,000 Water and Sewer Revenue Bonds secured by County water and sewer revenues, due in annual installments of \$50,000 to \$865,000 through June 1, 2009; interest at 5.0% to 6.65% payable semi-annually (less unamortized discount of \$1,184,926)	9,245,074
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\$5,365,000 Water and Sewer Revenue Bonds secured by County water and sewer revenues, due in annual installments of \$115,000 to \$455,000 through June 1, 2009; interest at 5.8% to 7.0% payable semi-annually (less unamortized discount of \$1,771)	5,363,229
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\$5,400,000 1986 Water and Sewer Refunding Revenue Bonds secured by County water and sewer revenues, due in annual installments of \$90,000 to \$460,000 through June 1, 2011; interest at 4.25% to 7.75% payable semi-annually (less unamortized discount of \$85,535)

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

Enterprise long-term compensated absences payable

63,171

Total Enterprise

\$19,705,939

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

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

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

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

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

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

NOTE 6 Defined Contribution Retirement Plan

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

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

NOTE 7 Commitments and Contingent Liabilities

Grants

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

Litigation

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

NOTE 8 - SUBSEQUENT EVENT

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

SUPPLEMENTAL INFORMATION

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

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

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

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

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

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

APPENDIX D--SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a general summary of certain provisions of the Resolution. Such summary does not purport to be complete and accordingly is qualified by reference to the full text of the Resolution, copies of which may be obtained from the County upon request. Capitalized terms used in the following summary which are not defined below have the respective meanings assigned to such terms in the Resolution.

Definitions

When used in the Resolution and this Official Statement, the following terms shall have the following meanings, unless the text 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.

"Additional Bonds" shall mean the obligations issued at any time under the provisions of Section 5.02 of the Resolution on a parity with the Outstanding Parity Bonds and the Series 1990A 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.

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"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.

"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 of the Resolution.

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

"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 resolution of the governing Body to be Assessments, as defined and pledged by the Resolution, 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 Issuer shall have the right to levy and collect non-ad valorem special assessments upon some or all of the parcels or real property specially benefited by any Additional Project or by any portion thereof without declaring that such assessments shall be Assessments, as defined and pledged by the Resolution, 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 Redemption Bonds" shall mean the particular Bonds designated as such by resolution of the Governing Body, which shall be Term or Serial Bonds maturing on such date or dates corresponding to 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 the Resolution. 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.

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(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 in the Resolution shall be without regard to gradations within such categories, such as "plus" or "minus."

"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 Outstanding Parity 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 the 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 the Resolution that have been paid in such Bond Year plus (b) the portion of the Debt Service Requirement and all other payments required by the Resolution that have yet to be paid in such Bond Year. For purposes of this definition, "all other payments required by the 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.

"Bonds" shall mean the Outstanding Parity Bonds and the Series 1990A Bonds, together with any Additional Bonds and any Subordinated Indebtedness which accedes to the status of Bonds pursuant to the Resolution.

"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.

"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, 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

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policy issued by an Insurer), as approved in the Supplemental Resolution providing for the issuance of such Bonds.

"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

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 the Resolution.

"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.

"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.

"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

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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 the Resolution, 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 the Resolution which are transferred to the Revenue Fund or the Interest Account as provided in the Resolution, 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, financed with the proceeds of the Outstanding Parity Bonds 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 the 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 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.

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

"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

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"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.

"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.

"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.

"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 the 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 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 the Resolution.

"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 the Resolution.

"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.

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 the 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.

"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 the 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 the defeasance provisions of the Resolution, 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.

"Project" shall mean the Initial Project and any Additional Project.

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"Resolution" shall mean Resolution No. 89-84 duly adopted by the Issuer on April 25, 1989, as the same may from time to time be amended, modified or supplemented by any and all Supplemental Resolutions.

"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 the Resolution 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.

"Subordinated Indebtedness" shall mean that indebtedness of the Issuer, subordinate and junior to the Bonds, issued in accordance with the provisions of the Resolution and any Variable Rate Bonds which become Subordinate Indebtedness in accordance with the Resolution.

"Supplemental Resolution" shall mean any resolution of the Issuer amending or supplementing the Resolution, adopted and becoming effective prior to the issuance of the Outstanding Parity Bonds or in accordance with the terms of the Resolution.

"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.

"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 by the Resolution 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.

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 the 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 the Resolution and the provisions, covenants and agreements therein 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 the Resolution.

Series 1990A Bonds Mutilated, Destroyed, Stolen or Lost

In case any Series 1990A 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 1990A Bond of like tenor as the Series 1990A Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Series 1990A Bond upon surrender and cancellation of such mutilated Series 1990A Bond or in lieu of and substitution for the Series 1990A 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 1990A Bonds so surrendered or otherwise substituted shall be cancelled by the Registrar. If any of the Series 1990A Bonds shall have matured or be about to mature, instead of issuing a substitute Series 1990A Bond, the Issuer may pay the same or cause the Series 1990A Bond to be paid, upon being indemnified as aforesaid, and if such Series 1990A Bonds be lost, stolen or destroyed, without surrender thereof.

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shall be valid and effectual to satisfy and discharge the liability upon such Series 1990A 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 1990A Bonds, shall forthwith (a) following the fifteenth day of the calendar month next preceding an interest payment date for the Series 1990A Bonds, (b) following the fifteenth day next preceding the date of first mailing of notice of redemption of any Series 1990A Bonds, and (c) at any other time as reasonably requested by the Paying Agent of the Series 1990A 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 1990A 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 1990A Bonds or transferring Series 1990A Bonds is exercised, the Issuer shall execute and the Registrar shall authenticate and deliver such Series 1990A Bonds in accordance with the provisions of the Resolution. Execution of Series 1990A Bonds by the Chairman and the Clerk for purposes of exchanging, replacing or transferring Series 1990A Bonds may occur at the time of the original delivery of the Series of which such Series 1990A Bonds are a part. All Series 1990A Bonds surrendered in any such exchanges or transfers shall be cancelled by the Registrar. For every such exchange or transfer of Series 1990A 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 1990A Bonds which shall have been selected for redemption or of Series 1990A Bonds during the fifteen (15) days next preceding an Interest Date on the Series 1990A Bonds (other than Capital Appreciation Bonds and Variable Rate Bonds), or, in the case of any proposed redemption of Series 1990A Bonds, during the fifteen (15) days next preceding the date of selection of Series 1990A Bonds to be redeemed.

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

Any such duplicate Series 1990A Bonds issued pursuant to the Resolution shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Series 1990A Bond be at any time found by anyone, and such duplicate Series 1990A Bond shall be entitled to equal and proportionate benefits and rights as to lien on the Pledged Funds and the Assessments to the same extent as all other Series 1990A Bonds issued under the Resolution and shall be entitled to the same benefits and security as the Series 1990A Bond so lost, stolen or destroyed.

Interchangeability, Negotiability and Transfer

Series 1990A 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 Series 1990A Bonds of the same maturity of any other authorized denominations.

The Series 1990A 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 the Resolution and in the Series 1990A Bonds. So long as any of the Series 1990A 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 1990A Bonds.

Each Series 1990A 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 1990A Bond, the Issuer shall issue, and cause to be authenticated, in the name of the transferee a new Series 1990A Bond or Bonds of the same aggregate principal amount and maturity as the surrendered Series 1990A 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 1990A Bond shall be registered upon the books of the Issuer as the absolute owner of such Series 1990A Bond, whether such Series 1990A 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 1990A Bond and for all other purposes, and all such payments so made to any such Holder or upon such Holder's order

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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.

Notice of Redemption

Unless waived by any Holder of Bonds to be redeemed, notice of any redemption made pursuant to the Resolution 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 the Resolution 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.

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.

Payment of Redeemed Bonds

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

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 and the Assessments in accordance with the terms of the 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 and the Assessments, in the manner provided in the Resolution.

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 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, 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 Bonds in the manner provided in the Resolution.

Additional Security

Anything in the Resolution to the contrary notwithstanding, however, the Issuer may cause the 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 of the Governing Body, in addition to the security of the Pledged Funds and the Assessments provided in the Resolution.

Construction Account; Grant Redemption Bonds

The Issuer covenants and agrees to establish a separate account within the Construction Fund, which shall be used only for payment of the Cost of Project 1990A. Moneys in such Construction Account, until applied in payment of any item of the Cost of Project 1990A in the manner provided in the Resolution, shall be held in trust by the Issuer and shall be subject to a lien and charge in favor of the Holders of the Series 1990A Bonds and for the further security of such Holders.

There shall be paid into such Construction Account the amounts required to be so paid by the provisions of the Resolution, and there may be paid into the Construction Account, at the option of the Issuer, any moneys received for or in connection with Project 1990A by the Issuer from any other source.

The proceeds of insurance against physical loss of or damage to Project 1990A, or of contractors' performance bonds with respect thereto pertaining to the period of construction thereof, shall be deposited into the Construction Account.

The Issuer covenants that the acquisition and construction of Project 1990A will be completed without delay and in accordance with sound engineering practices. The Issuer shall make disbursements or payments from the Construction Account to pay items of the Cost of Project 1990A 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) that the Construction Account is the proper 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 Project 1990A and is a proper charge against the Construction Account 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 prior to or subsequent to issuance of the Series 1990A Bonds, is a reimbursement of a part of the Cost of Project 1990A, is a proper charge against the Construction Account, 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 Series 1990A Bonds or the agent or representative of any Holder of any of the Series 1990A Bonds.

The date of completion of Project 1990A 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 Project 1990A, and after paying or making provisions for the payment of all unpaid items of the Cost thereof, the Issuer shall deposit in the following order of priority any balance of moneys remaining in the Construction Account in (1) another account of the Construction Fund for which the Authorized Issuer Officer has stated that there are insufficient moneys on deposit in full of the Cost of the project for which such account is maintained, (2) the Reserve Account, to the extent of a deficiency therein, (3) the Debt Service Fund, to the extent of a deficiency therein, and (4) any other fund or account of the Issuer designated by the Governing Body provided that 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.

The Issuer has made application for and may receive a grant for the purpose of paying a portion of the Cost of Project 1990A. When and if received by the Issuer, such grant shall be applied and accounted for by the Issuer strictly in accordance with all of the terms and conditions thereof. To the extent permitted by such terms and conditions, the Issuer shall apply such grant in the manner provided in this paragraph. Prior to or contemporaneously with the sale of the Series 1990A Bonds, the Issuer shall by resolution of the Governing Body designate particular Series 1990A Bonds, in an aggregate principal amount substantially equivalent to the amount of the grant applied for, which shall be subject to mandatory redemption from grant funds (the "Grant Redemption Bonds"). If construction of Project 1990A shall have progressed to the extent that all or part of the grant can be applied directly to the payment of such portion of such Cost, the Issuer shall withdraw from the Construction Account a sum equal to the amount of the grant or the part thereof which shall have been applied directly to the payment of such portion of such Cost and deposit the same to a special account for application by the Issuer to the mandatory purchase or redemption of Grant Redemption Bonds. If construction of Project 1990A shall have progressed to the extent that all or part of the grant cannot be applied directly to the payment of such portion of such Cost, the grant or the portion thereof which shall not be applied directly to the payment of items of such Cost shall be deposited by the Issuer in such special account for the mandatory purchase or redemption of Grant Redemption Bonds. Grant moneys and/or Construction Account moneys which shall have been deposited by the Issuer into such special account created pursuant to the Resolution may be applied by the Issuer, promptly upon deposit thereof in such special account, to the purchase of said Grant Redemption Bonds, at a price not greater than the Redemption Price at which such Grant Redemption Bonds may be redeemed on the next succeeding June 1 or December 1 which shall be at least sixty days after receipt by the Issuer of such grant, or shall be exhausted by the Issuer, to the maximum extent possible, on such next succeeding June 1 or December 1 which shall be at least sixty days after receipt by the Issuer of such grant, by application thereof by the Issuer to the mandatory redemption of Grant Redemption Bonds. The Issuer shall call for redemption the Grant Redemption Bonds to be redeemed, which shall be selected by the Issuer by lot if less than all of the Grant Redemption Bonds shall be redeemed, by causing notice to be given as provided in the Resolution. The Issuer shall pay out of such special fund created pursuant to the provisions of the Resolution, to the Paying Agent for the Grant Redemption Bonds to be redeemed, on or before the day preceding the redemption date, the amount required to pay the principal of or Redemption Price, if applicable, and

interest on the Grant Redemption Bonds to be redeemed, and such amount shall be applied by the Paying Agent to such redemption.

Assessments

By Ordinance, the Issuer has determined to impose, levy and collect the Project 1990A Assessments. The Issuer covenants and agrees to deposit into the Assessments Fund all of the Project 1990A Assessments promptly upon receipt thereof. Prior to or contemporaneously with the sale of the Series 1990A Bonds, the Issuer shall by resolution of the Governing Body designate particular Series 1990A Bonds which shall be Assessments Redemption Bonds subject to mandatory redemption by operation of the Assessments Fund. Such Assessments Redemption Bonds shall be in an aggregate principal amount substantially equivalent to the principal amount of the Project 1990A Assessments, shall be Serial or Term Bonds which shall amortize substantially according to the scheduled receipt by the Issuer of the installments of the principal of and interest on the Assessments, and shall mature not later than the final installment of the Assessments.

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 non-ad valorem special assessments against the lands and properties which shall be specially benefited by the construction of Project 1990A and which shall be within the area designated by the Issuer for assessment for such benefit. The Issuer covenants that if any such non-ad valorem special 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 such non-ad valorem special 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 such area so designated by the Issuer and specially benefited by Project 1990A, the Issuer shall take all necessary steps 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.

Flow of Funds

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

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Resolution relating to the Annual Budget, 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) below, 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 in the Resolution 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

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 Outstanding Parity 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) below; provided, however, that such moneys shall be deposited or credited to the Debt Service Fund in the manner described in part (2) below 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) below. 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 the 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 the

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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 the Resolution, 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, such surplus moneys shall be deposited by the Issuer into the Interest Account.

Upon the issuance of any Series of Bonds, under the terms, limitations and conditions as provided in the Resolution, 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 or may be accumulated in equal monthly payments from the Revenue Fund, on a parity with the payments required by the first sentence of subpart (d) above, to the Reserve Account over a period of months from the date of issuance of such Series of Bonds, which shall not exceed the greater of (a) sixty (60) months, or (b) the number of months for which interest on such Series of Bonds has been capitalized, as determined by Supplemental Resolution.

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.

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

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

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 subpart (d) above, 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

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Notwithstanding the foregoing provisions, in lieu of the required deposits into the Reserve Account, the Issuer may, at its sole option and discretion, cause to be deposited a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit in an amount equal to the difference between the Reserve Account Requirement applicable thereto and the sums then on deposit in the Reserve Account, if any. Such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be payable to the Paying Agent for such Series (upon the giving of notice as required 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 the 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 of the Resolution 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 the Resolution, the Issuer shall reinstate the maximum limits of such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit immediately following such disbursement.

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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 in the Resolution that it shall fund the Reserve Account pursuant to the first sentence of subpart (d) above, during a period not to exceed sixty (60) 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

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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 rebate amounts described in the Resolution.

(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. 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) above. On each April 1, moneys in the Assessments Fund in excess of the aggregate installments of Assessments scheduled to be paid to the Issuer in such 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 June 1 (or the principal amount of any such Assessments Redemption Bonds which shall be about to mature on such June 1), and/or shall be exhausted by the Issuer, to the maximum extent possible, on such next succeeding June 1, 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, which shall be selected by the Issuer by lot if on any redemption date less than all of the Assessments Redemption Bonds then Outstanding shall be redeemed, by causing notice to be given as provided in the Resolution. 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) above. 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.

(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.

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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 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.

Pursuant to the Resolution, 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 appointed by the Resolution to serve as rebate administrator under the Resolution 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 rebate requirements of the Resolution. The rebate administrator is authorized by the Resolution 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.

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 the Resolution shall prevent any Authorized Investments acquired as investments of or security for funds held under the Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

Separate Accounts

The moneys required to be accounted for in each of the foregoing funds and accounts established in the Resolution may be deposited in a single bank account, and funds allocated to the various funds and accounts established therein 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 provided for therein.

The designation and establishment of the various funds and accounts in and by the 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 therein provided.

Subordinated Indebtedness

The Issuer will not issue any other obligations, except under the conditions and in the manner provided in the Resolution, payable from the Pledged Funds and the Assessments 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 the Assessments and which may be secured by a pledge of the Pledged Funds and the Assessments; provided, however, that such pledge shall be, and shall be expressed to be, subordinated in all respects to the pledge of the Pledged Funds and the Assessments created by the 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 the Resolution.

Issuance of Additional Bonds

No Additional Bonds, payable from the Pledged Funds and the Assessments on a parity with the Bonds then outstanding pursuant to the Resolution, shall be issued except upon the conditions and in the manner provided therein. 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,

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then proposed to be issued, excluding all Outstanding and proposed Assessments Redemption Bonds; (6) stating that such adjusted Net Revenues and such Connection Charges, adjusted as provided in paragraph (E) below, equal at least 1.20 times 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 (7) 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 the provisions of the Resolution relating to Additional Bonds, 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 the provisions of the Resolution relating to Additional Bonds, 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 acquired facilities of the System, 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 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, 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 from existing residential and business development during the first twelve (12)

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 by the Resolution and all payments theretofore required to have been deposited or made by it under the provisions of the Resolution and has complied with the covenants and agreements of the 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) stating that such Net Revenues adjusted as provided in paragraph (E) below, 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 into the Assessments Fund as stated pursuant to clause (2) above, equal at least 1.10 times the Maximum Debt Service Requirement for all Outstanding Bonds and such Additional Bonds then proposed to be issued; (4) stating that such adjusted Net Revenues and the amount of Assessments allowed under clause (3) above and such Connection Charges, adjusted as provided in paragraph (E) below, equal at least 1.20 times the Maximum Debt Service Requirement for all Outstanding Bonds and such Additional Bonds then proposed to be issued; (5) stating that such adjusted Net Revenues equal at least 1.10 times the Maximum Debt Service Requirement for all Outstanding Bonds and such Additional Bonds

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months of operation of such Project after completion of the construction or acquisition thereof.

(3) If the Issuer, in connection with the issuance of Additional Bonds, shall enter into a contract (with a duration not less than the final maturity of such Additional Bonds) with any public or private entity whereby the Issuer agrees to furnish services in connection with any water and/or sewer system, then the Net Revenues of the System during the twelve (12) consecutive months shall be increased by the least amount which said public or private entity shall guarantee to pay in any one year for the furnishing of said services by the Issuer, after deducting therefrom the proportion of operating expenses and repair, renewal and replacement cost attributable in such year to such services.

(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 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 from existing residential and business users of the facilities to be financed by 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 the Resolution the same as the outstanding Bonds, and all of the other covenants and other provisions of the 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 the 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 the Resolution, 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

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pursuant to the provisions of the Resolution relating to Additional Bonds 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 the Resolution.

(G) In the event any Additional Bonds are issued for the purpose of refunding any Bonds then outstanding, the conditions of the Resolution relating to Additional Bonds 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 paragraph (B) above shall apply to Additional Bonds issued to refund Subordinated Indebtedness and to Additional Bonds issued for refunding purposes which cannot meet the conditions of the Resolution relating to Additional Bonds.

(H) In addition to all of the other requirements specified in the provisions of the Resolution relating to Additional Bonds, 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.

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 the Resolution, as shall be provided by resolution of the Issuer.

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 the Resolution, 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 the Resolution. If the aforementioned conditions are satisfied, the Subordinated Indebtedness shall be deemed to have been issued pursuant to the Resolution the same as the outstanding Bonds, and such Subordinated Indebtedness shall be considered Bonds for all purposes provided in the Resolution.

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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.

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 the Resolution, to the extent necessary, to provide (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 Maximum Debt Service Requirement and at least one hundred percent (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, (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 Maximum Debt Service Requirement and at least one hundred percent (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, (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 Maximum Debt Service Requirement, less debt service for all Assessments Redemption Bonds, and at least one hundred percent (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 (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 Maximum Debt Service Requirement, less debt service for all Assessments

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.

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

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

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 Resolution, 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 Resolution, 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 the Resolution 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 the Resolution, 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 the 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.

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 the 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.

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

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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 Resolution 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 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 the Resolution and such successor board or authority shall fall within the definition of "Issuer" in the Resolution.

Notwithstanding the foregoing provisions of the Resolution, 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.

Insurance

So long as the Net Revenues are pledged under the Resolution, 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

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the Issuer of any covenant or agreement in the Resolution. 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.

Mortgage, Sale or Closing of Facilities

The Issuer irrevocably covenants, binds and obligates itself in the Resolution 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 has been made in accordance with the defeasance provisions of the Resolution.

The Issuer shall have and by the Resolution 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 the Resolution, 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 Resolution 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 Resolution 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

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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.

No Impairment

The pledging of the Pledged Funds in the manner provided in the Resolution shall not be subject to repeal, modification or impairment by any subsequent ordinance, resolution or other proceedings of the Governing Body. This provision of the Resolution shall not, however, be deemed to prohibit the reduction or elimination of the Rates in the manner provided in the provisions of the Resolution relating to the Rates.

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 acknowledges by the Resolution 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 the 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.

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 the Resolution.

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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 under the Resolution 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) above shall not apply to any Taxable Bonds.

Financial Guaranty as Insurer

Notwithstanding any provisions to the contrary contained in the Resolution, 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 Outstanding Parity Bonds and the Series 1990A Bonds.

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there shall be provided a verification report of an independent nationally recognized certified public accounting firm.

Events of Default

The following events shall each constitute an "Event of Default" under the Resolution:

(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 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 the 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 under the Resolution 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.

Remedies

Any Holder of Bonds issued under the provisions of the 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 the Resolution, and may enforce and compel the performance of all duties required by the 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.

(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 the Resolution, the Annual Audit pursuant to the Resolution 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 the provisions of the Resolution relating to Events of Default, 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 the defeasance provisions of the Resolution, only cash or Federal Securities shall be used to accomplish defeasance of the Bonds, provided, however, that Pre-refunded Obligations may be used with the prior written consent of Financial Guaranty, and in the event of an advance refunding,

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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 the 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 under the Resolution. After the appointment of the first trustee under the Resolution, 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.

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 under the Resolution, provided that such direction shall not be otherwise than in accordance with law or the provisions thereof, 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.

Remedies Cumulative

No remedy in the Resolution conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given thereunder or now or hereafter existing at law or in equity or by statute.

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 the Resolution to the Bondholders may be exercised from time to time, and as often as may be deemed expedient.

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 under the Resolution; 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 defeasance provisions of the 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

(E) To specify and determine at any time prior to the first delivery of any Series of Bonds the matters and things relating to the description of such Bonds referred to in the Resolution, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the 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 paragraphs (E), (F) and (H) above and Supplemental Resolutions adopted for the purpose of authorizing Additional Bonds in compliance with all applicable provisions of the Resolution, no Supplemental Resolution adopted pursuant to the Resolution 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.

Supplemental Resolution With Bondholders', Insurer's and Credit Bank's Consent

Subject only to the terms and provisions contained in Section 7.01 of the Resolution described above and Section 7.02 of the Resolution described in this paragraph, 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 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 the 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

THIRD: to the payment of the Redemption Price of any Bonds called for optional redemption pursuant to the provisions of the 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.

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.

Supplemental Resolution Without Bondholders' Consent

Pursuant to Section 7.01 of the Resolution, 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 of the Resolution) for any of the following purposes:

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

(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 the Resolution other conditions, limitations and restrictions thereafter to be observed.

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

outstanding Bonds under Section 7.02 of the Resolution herein described. Any Supplemental Resolution which is adopted in accordance with the provisions of Section 7.02 of the Resolution described in this paragraph 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 under the Resolution, (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 the 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 contained in the Resolution, 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 of the Resolution described above.

If at any time the Issuer shall determine that it is necessary or desirable to adopt any Supplemental Resolution pursuant to Section 7.02 of the Resolution, 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 Section 7.02 of the Resolution to be mailed and any such failure shall not affect the validity of such Supplemental Resolution when consented to and approved as provided in Section 7.02 of the Resolution.

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 provided in the Resolution, 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 Section 7.02 of the Resolution, the Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the 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 the Resolution as so modified and amended.

Amendment with Consent of Insurer and/or Credit Bank Only

If all of a Series of Bonds Outstanding under the Resolution 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 of the Resolution 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 of the Resolution with respect to the exclusion, if applicable, of interest on said Bonds from the gross income of the Holders

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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 the Resolution, 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 the defeasance provisions of the Resolution, 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 the Resolution.

In the event the Bonds for which moneys are to be deposited for the payment thereof in accordance with the defeasance provisions of the Resolution 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 the Resolution of moneys or Securities has been made and said Bonds are deemed to be paid in accordance with the provisions of the Resolution 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 in the Resolution shall be deemed to require the Issuer to call any of the outstanding Bonds for redemption prior

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 under the Resolution. 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 of the Resolution. Anything contained in the Resolution to the contrary notwithstanding, any Supplemental Resolution or other amendment or supplement to the 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.

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 the Resolution, then the pledge of the Pledged Funds and any additional security pledged under the Resolution, 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 the provisions of the Resolution relating to Financial Guaranty, 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 the Resolution 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

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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 under the Resolution, 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.

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APPENDIX E--FORM OF OPINION OF BOND COUNSEL

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

The Honorable Chairman and Members
of the Board of County Commis-
sioners of St. Johns County, Florida
St. Augustine, Florida

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Board of County Commissioners (the "Board") of St. Johns County, Florida (the "Issuer"), and other proofs submitted relative to the authorization, issuance and sale of and the security for the following described bonds (the "Bonds"):

§
ST. JOHNS COUNTY, FLORIDA
WATER AND SEWER REVENUE BONDS
SERIES 1990A
Dated as of March 1, 1990

The Bonds are issued pursuant to the Constitution and laws of the State of Florida, including particularly Chapter 125, Part I, Florida Statutes, as amended, St. Johns County Ordinance No. 86-89 and Resolution No. 89-84 duly adopted by the Board on April 25, 1989, as amended and supplemented, particularly as amended and supplemented by Resolution No. 90-___ duly adopted by said Board on _____, 1990 (the "Resolution"), to finance a part of the cost of the acquisition, construction and erection of additions and extensions to the public water and sewer system of the Issuer (the "System"). 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 (A)(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, all moneys, including investments thereof, in certain of the funds and accounts established pursuant to the Resolution and the earnings on such investments, all in the manner and to the extent described in the Resolution (collectively, the "Pledged Funds"), and (B) the Assessments.

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 the 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 the Assessments.

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 (the "Parity Obligations").

The Issuer has reserved the right to issue additional parity bonds to be payable from and secured by the Pledged Funds and the 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 in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is a duly created and validly existing political subdivision of the State of Florida with the power to adopt the Resolution, perform the agreements on its part contained therein and issue the Bonds.

2. The Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer in accordance with its terms.

3. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer enforceable in accordance with their terms.

4. The Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes on interest, income or profits on debt obligations owned by corporations, as defined by Chapter 220, Florida Statutes, as amended.

5. Interest on the Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax applicable to all taxpayers; provided, however, that interest on the Bonds is included in calculating "adjusted 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,

FOLEY & LARDNER

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APPENDIX F--FORM OF MUNICIPAL BOND INSURANCE POLICY

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Financial Guaranty Insurance
Company
175 Water Street
New York, New York 10038-4972
(212) 607-3000
(800) 352-0001



Municipal Bond New Issue Insurance Policy

Issuer:

Policy Number:

Control Number:

Bonds:

Premium:

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to Citibank, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a

Financial Guaranty Insurance
Company
175 Water Street
New York, New York 10038-4972
(212) 607-3000
(800) 352-0001



Municipal Bond New Issue Insurance Policy

Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bond, to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day in which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officers in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Executive Vice President

Effective Date:

Authorized Representative

Citibank, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

Financial Guaranty Insurance
Company
175 Water Street
New York, New York 10038-4972
(212) 607-3000
(800) 352-0001



Endorsement
To Financial Guaranty Insurance Company
Insurance Policy

Policy Number:

Control Number:

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officers in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Executive Vice President

Effective Date:

Authorized Representative

STIPEND

Acknowledged as of the Effective Date written above:

Authorized Officer
Citibank, N.A., as Fiscal Agent

ENDORSEMENT

To Financial Guaranty Insurance Company Insurance Policy
Policy Number:
Control Number:

The insurance provided by this Policy is not covered by the Florida Insurance Guaranty Association (Florida Insurance Code, Sec. 631.50 et seq.)

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE, OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officers in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

President

Executive Vice President

Effective Date: , 1990

Authorized Representative

Acknowledged as of the Effective
Date written above:

Authorized Officer
Citibank, N.A., as Fiscal Officer

\$7,455,000
ST. JOHNS COUNTY, FLORIDA
WATER AND SEWER REVENUE BONDS,
SERIES 1990A

BOND PURCHASE AGREEMENT

March 27, 1990

Board of County Commissioners of
St. Johns County, Florida

The undersigned, Smith Barney, Harris Upham & Co. Incorporated on behalf of Smith Barney, Harris Upham & Co. Incorporated and Barnett Brokerage Service, Inc., as Underwriters (the "Underwriters"), offer to enter into the following agreement with you, St. Johns County, Florida (the "County"), which, upon your acceptance of this offer and upon execution by the parties hereto of this Bond Purchase Agreement (the "Bond Purchase Agreement"), will become binding upon the County and the Underwriters. This offer is made subject to your execution of this Bond Purchase Agreement and its delivery to the Underwriters at or before midnight, eastern time, today.

I. Agreement to Sell and Purchase 1990A Bonds. The County hereby agrees to sell to the Underwriters and upon the basis of the representations and agreements of the County set forth herein and subject to all the terms and conditions hereof, the Underwriters hereby agree to purchase from the County \$7,455,000 aggregate principal amount of the County's Water and Sewer Revenue Bonds, Series 1990A (the "1990A Bonds"), to be issued pursuant to, and containing the terms set forth in Resolution No. 90-61 adopted by the Board of County Commissioners (the "Board") of the County on March 27, 1990, amending and supplementing Resolution No. 89-84 of the Board of the County (the "Resolution"), for a purchase price of \$7,363,907.85 plus accrued interest on the 1990A Bonds from the dated date through the Closing (as later defined). The aggregate original principal amount of the 1990A Bonds, together with the rates, offering prices and certain other terms of the 1990A Bonds shall be as set forth on Exhibit A, Schedule I hereto. Pursuant to the Resolution, the County will apply the proceeds of the 1990A Bonds to acquire, construct and equip Project 1990A (defined in the Resolution), and the County will be obligated to pay when due the principal of and interest and any premium on the 1990A Bonds. The 1990A Bonds and the Resolution shall be as more fully described in an official statement, dated as of the date hereof or such other date as is agreeable to the parties, relating to the 1990A Bonds (such official statement, together with any

EXHIBIT B

amendments thereof and supplements thereto and including the Appendices thereto and the documents incorporated by reference therein is herein called the "Official Statement").

II. Terms of Public Offering and Use of Official Statement.
The Underwriters will make an offering of the 1990A Bonds at the initial offering prices set forth on the cover page of the Official Statement subject to the terms and conditions hereof.

The Preliminary Official Statement dated March 20, 1990 and relating to the original issuance of the 1990A Bonds (the "Preliminary Official Statement"), has been prepared for use in connection with the public offer, sale and distribution of the 1990A Bonds by the Underwriters. As of its date, the Preliminary Official Statement was "deemed final" (except for permitted omissions) by the County for purposes of SEC Rule 15c2-12(b)(1), and the Underwriters were and are authorized to use the Preliminary Official Statement in their marketing efforts.

On or prior to the Closing, the County will execute a final Official Statement for purposes of SEC Rule 15c2-12(b)(3) and (4), which will be determined by a duly authorized officer of the County to be a final Official Statement. The County hereby authorizes and directs the Underwriters to order and receive within seven business days after the effective date of this Bond Purchase Agreement, seven hundred (700) copies of the final Official Statement (or such lesser amount as may be agreed to by the Underwriters), twenty (20) of which will be signed by a duly authorized officer of the County. The County hereby authorizes the Underwriters to use and distribute such final Official Statement in connection with the offer, sale and distribution of the Bonds.

III. Good Faith Check and Closing. The Underwriters herewith deliver to the County a company check payable to the order of the County in the amount of \$80,000, which represents approximately one percent (1%) of the principal amount of the 1990A Bonds (the "Good Faith Check"), which Good Faith Check shall, subject to the following provisions in this section, be held uncashed by the County and returned to the Underwriters at the Closing. No interest shall be paid by the County to the Underwriters upon the amount of the Good Faith Check. In the event of the County's failure to deliver the 1990A Bonds at the Closing, or if the County shall be unable 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 Bond Purchase Agreement, the Good Faith Check shall be immediately returned to the Underwriters and upon such return, all claims and rights the Underwriters may have against the County hereunder shall be released and discharged. In the event that the Underwriters fail (other than for a reason permitted hereunder) to accept and pay for the 1990A Bonds at the Closing as herein provided, the County may cash the Good Faith Check and retain the proceeds thereof by

the County as and for liquidated damages for such failure and for any defaults hereunder on the part of the Underwriters and the retention of such amounts shall constitute a full release and discharge of all claims and damages for such failure and for any and all such defaults. The Underwriters and the County understand that in such event the actual damages of the County may be greater or may be less than such sum. Accordingly, the Underwriters hereby waive any right to claim that the actual damages are less than such sum, and the acceptance of this offer by the County shall constitute a waiver of any right that the County may have to additional damages from the Underwriters.

At 10:00 a.m., Eastern Time, on April 11, 1990, or at such time on such earlier or later date as shall be agreed upon (the "Closing Date"), you will deliver the 1990A Bonds to the Underwriters in printed form duly executed, at the location to be agreed upon by you and the Underwriters in New York, New York, and at such time you will deliver the other documents herein mentioned to the Underwriters in Jacksonville, Florida at the offices of the County's bond counsel; and the Underwriters will accept such delivery and pay, at such location as may be agreed upon by you and the Underwriters, the purchase price of the 1990A Bonds as set forth in Section I hereof, plus accrued interest on the 1990A Bonds from their dated date to the date of Closing, in immediately available funds, by wire transfer, payable to the order of the County. This delivery and payment is herein called the "Closing." The 1990A Bonds shall be made available to the Underwriters in New York, New York, 48 hours before the Closing for purposes of inspecting and packaging. The Good Faith Check shall be returned to the Underwriters at the Closing upon acceptance by the Underwriters of the 1990A Bonds.

IV. Representations of the County. The County represents to the Underwriters that:

(a) The County is a political subdivision of the the State of Florida (the "State") and is authorized and empowered by the provisions of Part I of Chapter 125, Florida Statutes, as amended, and other applicable provisions of law (the "Act"), to issue and secure the 1990A Bonds under and pursuant to the Resolution.

(b) The information contained in and incorporated by reference in the Preliminary Official Statement is, and as it may be completed, revised or amended, at the Closing Date will be, and the information contained in and incorporated by reference in the final Official Statement at the Closing Date will be, true and correct in all material respects and the final Official Statement as of the Closing Date will not, contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(c) The County has full legal right, power and authority (i) to adopt the Resolution, (ii) to enter into this Bond Purchase Agreement, (iii) to issue, sell and deliver the 1990A Bonds to the Underwriters as provided herein and (iv) except as set forth in subparagraph (f) below, to carry out, consummate and give effect to all other transactions contemplated by each of the aforesaid documents to be carried out and consummated by the County, and the County has complied with all applicable provisions of law, including the Act, in all matters relating to such transactions.

(d) The County has duly authorized (i) the issuance and sale of the 1990A Bonds upon the terms set forth herein and in the Resolution, (ii) the execution, delivery and due performance of this Bond Purchase Agreement, the 1990A Bonds, and the Resolution, and (iii) the taking of any and all such action by the County as may be required to carry out, give effect to and consummate the transactions contemplated by such documents.

(e) The Resolution has been duly adopted by the County and constitutes the legal, valid and binding obligation of the County and is in full force and effect. When executed and delivered by the County, this Bond Purchase Agreement will constitute a legal, valid and binding obligation of the County, assuming the due authorization, execution and delivery by the other parties thereto, and, when delivered to and paid for by the Underwriters on the Closing Date and duly authenticated by the Bond Registrar, the 1990A Bonds will have been duly authorized, executed, issued and delivered and will constitute legal, valid and binding limited obligations of the County and will be entitled to the benefit and security of the Resolution, in each case enforceable in accordance with their respective terms, except as the enforceability thereof may be subject to applicable bankruptcy or other laws affecting the rights of creditors generally or by the application of general principles of equity.

(f) Except for certain permits necessary to construct or operate the System and Project 1990A, and except for certain proceedings relating to the Assessments, to the best knowledge of the County, no approval, permit, consent or authorization of any governmental or public agency, authority or person not already obtained (other than any approvals that might be required to be obtained under the Blue Sky laws of any jurisdiction) is required in connection with the adoption of the Resolution and the issuance and sale of the 1990A Bonds pursuant to this Bond Purchase Agreement or the execution and delivery by the County of, or the performance of its obligations under, the 1990A Bonds, the Resolution and this Bond Purchase Agreement.

(g) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending against the County or of which the County otherwise has received written official notice or which, to the best knowledge of the County, is threatened against the

County (nor to the best knowledge of the County is there any basis therefor), which in any way questions the validity of the Act, the powers of the County in connection with the issuance and sale of the 1990A Bonds, or the validity of any proceedings taken by the County in connection with the issuance of the 1990A Bonds, or wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by this Bond Purchase Agreement or which, in any way, would adversely affect the validity or enforceability of this Bond Purchase Agreement, the 1990A Bonds, the Resolution or any other agreement or instrument to which the County is a party, required or contemplated for use in consummating the transactions contemplated hereby or thereby, or the exclusion from gross income of the interest on the 1990A Bonds for federal income tax purposes.

(h) The adoption of the Resolution, the authorization, execution and delivery by the County of this Bond Purchase Agreement, the 1990A Bonds and any other agreements contemplated hereby or thereby and compliance with the provisions of the Resolution and of each of such instruments will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the County is a party or is subject, nor will such action result in any violation of the provisions of the Constitution or laws of the State, or any charter, code of ordinances, resolution or regulation of the County, or any existing statute, order, judgment, decree, rule or regulation applicable to the County (or any of its officials or officers in their respective capacities as such) of any court or of any federal, state or other regulatory authority or other governmental body having jurisdiction over the County (or such officials or officers as such).

(i) Subsequent to January 1, 1975, the County has not been in default in the payment of principal of or premium, if any, or interest on, or otherwise been in default with respect to, any non-conduit bonds or other non-conduit debt obligations which it has issued or which it has assumed or guaranteed as to payment of principal, premium, if any, or interest.

(j) Any closing certificate or other document signed by any authorized official of the County and delivered to the Underwriters shall be deemed to be a representation and warranty by the County to the Underwriters as to the truth of the statements therein contained.

V. Covenants and Agreements of the County. The County covenants and agrees with the Underwriters:

(a) To furnish or cause to be furnished to the Underwriters at or prior to the Closing Date (i) two specimens of the form of the 1990A Bonds and (ii) a certified copy of the

Resolution (which document shall be in the form as adopted on the date hereof, subject to such changes as the Underwriters shall approve, such approval to be evidenced by the Underwriters' acceptance of the 1990A Bonds).

(b) To cooperate with the Underwriters in qualifying the 1990A Bonds for offer and sale under the securities or Blue Sky laws of such jurisdictions of the United States as the Underwriters may reasonably request, provided, however, that the County will not be required to execute a special or general consent to service of process or qualify as a foreign entity in connection with any such qualification in any jurisdiction other than the State.

(c) To apply the proceeds from the sale of the 1990A Bonds as provided in and subject to all of the terms and provisions of the Resolution.

(d) Not to take or omit to take any action the taking or omission of which will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the 1990A Bonds.

(e) To notify the Underwriters if, prior to the delivery of the payment for the 1990A Bonds on the Closing Date, any event occurs which is known to the County and which makes any statement related to it in the final Official Statement untrue or misleading in any material respect.

(f) During the period commencing on the date of the final Official Statement and ending 90 days after the "end of the underwriting period" as defined in SEC Rule 15c2-12(e)(2), the date of which the Underwriters will determine and advise the County, if any event relating to or affecting the Official Statement shall occur as a result of which, in the reasonable judgment of the Underwriters, it is necessary to amend or supplement the final Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser or "potential customer" (as defined for purposes of SEC Rule 15c2-12(b)(4)), the County will, at the request of the Underwriters but at the County's expense, cooperate in the preparation of either amendments or supplements to the final Official Statement so that the Official Statement as so amended or supplemented will not, in the light of the circumstances when the final Official Statement is delivered to any real or "potential customer", be misleading. The Underwriters agree to advise the County, from time to time, whether to the best of their knowledge any underwriter retains directly or as a member of an underwriting syndicate, any unsold balance of the bonds for sale to the public.

The agreements contained in this Section V and the representations of the County set forth in Section IV of this

Bond Purchase Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Bond Purchase Agreement (other than with respect to a termination due to the failure of the Issuer to issue the 1990A Bonds or failure of the Underwriters to purchase the 1990A Bonds for reasons permitted herein), (ii) any investigation made by or on behalf of the Underwriters or any person controlling the Underwriters within the meaning of Section 15 of the Securities Act of 1933, as amended, and (iii) acceptance of, and payment for, the 1990A Bonds.

VI. Conditions of the Underwriters' Obligations. The obligations of the Underwriters hereunder shall be subject to (i) the County's compliance with and performance of the obligations and agreements to be performed by it under the Resolution and this Bond Purchase Agreement on or prior to the Closing Date; (ii) the accuracy and completeness as of the date hereof of the representations of the County contained herein and in the Resolution, and (iii) the accuracy and completeness of such representations as if made on and as of the Closing Date.

The obligations of the Underwriters hereunder are subject to the following further conditions:

(a) The Resolution and this Bond Purchase Agreement shall have been duly authorized, executed and delivered by the respective parties thereto, in the forms heretofore approved by the County, with only such changes therein as the County and the Underwriters shall mutually agree upon, such agreement to be evidenced by the delivery and acceptance of the 1990A Bonds, and the 1990A Bonds shall have been duly authorized, executed and authenticated in accordance with the provisions of the Resolution.

(b) On the Closing Date, the Underwriters shall receive:

(i) (A) the final approving opinion of bond counsel, dated the Closing Date in the form set forth in Appendix D to the Official Statement; (B) a supplemental opinion of bond counsel, dated the Closing Date, addressed to the County and the Underwriters in substantially the form attached hereto as Exhibit A-1; (C) a reliance opinion of bond counsel, dated the Closing Date, addressed to the Underwriters in substantially the form attached hereto as Exhibit A-2; (D) an opinion of counsel to the County, dated the Closing Date, addressed to the Underwriters in substantially the form attached hereto as Exhibit B;

(ii) a certificate of an authorized officer of the County, dated the Closing Date, in form and substance satisfactory to the Underwriters, to the effect that to the best knowledge of such officer, each of the representations and warranties of the County in this Bond Purchase Agreement is true and accurate as if made on and as of the Closing Date and that

all agreements to be complied with and obligations to be performed by the County hereunder and under the Resolution, on or prior to the Closing Date have been complied with and performed;

(iii) a certificate or certificates dated on and as of the Closing Date signed by an authorized officer of the County, in customary form and satisfactory to the Underwriters, to the effect that on the basis of facts, estimates and circumstances in existence on the Closing Date, which facts, estimates and circumstances shall be set forth therein, it is not expected that the proceeds of the 1990A Bonds will be used in a manner that would cause the 1990A Bonds to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and any applicable Treasury Regulations issued thereunder;

(iv) one "comfort letter" from the County's independent certified public accountants addressed to the County and to the Underwriters, in form and substance satisfactory to the Underwriters, such letter to be dated not earlier than five (5) days prior to the Closing Date.

(v) such additional and customary opinions, certificates, instruments or other documents as shall be reasonably requested by the Underwriters to evidence performance of or compliance with the provisions of this Bond Purchase Agreement and the transactions contemplated hereby; all such opinions, evidence, certificates, instruments or other documents shall be satisfactory in form and substance to the Underwriters.

(c) Evidence satisfactory to the Underwriters that Moody's Investors Service, Inc. and Standard & Poor's Corporation shall have given the 1990A Bonds the ratings of "Aaa" and "AAA", respectively.

(d) Evidence of the insurance policy issued by Financial Guaranty Insurance Company relating to the Bonds in form and substance satisfactory to the Underwriters.

(e) All matters relating to this Bond Purchase Agreement, the Official Statement, the 1990A Bonds, the Resolution and the consummation of the transactions contemplated hereby and thereby shall be satisfactory to and approved by the Underwriters and their counsel; such approvals not to be unreasonably withheld.

VII. The Underwriters' Right to Cancel. The Underwriters shall have the right to cancel and terminate this Bond Purchase Agreement (such cancellation shall not constitute a default for purposes of Section VIII hereof) by notifying the County in writing or by telegram of its election to do so prior to the delivery and payment for the 1990A Bonds on the Closing Date, if after the effective date of this Bond Purchase Agreement and prior to the Closing:

(a) A tentative decision with respect to legislation shall be reached and publicly announced by a committee of the House of Representatives or the Senate of the Congress of the United States of America, or legislation shall be favorably reported by such a committee or be introduced, by amendment or otherwise, in, or be passed by, the House of Representatives or the Senate, or recommended to the Congress of the United States of America for passage by the President of the United States of America, or be enacted by the Congress of the United States of America, or a decision by a court established under Article III of the Constitution of the United States of America, or the Tax Court of the United States of America, shall be rendered, or a ruling, regulation or order of the Treasury Department of the United States of America or the Internal Revenue Service shall be made or proposed having the purpose or effect of including in gross income for federal income tax purposes, or any other event shall have occurred which results in the inclusion in gross income for federal income tax purposes, of interest received on the 1990A Bonds or obligations of the general character of the 1990A Bonds, which, in the Underwriters' reasonable opinion, materially adversely affects the market price of the 1990A Bonds;

(b) Any legislation, ordinance, rule or regulation shall be introduced in or be enacted by any governmental body, department or agency in the State or the United States, or a decision by any court of competent jurisdiction within the State or the United States shall be rendered which, in the Underwriters' reasonable opinion, materially adversely affects the market price of the 1990A Bonds;

(c) A ruling, regulation or official action by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of the 1990A Bonds or obligations of the general character of the 1990A Bonds, including all the underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or the registration provisions of the Securities Exchange Act of 1934, as amended and as then in effect, or the qualification provisions of the Trust Indenture Act of 1939, as amended and as then in effect;

(d) Legislation shall be enacted by the Congress of the United States of America, or a decision by a court of the United States of America shall be rendered, to the effect that the 1990A Bonds or obligations of the general character of the 1990A Bonds, including all the underlying obligations, are not exempt from registration under or from other requirements of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect;

(e) Any event shall have occurred, or information become known, which, in the Underwriters' reasonable opinion, makes untrue in any material respect any statement or information contained in the Official Statement, including the Appendices thereto, or has the effect that the Official Statement, including the Appendices thereto, as originally circulated, contains an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading;

(f) 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 national securities exchange;

(g) Any United States national securities exchange, or any United States governmental authority, shall impose, as to the 1990A Bonds or obligations of the general character of the 1990A Bonds, 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;

(h) A general banking moratorium shall have been established by federal, New York or the State's authorities;

(i) Any rating of the 1990A Bonds shall have been downgraded or withdrawn by a national rating service, which, in the Underwriters' reasonable opinion, materially adversely affects the market price of the 1990A Bonds; or trading in any securities of the County shall have been suspended on any United States national securities exchange; or any proceeding shall be pending or threatened by the Securities and Exchange Commission against the County;

(j) A war involving the United States of America shall have been declared, or any conflict involving the armed forces of any country shall have escalated, or any other national emergency relating to the effective operation of government or the financial community shall have occurred, which, in the Underwriters' reasonable opinion, materially adversely affects the market price of the 1990A Bonds;

(k) The representations contained in Paragraph IV hereof shall be determined by the Underwriters to be untrue in any material respect, the covenants of the County in Paragraph V hereof, shall be breached, or the conditions to the Underwriters' performance set forth in Paragraph VI hereof shall not be satisfied; or

(l) Negative information relating to the financial condition of Financial Guaranty Insurance Company is made available to the Underwriters, which, in the reasonable judgement

of the Underwriters, could result in a downgrading of the rating to be assigned to the 1990A Bonds.

(m) The County shall fail to execute the copies of the final Official Statement by the time and in the numbers required in paragraph II hereof.

VIII. Expenses. Whether or not the sale of the 1990A Bonds by the County to the Underwriters is consummated (unless such sale be prevented by the default of the Underwriters), the Underwriters shall be under no obligation to pay any costs or expenses incident to the issuance of the 1990A Bonds except for its own and the fees and expenses of its counsel. All costs and expenses to effect the authorization, preparation, issuance, sale and delivery, of the 1990A Bonds, including, without limitations, (i) the preparation, printing, execution and delivery of the 1990A Bonds and the Preliminary Official Statement and the final Official Statement and any amendments and or supplements thereto, the Resolution and the 1990A Bonds, (ii) fees and disbursements, approved by the County, in connection with the qualification of the 1990A Bonds for sale under the securities laws of various jurisdictions and the determination of the eligibility of the 1990A Bonds for investment under the laws of various jurisdictions, (iii) fees of the Financial Advisor to the County, (iv) fees of rating agencies, (v) any premiums for insurance relating to the 1990A Bonds, (vi) fees of the Bond Registrar and Paying Agent, (vii) the fees and disbursements of Bond Counsel, and (viii) the expenses of the County (including, without limitation, attorneys' fees) reasonably incurred in connection with the issuance of the 1990A Bonds shall be payable out of the proceeds of the 1990A Bonds or otherwise shall be paid by the County.

IX. Representations and Agreements to Survive Delivery. All of the County's representations and agreements shall remain operative and in full force and effect, regardless of any investigations made by the Underwriters on its behalf, and shall survive delivery of the 1990A Bonds to the Underwriters.

X. Notices. Except as otherwise provided in Section VII, notice given pursuant to any of the provisions of this Bond Purchase Agreement shall be in writing and shall be delivered (a) to the County at County Administration Building, 4020 Lewis Speedway, County Road 16A, St. Augustine, Florida 32084, or (b) to the Underwriters at Smith Barney, Harris Upham & Co. Incorporated, One Tampa City Center, Suite 3500, Tampa, Florida 33602 and Barnett Brokerage Service, Inc., 9000 Southside Boulevard, Post Office Box 44148, Jacksonville, Florida 32231-4148.

XI. Nonassignability. This Bond Purchase Agreement has been and is made solely for the benefit of the Underwriters, the County and their respective successors and assigns and no other person shall acquire or have any right under or by virtue

of this Bond Purchase Agreement. The terms "successor" or "successors and assigns" as used in this Bond Purchase Agreement shall not include any purchaser of any of the 1990A Bonds from the Underwriters merely because of such purchase.

XII. Governing Law. The validity, interpretation and performance of this Bond Purchase Agreement shall be governed by the laws of the State of Florida.

XIII. Execution of Counterparts. This Bond Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

XIV. Limited Obligations of County. The 1990A Bonds are limited obligations of the County, issued or to be issued under and are to be secured and entitled equally and ratably to the protection given by the Resolution. Neither the faith and credit nor the taxing power of the County, the State or of any political subdivision thereof is pledged for the payment of the 1990A Bonds, nor shall the 1990A Bonds be deemed a general debt, liability or obligation of the County, the State or of any political subdivision thereof. No obligation, covenant or representation set forth in the Bond Purchase Agreement shall be deemed to be an obligation, covenant or representation of any officer or official or agent of the County in his individual capacity, and no officer or official executing this Bond Purchase Agreement or authorizing its execution shall be personally liable thereon; further, the County's monetary liability under this Bond Purchase Agreement shall be limited to the extent of funds derived from the Pledged Funds and Assessments pursuant to and as defined in the Resolution.

XV. Disclosure Statement. The County hereby acknowledges the filing of the Disclosure Statement required by Section 218.385, Florida Statutes, in substantially the form attached hereto as Exhibit C.

Very truly yours,

SMITH BARNEY, HARRIS UPHAM
& CO. (on behalf of the
Underwriters)

By: *James J. G...*

Title: *Vice President*

Accepted, as of the date
first above mentioned:

ST JOHNS COUNTY, FLORIDA

By: *Craig McGuire*

Chairman, Board of
County Commissioners

(SEAL)
ATTEST:

By: *P. D. Bond-Mandel*

Clerk

Exhibit A - Schedule I

\$1,775,000 Serial Bonds Due
June 1, 1992 through June 1, 2001

<u>Maturity June 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Initial Offering Price or Yield</u>
1992	\$130,000	6.10%	100.00%
1993	140,000	6.25	100.00
1994	150,000	6.40	100.00
1995	155,000	6.50	100.00
1996	170,000	6.60	100.00
1997	180,000	6.70	100.00
1998	190,000	6.80	100.00
1999	205,000	6.90	100.00
2000	220,000	7.00	100.00
2001	235,000	7.05	100.00

\$475,000	7.00%	Term Bonds due June 1, 2000	Price: 99.25%
\$605,000	7.125%	Term Bonds due June 1, 2001	Price: 100.00%
\$1,115,000	7.20%	Term Bonds due June 1, 2005	Price: 100.00%
\$1,005,000	7.25%	Term Bonds due June 1, 2010	Price: 99.25%
\$2,480,000	7.25%	Term Bonds due June 1, 2011	Price: 100.00%

Exhibit A - Schedule I Continued

REDEMPTION PROVISIONS

Optional Redemption

The Bonds maturing in the years 1990 through 1998, inclusive, are not subject to redemption prior to maturity. The Bonds maturing June 1, 1999, through June 1, 2011, may, at the option of the County, be redeemed in whole on any date on or after June 1, 1998, or in part (by lot within maturities if less than a full maturity) on June 1, 1998, or on any interest payment date thereafter, at the redemption prices (expressed as percentages of the principal amount to be redeemed) set forth below, plus accrued interest to the redemption date:

<u>Redemption Dates</u> <u>(Both Dates Inclusive)</u>	<u>Redemption Price</u>
June 1, 1998 to May 31, 1999	103%
June 1, 1999 to May 31, 2000	102%
June 1, 2000 to May 31, 2001	101%
June 1, 2001 and thereafter	100%

Special Mandatory Redemption

A par amount not exceeding \$200,000.00 of Series 1990A Term Bonds maturing on June 1, 2011 (the "Grant Redemption Bonds") are subject to special mandatory redemption, to the extent of any grant proceeds received by the County, in accordance with provisions of the Resolution pertaining thereto, in whole or in part by lot, on June 1, 1991 or any June 1 or December 1 prior thereto, at the Redemption Price of 100% of the par value thereof, plus interest thereon to the date of redemption.

Series 1990A Term Bonds maturing on June 1, 2000; June 1, 2001; and June 1, 2010 (the "Assessments Redemption Bonds") are subject to mandatory redemption by operation of the Assessments Fund in the manner provided in the Resolution from moneys in the Assessments Fund in excess of the aggregate installments of Assessments scheduled to be paid to the Issuer in the then current Bond year and subject to the condition that such excess moneys resulting from fire flow district assessment collections will be utilized to fully redeem the term bond due

June 1, 2000 prior to utilizing any excess moneys resulting from fire flow district assessment collections to redeem the term bond due June 1, 2010, in whole or in part by lot, on June 1, 1990 or any June 1 or December 1 thereafter, at the Redemption Price of 100% of the par value thereof, plus interest thereon to the date of redemption.

Mandatory Redemption

The Series 1990A Term Bonds maturing on June 1, 2000 will be subject to mandatory redemption prior to maturity by such method as the Registrar shall deem fair and appropriate, on June 1, 1992 and on June 1 of each year thereafter, at a price of par plus accrued interest to the date of redemption, in the years and in the amounts as follows:

<u>Year</u>	<u>Amounts</u>
1992	\$40,000
1993	40,000
1994	45,000
1995	50,000
1996	50,000
1997	55,000
1998	60,000
1999	65,000
2000	70,000

The Series 1990A Term Bonds maturing on June 1, 2001 will be subject to mandatory redemption prior to maturity by such method as the Registrar shall deem fair and appropriate, on June 1, 1992 and on June 1 of each year thereafter, at a price of par plus accrued interest to the date of redemption, in the years and in the amounts as follows:

<u>Year</u>	<u>Amounts</u>
1992	\$45,000
1993	45,000
1994	50,000
1995	55,000
1996	60,000
1997	60,000
1998	65,000
1999	70,000
2000	75,000
2001	80,000

The Series 1990A Term Bonds maturing on June 1, 2005 will be subject to mandatory redemption prior to maturity by such method as the Registrar shall deem fair and appropriate, on June

1, 2002 and on June 1 of each year thereafter, at a price of par plus accrued interest to the date of redemption, in the years and in the amounts as follows:

<u>Year</u>	<u>Amounts</u>
2002	\$250,000
2003	270,000
2004	285,000
2005	310,000

The Series 1990A Term Bonds maturing on June 1, 2010 will be subject to mandatory redemption prior to maturity by such method as the Registrar shall deem fair and appropriate, on June 1, 2001 and on June 1 of each year thereafter, at a price of par plus accrued interest to the date of redemption, in the years and in the amounts as follows:

<u>Year</u>	<u>Amounts</u>
2001	\$ 70,000
2002	75,000
2003	85,000
2004	90,000
2005	95,000
2006	100,000
2007	110,000
2008	120,000
2009	125,000
2010	135,000

The Series 1990A Term Bonds maturing on June 1, 2011 will be subject to mandatory redemption prior to maturity by such method as the Registrar shall deem fair and appropriate, on June 1, 2006 and on June 1 of each year thereafter, at a price of par plus accrued interest to the date of redemption, in the years and in the amounts as follows:

<u>Year</u>	<u>Amounts</u>
2006	\$330,000
2007	355,000
2008	380,000
2009	405,000
2010	435,000
2011	575,000

[Supplemental Opinion of Bond Counsel]

The supplemental opinion of bond counsel should be addressed to the County and Underwriters and should contain statements in substantially the following form:

1. Except to the extent provided in this paragraph, we are not passing on and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement (including but not limited to financial or statistical data relating to the County) and, except to the extent provided in this paragraph, we make no representation that we have independently verified the accuracy, completeness or fairness of such statements. As Bond Counsel, we have reviewed certain sections of the Official Statement to determine whether such sections present fair and accurate summaries of the Resolution and the sections of law purported to be summarized therein. Based upon such examination, we are of the opinion that the information in the Official Statement under the headings "DESCRIPTION OF THE SERIES 1990A BONDS," "SECURITY FOR THE SERIES 1990A BONDS," "TAX MATTERS," and "APPENDIX D, SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" insofar as such statements purport to summarize certain portions of the Resolution and the sections of law purported to be summarized therein, present a fair and accurate summary of the Resolution and the sections of law purported to be summarized therein. It is further our belief that the information contained under the headings set forth above does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein in the light of the circumstances under which they were made, not misleading. It is to be understood that in rendering this opinion we express no opinion as to any financial or statistical information contained in the Official Statement, including but not limited to financial or statistical information contained under the headings set forth above.

2. The 1990A Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended.

3. The Resolution creates a valid pledge of a lien upon the Pledged Funds and the Assessments (as defined in the Resolution) to the extent and as described in the Resolution.

[Reliance Opinion of Bond Counsel]

The reliance opinion of bond counsel should be addressed to the Underwriters and should contain a statement in substantially the following form:

1. The Underwriters are hereby entitled to rely upon all opinions rendered by this firm as bond counsel in connection with the issuance of \$7,455,000 St. Johns County, Florida, Water and Sewer Revenue Bonds, Series 1990A, as if said opinions were addressed to them.

Exhibit B

[Opinion of Counsel to the County]

The opinion of counsel to the County should be addressed to the County, Bond Counsel, Underwriters and their counsel and should contain a statement in substantially the following form:

(1) The County is a political subdivision duly created and existing under the laws of the State of Florida and is authorized and empowered by the provisions of the Act to issue and secure the 1990A Bonds under and pursuant to the Resolution.

(2) The County has full legal right, power and authority to adopt the Resolution, to enter into the Bond Purchase Agreement, to issue, sell and deliver the 1990A Bonds as contemplated by the Bond Purchase Agreement and the Resolution and, except as set forth in subparagraph (5) below, to carry out, consummate and give effect to all other transactions contemplated by such documents to be carried out and consummated by the County, and the County has complied with all applicable provisions of law, including the Act, in all matters relating to such transactions.

(3) The Resolution has been duly adopted by the County and constitutes a legal, valid and binding obligation of the County and is in full force and effect. The Resolution and the procedures for its adoption comply in all respect with the requirements of Florida law. The members of the governing body of the County identified in the County's Officers' Certificate delivered at Closing have been duly elected and are qualified to serve as such.

(4) The County has duly authorized: the issuance and sale of the 1990A Bonds upon the terms set forth in the Bond Purchase Agreement and the Resolution, the execution, delivery and due performance of the Bond Purchase Agreement, the 1990A Bonds, the Resolution and the taking of any and all such actions by the County as may be required to carry out, give effect to and consummate the transactions contemplated by such instruments. The Bond Purchase Agreement and the Resolution have been duly executed and delivered by the County and, assuming the due authorization, execution and delivery by the other parties thereto, constitute the legal, valid and binding obligations of the County, enforceable in accordance with their respective terms, except as the enforceability thereof may be subject to applicable bankruptcy or other laws affecting the rights of creditors generally or by the application of general principles of equity. The 1990A Bonds have been duly executed, issued and delivered by the County and, when delivered to and paid for by

the Underwriters on the Closing Date and duly authenticated by the Bond Registrar, will constitute the legal, valid and binding limited obligations of the County and will be entitled to the benefit and security of the Resolution, enforceable in accordance with their terms, except as the enforceability may be subject to applicable bankruptcy or other laws affecting the rights of creditors generally or by the application of general principles of equity.

(5) Except for certain permits necessary to construct or operate the System and Project 1990A, and except for certain proceedings relating to the Assessments, no approval, permit, consent or authorization of any governmental public agency, authority or person not already obtained (other than any other approvals that might be required to be obtained under the Blue Sky Laws of any jurisdiction as to which no opinion is rendered) is required in connection with the adoption of the Resolution and the issuance and sale of the 1990A Bonds pursuant to the Bond Purchase Agreement and the Resolution or the execution and delivery by the County of, or the performance of its obligations under, the Bonds, the Resolution and the Bond Purchase Agreement.

(6) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending against the County or of which the County otherwise has received written official notice or which, to the best of my knowledge after due investigation, is threatened against the County, nor is there any basis therefor, which in any way questions the validity of the Act, the powers of the County in connection with the issuance and sale of the 1990A Bonds, or the validity of any proceedings taken by the County in connection with the issuance of the 1990A Bonds, or wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Bond Purchase Agreement or the Official Statement or which in any way would adversely affect the validity or enforceability of the Bond Purchase Agreement, the 1990A Bonds, the Resolution or any other agreement or instrument to which the County is a party required or contemplated for use in consummating the transactions contemplated thereby, or the exclusion from gross income of the interest on the 1990A Bonds for federal income tax purposes.

(7) The adoption of the Resolution and the authorization, execution and delivery by the County of the Bond Purchase Agreement, the 1990A Bonds and any other agreements contemplated thereby are in compliance with the provisions of the Resolution and each of such instruments will not conflict with or result in a breach of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreements or instruments to which the County is a party or is subject, nor will such action result in any violation of the provisions of the Constitution or the laws of the State of Florida, or any charter, resolution or regulation of the County, or any existing statute, order, judgment, decree,

rule or regulation applicable to the County (or any of its officials or officers in their capacities as such) of any court or any federal, state or other regulatory authority or other governmental body having jurisdiction over the County (or such officials or officers as such).

(8) The information contained in the Official Statement under the caption "Litigation" was, as of the date of the Official Statement, and is, as of the date hereof, true and correct in all material respects and such information did not and does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Further, during the course of my representation of the County, nothing has come to my attention which would lead me to believe that the Official Statement contains any 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. It is to be understood that in rendering this opinion I express no opinion as to any financial or statistical information contained in the Official Statement.

For the purposes of this opinion I have assumed that the interest on the 1990A Bonds is excluded from gross income for federal income tax purposes and that neither the 1990A Bonds, the Bond Purchase Agreement, the Resolution, or any other matter or documents need to be registered or qualified under the Securities Act of 1933, as amended, the Florida Securities Act, Chapter 517, Florida Statutes, as amended, the Trust Indenture Act of 1939, as amended, the laws of Florida or the securities or blue sky laws of any jurisdiction.

March 27, 1990

Board of County Commissioners of
St. Johns County, Florida

Attention: Chairman

Re: \$7,455,000 St. Johns County, Florida,
Water and Sewer Revenue Bonds, Series 1990A

Gentlemen:

This disclosure statement is being furnished to you pursuant to Section 218.385(4), Florida Statutes, by Smith Barney, Harris Upham & Co. Incorporated, on behalf of Smith Barney, Harris Upham & Co. Incorporated and Barnett Brokerage Service, Inc. (the "Underwriters"), of and with respect to the bonds referred to in the caption above (the "1990A Bonds"), being awarded by the St. Johns County, Florida to the Underwriters. The Underwriters hereby advise you as follows:

(a) The Underwriters estimate that they will incur the following expenses in connection with the issuance of the 1990A Bonds (amounts are per \$1,000 par value):

<u>Item</u>	<u>Amounts</u> <u>Per \$1,000</u>
CUSIP/MSRB/PSA	0.08
Dalnet	0.00
Travel, out of pocket, closing	0.35
Clearance	0.25
Counsel & Expenses	1.50
Blue Sky	0.00
Day Loan	0.03
Fed Funds	0.23
Total for Expenses:	2.44

(b) The amount of underwriting spread expected to be realized is \$10.73 per one thousand dollars par value.

(c) The amount of management fee charged by the Underwriters is expected to be \$1.12 per \$1,000 par value (this amount is included in the underwriting spread above).

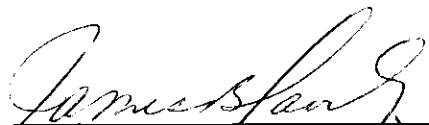

(d) No finders, as defined in Section 218.386, Florida Statutes, were employed or used by the Underwriters in connection with the issuance of the 1990A Bonds.

(e) No other fee, bonus or other compensation is estimated to be paid by the Underwriters in connection with the issuance of the 1990A Bonds to any person not regularly employed or retained by the Underwriters.

(f) The Underwriters names are Smith Barney, Harris Upham & Co. Incorporated, One Tampa City Center, Suite 3500, Tampa, Florida 33602, (813) 223-5011 and Barnett Brokerage Service, Inc., 9000 Southside Boulevard, Post Office Box 44148, Jacksonville, Florida 32231-4148, (904) 464-3730.

Sincerely,

SMITH BARNEY, HARRIS UPHAM
& CO. INCORPORATED
(on behalf of the
Underwriters)


Title: 

Financial Guaranty Insurance
Company
175 Water Street
New York, NY 10038-4972
(212) 607-3000
(800) 352-0001



Commitment For Municipal Bond Insurance

Issuer: St. John's County, Florida

Date of Commitment:
March 14, 1990

Expiration Date:
May 14, 1990*

Bonds

Insured: Not to Exceed
~~\$6,200,000~~ in principal amount
of Water and Sewer Revenue Bonds,
Series 1990A

Premium and Rating Agency Fee:
.55% of total debt service on
the Bonds Insured plus \$5,500**

\$ 8,000,000.

FINANCIAL GUARANTY INSURANCE COMPANY
("Financial Guaranty")

A Stock Insurance Company

hereby commits to issue a Municipal Bond New Issue Insurance Policy (the "Policy"), in the form attached hereto as Exhibit A, relating to the above-described debt obligations (the "Bonds"), subject to the terms and conditions contained herein or added hereto.

To keep this Commitment in effect after the expiration date set forth above, a request for renewal must be submitted to Financial Guaranty prior to such expiration date. Financial Guaranty reserves the right to refuse wholly or in part to grant a renewal.

THE MUNICIPAL BOND NEW ISSUE INSURANCE POLICY SHALL BE ISSUED IF THE FOLLOWING CONDITIONS ARE SATISFIED:

1. The documents to be executed and delivered in connection with the issuance and sale of the Bonds shall not contain any untrue or misleading statement of a material fact and shall not fail to state a material fact necessary in order to make the information contained therein not misleading.

* Subject to written acceptance of this Commitment being furnished to Financial Guaranty by the earlier of the date on which the disclosure document relating to the Bonds is circulated and March 21, 1990.

** Total debt service on the Bonds Insured shall be calculated in accordance with Condition 6 hereof. The premium and rating agency fee are payable to Financial Guaranty.

2. No event shall occur which would permit any purchaser of the Bonds, otherwise required, not to be required to purchase the Bonds on the date scheduled for the issuance and delivery thereof.
3. There shall be no material change in or affecting the Bonds (including, without limitation, the security for the Bonds) or the financing documents or the official statement (or any similar disclosure documents) to be executed and delivered in connection with the issuance and sale of the Bonds from the descriptions or forms thereof approved by Financial Guaranty.
4. The Bonds shall contain no reference to Financial Guaranty, the Policy or the municipal bond insurance evidenced thereby except as may be approved by Financial Guaranty.
5. Financial Guaranty shall be provided with:
 - (a) Executed copies of all financing documents, the official statement (or any similar disclosure document), and all Bond documentation evidencing the Issuer's ability and intent to comply with the Internal Revenue Code of 1986 (if in the opinion of bond counsel (described below) on-going compliance would be necessary to maintain the exemption from federal income taxation of interest on the Bonds), which shall be in form and substance acceptable to Financial Guaranty, and the various legal opinions delivered in connection with the issuance and sale of the Bonds, including, without limitation, the unqualified approving opinion of bond counsel rendered by a law firm acceptable to Financial Guaranty, which opinion shall include a statement to the effect that the interest on the Bonds is exempt from federal income taxation under the Internal Revenue Code of 1986 except for any alternative minimum tax which may be imposed upon interest on the Bonds. Copies of all drafts of such documents (blacklined as appropriate) prepared subsequent to the date of this Commitment shall be furnished to Financial Guaranty. Final drafts of such documents shall be provided to Financial Guaranty at least five (5) business days prior to the issuance of the Policy unless Financial Guaranty shall approve a shorter period.
 - (b) A letter from bond counsel addressed to Financial Guaranty to the effect that Financial Guaranty may rely on the approving opinion of bond counsel as if such opinion were addressed to Financial Guaranty.

- (c) Evidence of wire transfer in federal funds in an amount equal to the insurance premium plus the rating agency fee, unless alternative arrangements for the payment of such amount acceptable to Financial Guaranty have been made prior to the delivery date of the Bonds.

ADDITIONAL CONDITIONS

6. (a) The amount of Bond proceeds deposited at closing for the payment of accrued interest shall not be applied as a credit in calculating total debt service on the Bonds Insured.
- (b) Capitalized interest may be deducted from debt service for the purpose of calculating the premium if:
- (i) the capitalized interest is deposited at Bond closing in a fund or account pledged solely to and available solely for the payment of principal and interest on the Bonds,
 - (ii) such fund or account is held by either (i) the Bond trustee or (ii) the paying agent for the Bonds, if (A) such paying agent either has combined capital, surplus and undivided profits of a least \$50,000,000 or is approved by Financial Guaranty, and (B) the paying agent holds such fund or account as agent of and in trust for the Bondholders and not as agent for the Issuer,
 - (iii) such fund or account shall be invested solely in direct noncallable obligations of the United States of America or noncallable obligations the timely payment of the principal of and interest on which is fully and unconditionally guaranteed by the United States of America ("Government Obligations") and the bond documents specifically set forth that amounts representing capitalized interest shall be invested in such manner.

The premium rate stated on the cover page hereof shall be applied to the debt service on the Bonds less the amount of capitalized interest deposited as provided in (i) and (ii) above and invested in securities permitted under (iii) above. A premium rate of 25 basis points shall be applied to the amount of debt service which represents capitalized interest deposited as provided in (i) and (ii) above and invested in Government Obligations.

7. The Bond Resolution 89-4, as amended (the "General Resolution") or the Supplemental Resolution shall include the following terms and conditions:
- (a) Financial Guaranty Insurance Company shall be deemed the Bond Insurer for the Series 1990A Bonds as well as the Series 1989 Bonds and shall be granted the same rights to receive notices, grants, consents and direct actions as provided in the bond documents as the Bond Insurer for the Series 1989 Bonds. All other provisions included in the General Resolution requested by Financial Guaranty at the time of issuance of the Bond Insurance Policy relating to the Series 1989 Bonds shall be retained in the General Resolution.
 - (b) The definition of "Bond Insurance Policy" shall be amended in Section 1.01, to include: "the municipal bond new issue insurance policy issued by the Bond Insurer that guarantees payment of principal of and interest on the Series 1990A Bonds".
 - (c) The definition of Debt Service Requirement shall be amended to state that for purposes of such definition, interest due on Variable Rate Bonds shall be assumed to bear interest at 9.20%
 - (d) The Reserve Account in the Debt Service Fund shall be fully funded at the Reserve Account Requirement upon issuance of the Series 1990A Bonds.
 - (e) Any credit instrument provided in lieu of a cash deposit into the Reserve Account shall conform to the requirements set forth in Exhibit D hereto.
 - (f) Section 3.05 shall provide that Assessments Redemption Bonds shall amortize in accordance with amounts to be received from the Assessments and the final maturities thereof shall coincide with the termination of such Assessments.
 - (g) Section 4.06(A)(2) shall be amended to provide for moneys therein to be available for uses contemplated by Section 4.06(A)(7).
 - (h) Section 5.07 shall be revised such that the covenant therein to fix and charge certain rates shall meet the following tests:

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 Section 5.07, to the extent necessary, to provide (1) Net Revenues, together with the dollar amount of the Assessments to be collected in such Fiscal Year along with such Connection Charges as shall be received shall equal at least 1.20 times Maximum Debt Service Coverage; (2) Net Revenues (not taking into account Connection Charges), together with the dollar amount of Assessments to be collected in such Fiscal Year shall equal at least 1.10 times Maximum Debt Service Coverage; (3) Net Revenues along with such Connection Charges as shall be received (not taking into account Assessments) shall equal to 1.20 times Maximum Debt Service Requirement for all Bonds Outstanding that the Issuer does not expect to pay from Assessments; and (4) Net Revenues (not taking into account Assessments or Connection Charges) shall equal 1.10 times Maximum Debt Service Requirement for all Outstanding Bonds that the Issuer does not expect to pay from Assessments.

- (i) Remedies shall be cumulative with respect to the Paying Agent, Bondholders and the Bond Insurer. If any remedial action is discontinued or abandoned, the Paying Agent, Bondholders and Bond Insurer shall be restored to their former positions.
- (j) The Bond Insurance Policy shall not be taken into effect in determining whether the rights of Bondholders are adversely affected by actions taken pursuant to the terms and provisions of the General Resolution and any Supplement thereto.
- (k) Section 7.03 of the General Resolution shall not be repealed. Such Section (as provided in the General Resolution) shall be amended by adding to the provisions relating to consents and acknowledgements already required thereby that in order to forgoe requiring the consent of the Bondholders to an amendment or supplement, Moody's Investors Service and Standard & Poor's Corporation shall receive notice of each amendment or supplement and a copy thereof at least 15 days in advance of its execution or adoption. Section 7.03 shall also provide that notwithstanding anything else in such Section, any amendment or supplement to the General Resolution or the Supplemental Resolution shall be subject to the prior written consent of Financial Guaranty so long as any Bonds Outstanding under the General Resolution are insured by Financial Guaranty.

(1) Both Section 8.05 of the General Resolution and Section 4.03 of the Supplemental Resolution shall provide that the Bond Insurer shall be included as a third party beneficiary and as a party entitled to (i) give notice under such documents of the occurrence of an event of default and (ii) request intervention in judicial proceedings that affect the Bonds or the security therefor. The General Resolution shall provide that notice of default shall be accepted from the Bond Insurer.

8. The amendment set forth in clause (k) above shall also be incorporated into the bond documentation relating to the Anastasia Sanitary District of St. Johns County, Florida \$45,365,000 Water and Sewer Revenue Bonds, Series 1989.

Not Applicable

9. The Bonds shall bear a Statement of Insurance in the form attached hereto as Exhibit B. BOND PROOFS SHALL BE APPROVED BY FINANCIAL GUARANTY PRIOR TO PRINTING.

10. The official statement shall (a) be satisfactory in form and substance to Financial Guaranty and (b) shall contain the language attached hereto as Exhibit C and only such other references to Financial Guaranty as we shall supply or approve.

11. Promptly after the closing of the Bonds, Financial Guaranty shall receive three completed sets of executed documents (one original and two photocopies), copies of which we will deliver to each agency rating the Bonds.



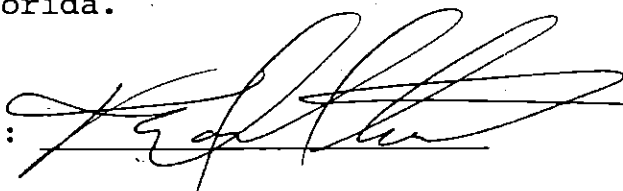
Peter J. Schmitt
Executive Vice President
Director of Risk Management

To keep this commitment in effect to the Expiration Date set forth on the first page, Financial Guaranty must receive a duplicate of this Commitment executed by an appropriate officer of the St. John's County, Florida by the earlier of the date on which the disclosure document relating to the Bonds is circulated and March 21, 1990.

The undersigned agrees that if the Bonds are insured by a policy of municipal bond insurance, such insurance shall be provided by Financial Guaranty in accordance with the terms of this Commitment.

Accepted as of *March 19*, 1990 by the St. John's County, Florida.

BY: _____



R. Daniel Castle

TITLE: County Administrator

The undersigned representative of Public Financial Management, Inc., the underwriter of the St. John's County, Florida Water and Sewer Revenue Bonds, Series 1990A (the "Bonds") hereby agrees that if the Bonds are insured by a policy of municipal bond insurance, such insurance shall be provided by Financial Guaranty Insurance Company in accordance with the terms and provisions of the Commitment for Municipal Bond Insurance dated March 14, 1990 provided by Financial Guaranty Insurance Company with respect to the Bonds.

PUBLIC FINANCIAL MANAGEMENT, INC.

By: _____

Title: _____

Dated: _____