In the opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Series 2016 Bonds is (a) excluded from gross income of the owners of the Series 2016 Bonds for federal income tax purposes (except as described under the caption "TAX EXEMPTION" herein) and (b) not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. See "TAX EXEMPTION" herein.



Dated: Date of Delivery

\$29,695,000 CITY OF AUBURNDALE, FLORIDA WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2016

Due: December 1, as shown on the inside cover

The Water and Sewer System Revenue Refunding Bonds, Series 2016 (the "Series 2016 Bonds"), of the City of Auburndale, Florida (the "City"), will be issued as fully registered bonds in denominations of \$5,000 each and integral multiples thereof. Interest on the Series 2016 Bonds, payable on June 1 and December 1 of each year, commencing on December 1, 2016, will be paid by check or draft (or by wire transfer or other acceptable medium for registered owners of \$1,000,000 or more of Series 2016 Bonds requesting the same) of U.S. Bank National Association, Jacksonville, Florida, as Bond Registrar and Paying Agent (collectively, the "Bond Registrar"), made payable and mailed to the person in whose name the Series 2016 Bond is registered, as shown on the registration books kept by the Bond Registrar at the close of business on the 15th day (whether or not a business day) of the month next preceding the interest payment date. Principal of and redemption premium, if any, on the Series 2016 Bonds are payable to the registered owner upon presentation, when due, at the designated corporate trust office of the Bond Registrar.

Upon initial issuance the Series 2016 Bonds will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), an automated depository for securities in a clearinghouse for securities transactions. So long as DTC, or its nominee, is the registered owner of the Series 2016 Bonds, payment of the principal of and interest on the Series 2016 Bonds will be made directly to DTC or its nominee, which will remit such payments to the DTC Participants (as defined herein), which, in turn, will remit such payments to Beneficial Owners (as defined herein) of the Series 2016 Bonds. See "DESCRIPTION OF THE SERIES 2016 BONDS – Book Entry-Only System" herein.

The Series 2016 Bonds are subject to optional and mandatory redemption prior to their stated dates of maturity as set forth herein. See "DESCRIPTION OF THE SERIES 2016 BONDS – Redemption Provisions".

The Series 2016 Bonds are being issued under the authority of, and in full compliance with, the Constitution and Statutes of the State of Florida, including particularly Chapter 166, Part II, and Chapter 159, Part I, Florida Statutes, and other applicable provisions of law, Resolution No. 2016-07 of the City adopted on August 15, 2016, as supplemented (the "Resolution"), to finance the cost of (1) refunding the City's Water and Sewer Revenue Bonds, Series 2009, (2) the acquisition and construction, or reimbursement thereof, of additions, extensions and improvements to the City's combined water and sewer system (the "System"), and (3) paying certain expenses related to the issuance of the Series 2016 Bonds. See "PURPOSE OF ISSUE" herein.

The Series 2016 Bonds are limited obligations of the City, payable solely from and secured by a lien on and pledge of (a) the Net Revenues (as defined in the Resolution) that are derived from the operation of the System and (b) until applied in accordance with the provisions of the Resolution, all moneys, including investments thereof, in the funds and accounts established thereunder, except (A) to the extent moneys therein shall be required to pay the Operating Expenses of the System in accordance with the terms thereof, (B) to the extent moneys in each subaccount of the Reserve Subaccount shall be pledged solely for the payment of a Series of Bonds for which it was established in accordance with the provisions of the Resolution, and (C) amounts in the Rebate Account, as more fully described in the Resolution (collectively, the "Pledged Funds"). The lien on the Net Revenues (excluding certain investment income) in favor of the Series 2016 Bonds is junior and subordinate to the lien thereon of the holders of certain Prior Lien Bonds, as more fully described herein. See "SECURITY FOR THE SERIES 2016 BONDS" herein.

The Series 2016 Bonds do not constitute general obligations or indebtedness of, or a pledge of the faith, credit or taxing power of, the City or of the State of Florida or any agency or political subdivision thereof, but are limited, special obligations of the City, the principal of, premium, if any, and interest on which are payable from the Pledged Funds. Neither the City nor the State of Florida, or any agency or political subdivision thereof, will be obligated (1) to exercise its ad valorem taxing power or any other taxing power in any form on any real or personal property to pay the principal of, premium, if any, or interest on the Series 2016 Bonds, or other costs incident thereto, or (2) to pay the same from any funds of the City except from the Pledged Funds in the manner provided in the Resolution. The Series 2016 Bonds do not constitute a lien upon any other property of or in the City.

The scheduled payment of principal and interest on the Series 2016 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2016 Bonds by Assured Guaranty Municipal Corp. (See "BOND INSURANCE" herein).



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

The Series 2016 Bonds are offered when, as and if issued, subject to receipt of the legal opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond and Disclosure Counsel. Certain legal matters will be passed on for the City by V. Patton Kee, Auburndale, Florida, City Attorney. It is expected that the Series 2016 Bonds will be available for delivery to the Underwriter through the facilities of DTC in New York, New York, on or about September 27, 2016.

THE FRAZER LANIER COMPANY

HARBOR FINANCIAL SERVICES

Dated: September 16, 2016

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES AND INITIAL CUSIP NUMBERS

\$29,695,000 CITY OF AUBURNDALE, FLORIDA WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2016

Serial Bonds

Maturity	Principal	Interest		Initial
(December 1)	Amount	Rate	Price	CUSIP No.*
2017	\$465,000	2.000%	101.167	050683DX6
2018	480,000	2.000	101.865	050683DY4
2019	485,000	2.000	102.171	050683DZ1
2020	495,000	3.000	106.218	050683EA5
2021	510,000	3.000	106.877	050683EB3
2022	530,000	3.000	107.348	050683EC1
2023	545,000	3.000	107.346	050683ED9
2026	1,570,000	2.125	98.418	050683EG2
2027	1,600,000	2.125	97.220	050683EH0
2028	1,650,000	4.000	113.402†	050683EJ6
2029	1,720,000	4.000	112.255†	050683EK3
2030	1,785,000	4.000	111.498†	050683EL1
2031	1,860,000	4.000	110.653†	050683EM9
2032	1,935,000	4.000	109.909†	050683EN7
2033	2,010,000	4.000	109.446†	050683EP2
2036	2,200,000	3.000	98.357	050683EV9
2037	2,265,000	3.000	97.995	050683ER8

Term Bonds

\$950,000 2.000% Term Bond due December 1, 2025, Price 98.673 Initial CUSIP No.* 050683EF4 \$4,210,000 3.000% Term Bond due December 1, 2035, Price 98.988 Initial CUSIP No.* 050683EU1 \$1,000,000 3.000% Term Bond due December 1, 2041, Price 96.725 Initial CUSIP No.* 050683ES6 \$1,430,000 3.125% Term Bond due December 1, 2046, Price 97.604 Initial CUSIP No.* 050683ET4

<sup>Price to first optional par call date of December 1, 2026.
* Neither the City nor the Underwriter shall be responsible</sup>

^{*} Neither the City nor the Underwriter shall be responsible for the use of CUSIP numbers, nor is any representation made as to their correctness. They are included solely for the convenience of the readers of this Official Statement.

CITY OF AUBURNDALE, FLORIDA

One Bobby Green Plaza Auburndale, Florida 33823 (863) 965-5530

CITY COMMISSION

Tim Pospichal, Mayor Jack Myers, Commissioner William E. Sterling, Jr., Commissioner James Moody, Commissioner Richard O. Hamann, Commissioner

> CITY MANAGER Robert R. Green

CITY CLERK/FINANCE DIRECTOR Shirley Lowrance

CITY ATTORNEY

V. Patton Kee Auburndale, Florida

BOND AND DISCLOSURE COUNSEL

Nabors, Giblin & Nickerson, P.A. Tampa, Florida

BOND REGISTRAR AND PAYING AGENT

U.S. Bank National Association Jacksonville, Florida No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2016 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the City and includes information obtained from other sources which are believed to be reliable, but is not to be construed as a representation of the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the affairs of the City since the date hereof.

Upon their issuance the Series 2016 Bonds will not be registered under the Securities Act of 1933, will not be listed on any stock or other securities exchange, and neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, other than the City, will have passed upon the accuracy or adequacy of this Official Statement or approved the Series 2016 Bonds for sale.

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

IN CONNECTION WITH THE OFFERING OF THE SERIES 2016 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2016 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The order and placement of materials in this Official Statement, including the Appendices, are not to be deemed a determination of relevance, materially or importance, and this Official Statement, including the Appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections in this Official Statement. The offering of the Series 2016 Bonds is made only by means of this entire Official Statement.

References to website addresses presented in this Official Statement are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements generally are identifiable by the terminology used, such as "plan", "expect", "estimate", "project", "forecast", "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forwardlooking statements. The City does not plan to issue any updates or revisions to those forwardlooking statements if or when its expectations or events, conditions or circumstances on which such statements are based occur.

THE SERIES 2016 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, NOR HAS THE BOND RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2016 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT SHALL NOT CONSTITUTE A CONTRACT BETWEEN THE CITY OR THE UNDERWRITER AND ANY ONE OR MORE HOLDERS OF THE SERIES 2016 BONDS.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE WEBSITE: <u>WWW.MUNIOS.COM</u>. THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR IF IT IS PRINTED IN FULL DIRECTLY FROM SUCH WEBSITE.

References herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to this Official Statement, they may be obtained from Robert R. Green, City Manager, One Bobby Green Plaza, Auburndale Florida 33823, Telephone: (863) 965-5530, upon prepayment of reproduction costs, postage and handling expenses.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently

verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX F – SPECIMEN BOND INSURANCE POLICY.

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OFFICIAL STATEMENT relating to

\$29,695,000 City of Auburndale, Florida Water and Sewer System Revenue Refunding Bonds, Series 2016

INTRODUCTION

The purpose of this Official Statement, including the cover page and all appendices, is to furnish information in connection with the sale by the City of Auburndale, Florida (herein the "City"), of its Water and Sewer System Revenue Refunding Bonds, Series 2016, in the aggregate principal amount set forth above (herein the "Series 2016 Bonds"). The Series 2016 Bonds are being issued pursuant to the Constitution and Statutes of the State of Florida, including particularly Chapter 166, Part II, and Chapter 159, Part I, Florida Statutes, and other applicable provisions of law, and Resolution No. 2016-07 of the City Commission, adopted August 15, 2016, as supplemented (collectively, the "Resolution").

Capitalized terms used herein shall have the same meanings as given to them in the Resolution unless otherwise defined herein or where the context would clearly indicate otherwise. The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is made to the originals of all such documents for full and complete statements of all matters of fact relating to the Series 2016 Bonds, the security for the payment of the Series 2016 Bonds, and the rights and obligations of registered owners thereof. Copies of such documents may be obtained from Robert R. Green, City Manager, One Bobby Green Plaza, Auburndale, Florida 33823, telephone: (863) 965-5530, upon payment of reproduction costs and postage and handling expenses.

The assumptions, estimates, projections and matters of opinion contained in this Official Statement, whether or not so expressly stated, are set forth as such and not as matters of fact, and no representation is made that any of the assumptions or matters of opinion herein are valid or that any projections or estimates contained herein will be realized. Neither this Official Statement nor any other statement which may have been made verbally or in writing in connection with the Series 2016 Bonds, other than the Resolution, is to be construed as a contract with the registered owners of the Series 2016 Bonds.

PURPOSE OF ISSUE

General

The Series 2016 Bonds are being issued to finance the cost of (1) refunding the City's Water and Sewer Revenue Bonds, Series 2007 (the "Series 2007 Bonds") and Water and Sewer Revenue Bonds, Series 2009 (the "Series 2009 Bonds"; collectively, the "Refunded Bonds"), (2) the acquisition and construction, or reimbursement therefor, of additions, extensions and improvements (the "Series 2016 Project") to the combined water and sewer system of the City (the "System"), and (3) certain expenses relating to the issuance of the Series 2016 Bonds.

Plan of Refunding

Series 2007 Bonds. To effect the refunding of the Series 2007 Bonds, the City will deposit a portion of the proceeds of the Series 2016 Bonds with U.S. Bank National Association, Jacksonville, Florida, as Escrow Agent, together with other available moneys of the City, in a separate escrow deposit trust fund (the "Escrow Fund") held by the Escrow Agent and apply a portion thereof to the purchase of direct obligations of the United States of America (the "Escrow Securities"). The Escrow Securities, together with the interest thereon and a cash balance on deposit in the Escrow Fund, are calculated to be sufficient to pay all principal of and interest on the Series 2007 Bonds to their redemption date. The Series 2007 Bonds will be redeemed on December 1, 2017, at a redemption price of 100% of the principal amount thereof.

By deposit of the Escrow Securities and uninvested cash with the Escrow Agent pursuant to the Escrow Deposit Agreement as described above, it is the opinion of Bond Counsel (rendered in reliance upon the verifications of Terminus Analytics, described under "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein) that the Series 2007 Bonds will be deemed paid in accordance with, and no longer Outstanding under, the provisions of the resolution under which they were issued. The maturing principal of and interest on the Escrow Securities and uninvested cash held by the Escrow Agent will not be available to pay the Series 2016 Bonds.

Series 2009 Bonds. A portion of the proceeds of the Series 2016 Bonds will be applied to prepay the Series 2009 Bonds in full on the date of closing.

The 2016 Project

Amounts deposited into the Construction Fund consist of approximately \$1,600,000 for reimbursement of authorized capital expenditures in connection with the System prior to the issuance of the Series 2016 Bonds, through retirement of amounts drawn on a line of credit maintained by the City, and \$2,400,000 to fund projects within the CIP described herein, and \$2,000,000 to fund cellular meter replacement shown in the CIP. See "THE SYSTEM – Capital Improvement Plan", herein.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the sources and uses of funds for the Series 2016 Bonds.

SOURCES:

Principal Amount Less Original Issue Discount Plus Net Original Issue Premium Plus Funds held for the Refunded Bonds	\$29,695,000.00 273,101.15 1,386,647.65 <u>346,513.31</u>
TOTAL SOURCES	<u>\$31,155,059.81</u>
USES:	
Deposit to Project Fund Deposit to Escrow Fund Payoff of Series 2009 Bonds Costs of Issuance ⁽¹⁾	6,005,449.77 23,383,183.79 1,379,669.00 <u>386,757.25</u>
TOTAL USES	<u>\$31,155,059.81</u>

(1) Includes the premiums for the Bond Insurance Policy and the Reserve Policy, bond and disclosure counsel fees, City attorney fees, paying agent and registrar fees, official statement printing costs and certain other fees and expenses associated with issuance of the Series 2016 Bonds.

DESCRIPTION OF THE SERIES 2016 BONDS

General

The Series 2016 Bonds will be issued in the denominations of \$5,000 each or integral multiples thereof, and will be dated, bear interest from such date at the rates per annum, and mature on the dates and in the amounts as set forth on the cover page of this Official Statement. Interest on the Series 2016 Bonds will be calculated on the basis of a 360-day year using twelve 30-day months, and will be payable semiannually on June 1 and December 1 of each year, commencing December 1, 2016, by check or draft mailed to the person in whose name the Series 2016 Bond is registered on the registration books kept by the Bond Registrar at the close of business on the 15th day (whether or not a business day) of the month next preceding the applicable interest payment date; provided, that for any registered owner of \$1,000,000 or more in principal amount, such payment will, at the request of such registered owner, be made by wire transfer or other medium acceptable to the City and such registered owner. The Series 2016 Bonds will be issued as fully registered obligations and will initially be issued as single bond for each maturity registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (herein "DTC"), an automated depository for securities and clearinghouse for securities transactions. So long as DTC, or its nominee., is the registered owner

of the Series 2016 Bonds, payments of the principal of and interest on the Series 2016 Bonds will be mailed directly to DTC or its nominee, which will remit such payments to the DTC Participants, which, in turn, will remit such payments to the Beneficial Owners of the Series 2016 Bonds. See the caption "BOOK-ENTRY-ONLY SYSTEM" below.

Book Entry-Only System

The information provided immediately below concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter, the City or the Paying Agent.

Unless the book-entry system described herein is terminated, DTC will act as securities depository for the Series 2016 Bonds. The Series 2016 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One or more fully-registered bond certificates will be issued for the Series 2016 Bonds, and will be deposited with the Paying Agent on behalf of DTC. Individual purchases of beneficial interests in the Series 2016 Bonds will be made in increments of \$5,000 or integral multiples thereof.

DTC and its Participants. DTC, the world's largest securities depository, is a limitedpurpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's Rating of AA+. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The contents of such website do not constitute a part of this Official Statement.

<u>Purchases</u>. Purchases of the Series 2016 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Bonds on DTC's

records. The ownership interest of each actual purchaser of each Series 2016 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

<u>Transfers</u>. To facilitate subsequent transfers, all Series 2016 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

<u>Notices</u>. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2016 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Series 2016 Bonds may wish to ascertain that the nominee holding the Series 2016 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2016 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NEITHER THE CITY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR

WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE SERIES 2016 BONDS. THE CITY CANNOT PROVIDE ANY ASSURANCE THAT DTC, DIRECT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2016 BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR ANY NOTICES TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

<u>Payments</u>. Payments on the Series 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Paying Agent on the relevant payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of DTC, and Indirect Participants.

<u>Discontinuance of Book-Entry-Only System</u>. DTC may discontinue providing its services as depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, certificated Series 2016 Bonds are required to be printed and delivered to the holders of record.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository) with respect to the Series 2016 Bonds. Under current industry practices, however, DTC would notify its Direct or Indirect Participants of the City's decision but will only withdraw beneficial interests from a Series 2016 Bond at the request of any Direct or Indirect Participant. In that event, certificates for the Series 2016 Bonds will be printed and delivered.

No Assurance Regarding DTC Practices

The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City, the Underwriter and the Paying Agent take no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Series 2016 Bonds as nominee of DTC, references herein to the holders or registered owners of the Series 2016 Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Series 2016 Bonds.

None of the City, the Paying Agent or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to the Direct Participants, the Indirect Participants or the Beneficial Owners, (iii) the selection by DTC or by any Direct or Indirect Participant of any Beneficial Owner to receive payment in the event of a partial redemption of the Series 2016 Bonds or (iv) any other action taken by DTC or its partnership nominee as owner of the Series 2016 Bonds.

Registration, Transfer and Exchange

The Series 2016 Bonds will be and have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code - Investment Securities Laws of the State of Florida, subject to the provisions for registration, exchange and transfer contained in the Resolution and in the Series 2016 Bonds; however, as long as the Series 2016 Bonds are maintained under a Book Entry-Only System, transfers of ownership interests in the Series 2016 Bonds will be made as described above under "Book Entry-Only System." The Series 2016 Bonds will be transferable only upon the registration books maintained for such purpose at the corporate trust office of the Bond Registrar. So long as any of the Series 2016 Bonds remain outstanding, the Bond Registrar must maintain and keep the bond registration books.

All Series 2016 Bonds presented for transfer or exchange (if so required by the City or the Bond Registrar) shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the City or the Bond Registrar, duly executed by the registered owner or by his or her duly authorized attorney. The Bond Registrar or the City may require payment from the registered owner or his transferee, as the case may be, of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. Such charges and expenses shall be paid before any new Series 2016 Bonds shall be delivered.

New Series 2016 Bonds delivered upon any transfer or exchange will be valid obligations of the City, evidencing the same debt as the Series 2016 Bonds surrendered, will be secured by the Resolution, and will be entitled to all of the security and benefits of the Resolution to the same extent as the Series 2016 Bonds surrendered.

Whenever any Series 2016 Bond shall be delivered to the Bond Registrar for cancellation, upon payment of the principal amount thereof, or for replacement, transfer or exchange, such Series 2016 Bond shall either be retained for a period of time specified by the City or, at the option of the City, be canceled and destroyed by the Bond Registrar as authorized by law, and counterparts of a certificate of destruction evidencing such destruction shall be furnished to the City.

Redemption Provisions

<u>Optional Redemption</u>. The Series 2016 Bonds maturing on or after December 1, 2027, are subject to redemption prior to maturity, at the option of the City, on or after December 1,

2026, as a whole or in part at any time, and by lot within a maturity at the redemption price of par without premium, with accrued interest to the date fixed for redemption.

<u>Mandatory Redemption</u>. The Series 2016 Bonds or portions thereof maturing on December 1, 2025, are subject to (i) mandatory redemption from Sinking Fund Installments deposited into the Term Bonds Redemption Account of the Sinking Fund, by lot, at a redemption price equal to the principal amount thereof and accrued interest to the date of redemption on December 1 in the years and amounts as set forth below, or (ii) being purchased in the open market at a price not to exceed such redemption price.

Year	Principal Amount
2024	\$555,000
2025*	395,000

*Maturity

The Series 2016 Bonds or portions thereof maturing on December 1, 2035, are subject to (i) mandatory redemption from Sinking Fund Installments deposited into the Term Bonds Redemption Account of the Sinking Fund, by lot, at a redemption price equal to the principal amount thereof and accrued interest to the date of redemption on December 1 in the years and amounts as set forth below, or (ii) being purchased in the open market at a price not to exceed such redemption price.

Year	Principal Amount
2034	\$2,075,000
2035*	2,135,000

*Maturity

The Series 2016 Bonds or portions thereof maturing on December 1, 2041, are subject to (i) mandatory redemption from Sinking Fund Installments deposited into the Term Bonds Redemption Account of the Sinking Fund, by lot, at a redemption price equal to the principal amount thereof and accrued interest to the date of redemption on December 1 in the years and amounts as set forth below, or (ii) being purchased in the open market at a price not to exceed such redemption price.

Year	Principal Amount
2038	\$240,000
2039	245,000
2040	255,000
2041*	260,000

*Maturity

The Series 2016 Bonds or portions thereof maturing on December 1, 2046, are subject to (i) mandatory redemption from Amortization Installments deposited into the Bond Amortization Account of the Sinking Fund, by lot, at a redemption price equal to the principal amount thereof and accrued interest to the date of redemption on December 1 in the years and amounts as set forth below, or (ii) being purchased in the open market at a price not to exceed such redemption price.

Year	Principal Amount
2042	\$270,000
2043	275,000
2044	285,000
2045	295,000
2046*	305,000

*Maturity

Notice and Effect of Redemption

Notice of such redemption, which shall specify the Series 2016 Bond or Bonds (or portions thereof) to be redeemed and the date and place for redemption, shall be given by the Bond Registrar on behalf of the City, and (A) shall be mailed by first class mail, postage prepaid, not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date to all Holders of Bonds to be redeemed at their addresses as they appear on the registration books kept by the Registrar as of the date of mailing of such notice, and (B) shall be mailed, by certified mail, postage prepaid, at least 35 days prior to the redemption date to the registered securities depositories and one or more nationally recognized municipal bond information services as provided in the Resolution. Failure to mail such notice to such depositories or services or the Holders of the Bonds to be redeemed, or any defect therein, shall not affect the proceedings for redemption of Bonds as to which no such failure or defect has occurred. Failure to mail notice to the Holders of the Bonds to be redeemed, or any defect therein, as provided in the Resolution shall not affect the proceedings for redemption of Bonds as to which no such failure or default has occurred. Notice of optional redemption of Series 2016 Bonds may be sent if the City reasonably determines it shall have sufficient funds available to pay the Redemption Price of and interest on the Bonds called for redemption on the redemption date, and may be conditioned upon receipt of such funds.

Each notice of redemption shall state: (1) the CUSIP numbers of all Bonds being redeemed, (2) the original issue date of such Bonds, (3) the maturity date and rate of interest borne by each Bond being redeemed, (4) the redemption date, (5) the Redemption Price, (6) the date on which such notice is mailed, (7) if less than all Outstanding Bonds are to be redeemed, the certificate number (and, in the case of a partial redemption of any Bond, the principal amount) of each Bond to be redeemed, (8) that on such redemption date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable, (9) that the Bonds to be redeemed,

whether as a whole or in part, are to be surrendered for payment of the Redemption Price at the designated office of the Registrar at an address specified, (10) the name and telephone number of a person designated by the Registrar to be responsible for such redemption, (11) unless sufficient funds have been set aside by the City for such purpose prior to the mailing of the notice of redemption, that such redemption is conditioned upon the deposit of sufficient funds for such purpose on or prior to the date set for redemption, and (12) any other conditions that must be satisfied prior to such redemption.

DEBT SERVICE SCHEDULE

The following table sets forth the annual principal and interest requirements for the Prior Lien Bonds and Series 2016 Bonds for the period ending December 1.

Period Ending Series 2003 Series 2006	Aggregate
December 1 Bonds Bonds Principal Interest	Debt Service
2016 \$35,700.00 \$941,250.00 - \$169,013.33	\$1,145,963.33
2017 - 1,180,487.50 \$465,000.00 950,700.00	2,596,187.50
2018 - 1,181,375.00 480,000.00 941,400.00	2,602,775.00
2019 - 1,180,162.50 485,000.00 931,800.00	2,596,962.50
2020 - 1,181,850.00 495,000.00 922,100.00	2,598,950.00
2021 - 1,181,175.00 510,000.00 907,250.00	2,598,425.00
2022 - 1,178,137.50 530,000.00 891,950.00	2,600,087.50
2023 - 1,177,737.50 545,000.00 876,050.00	2,598,787.50
2024 - 1,179,712.50 555,000.00 859,700.00	2,594,412.50
2025 - 1,178,800.00 395,000.00 848,600.00	2,422,400.00
2026 1,570,000.00 840,700.00	2,410,700.00
2027 - 1,600,000.00 807,337.50	2,407,337.50
2028 1,650,000.00 773,337.50	2,423,337.50
2029 1,720,000.00 707,337.50	2,427,337.50
2030 - 1,785,000.00 638,537.50	2,423,537.50
2031 - 1,860,000.00 567,137.50	2,427,137.50
2032 - 1,935,000.00 492,737.50	2,427,737.50
2033 - 2,010,000.00 415,337.50	2,425,337.50
2034 - 2,075,000.00 334,937.50	2,409,937.50
2035 - 2,135,000.00 272,687.50	2,407,687.50
2036 - 2,200,000.00 208,637.50	2,408,637.50
2037 - 2,265,000.00 142,637.50	2,407,637.50
2038 240,000.00 74,687.50	314,687.50
2039 245,000.00 67,487.50	312,487.50
2040 - 255,000.00 60,137.50	315,137.50
2041 - 260,000.00 52,487.50	312,487.50
2042 270,000.00 44,687.50	314,687.50
275,000.00 36,250.00	311,250.00
2044 - 285,000.00 27,656.26	312,656.26
2045 - 295,000.00 18,750.00	313,750.00
2046 305,000.00 9,531.26	314,531.26

SECURITY FOR THE SERIES 2016 BONDS

General

The Series 2016 Bonds are limited obligations of the City, payable solely from and secured by a lien on and pledge of (a) the Net Revenues, as defined below, that are derived from the operation of the City's System, as defined below, and (b) until applied in accordance with the provisions of the Resolution, all moneys, including investments thereof, in the funds and accounts established thereunder, except (A) to the extent moneys therein shall be required to pay the Operating Expenses of the System in accordance with the terms thereof, (B) to the extent moneys in each subaccount of the Reserve Subaccount shall be pledged solely for the payment of a Series of Bonds for which it was established in accordance with the provisions of the Resolution, and (C) amounts in the Rebate Account, as more fully described herein (collectively, the "Pledged Funds"). However, the lien upon and pledge of the Net Revenues to the holders of the Series 2016 Bonds and the Outstanding Parity Bonds is junior and subordinate to the lien thereon of the holders of the Prior Lien Bonds, as described below.

The Series 2016 Bonds shall not constitute an indebtedness of the City within the meaning of any constitutional or statutory limitation of indebtedness, but shall be payable from the Pledged Funds. No registered owner of any of the Series 2016 Bonds shall ever have the right to compel the exercise of the ad valorem taxing power of the City or taxation in any form on any real property of or in the City for payment of the principal of, premium, if any, or interest on the Series 2016 Bonds. The Series 2016 Bonds shall not constitute a lien upon any property of or in the City, but shall constitute a lien only upon the Pledged Funds, in the manner provided in the Resolution.

Prior Lien Bonds

The Prior Lien Bonds are defined in the Resolution as (i) the City's outstanding Water and Sewer Refunding Revenue Bonds, Series 2006, and (ii) the City's outstanding Water and Sewer Refunding Revenue Bonds, Series 2003. The amount of the City's obligations with respect to the Gulf Breeze Loan cannot be determined until all other loans from the Gulf Breeze Loan Pool have been paid by the other borrowers; however, the City does not expect the amount of such obligations to be material.

The City has covenanted in the Resolution not to issue any other indebtedness secured on a parity with the Prior Lien Bonds.

Pledge of Net Revenues

"Net Revenues" is defined in the Resolution to mean the Gross Revenues less Operating Expenses of the System. "System" as defined in the Resolution to mean any and all water production, transmission, treatment and distribution facilities, sewage collection, transmission, treatment and distribution facilities now or hereafter owned by the City, which System shall also include any and all improvements, extensions, additions thereto hereafter constructed or acquired either from the proceeds of Bonds or from any other

sources, together with all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith, including all contractual rights, rights to capacity and obligations or undertakings associated therewith. "System" shall also include any other utility facilities if and to the extent the City determines by Supplemental Resolution to include such utility or facilities within the System as described in the Resolution.

"Gross Revenues" is defined in the Resolution to mean all income and moneys received by the City from the rates, fees, rentals, charges and other income to be made and collected by the City for the use of the products, services and facilities to be provided by the System, or otherwise received by the City or accruing to the City in the management and operation of the System, calculated in accordance with generally accepted accounting principles employed in the operation of public utility systems similar to the System, including, without limiting the generality of the foregoing, (1) moneys deposited from the Rate Stabilization Fund into the Revenue Fund in accordance with the terms of the Resolution, provided any moneys transferred from the Rate Stabilization Fund into the Revenue Fund within 120 days following the end of a Fiscal Year may be designated by the City as Gross Revenues of such prior Fiscal Year, (2) proceeds from use and occupancy insurance on the System, (3) Investment Earnings, and (4) Operating Government Grants. "Gross Revenues" shall not include (A) Capital Government Grants, (B) proceeds of Bonds or other City debt, (C) moneys deposited to the Rate Stabilization Fund from the Utility Reserve Fund, including any moneys transferred from the Utility Reserve Fund to the Rate Stabilization Fund within 120 days following the end of a Fiscal Year which the City determines not to be Gross Revenues of such prior Fiscal Year, (D) Sewer Connection Fees, (E) Water Connection Fees, (F) Special Assessments Proceeds, unless subsequently pledged by Supplemental Resolution, and (G) any gain resulting from the valuation of investment securities or Hedge Agreements at market value and any other gain that does not require or result in the Gross Revenues may include Special Assessment Proceeds and/or other receipt of cash. revenues related to the System which are not enumerated in the definition of "Gross Revenues" if and to the extent the same shall be approved for inclusion by each Insurer of Bonds then Outstanding.

"Operating Expenses" is defined in the Resolution to mean the City's expenses for operation, maintenance and repairs with respect to the System and shall include, without limiting the generality of the foregoing, administration expenses, payments for the purchase of materials essential to or used in the operation of the System including bulk purchases of water or sewage services, fees for the management of the System or any portion thereof, accounting, legal and engineering expenses, ordinary and current rentals of equipment or other property, refunds of moneys lawfully due to others, payments to others for disposal of sewage or other wastes, payments to pension, retirement, health and hospitalization funds, and any other expenses required to be paid for or with respect to proper operation or maintenance of the System, including appropriate reserves therefor, all to the extent properly attributable to the System in accordance with generally accepted accounting principles applicable to public utility systems similar to the System, and disbursements for the expenses, liabilities and compensation of any Paying Agent or Bond 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 service or of Gross Revenues or minor capital expenditures necessary for the proper and economical operation or maintenance of the

System, or any payments in lieu of taxes or franchise fees made to the City's general fund, or any provision for interest, depreciation, amortization or similar charges, or any loss resulting from the valuation of investment securities or Hedge Agreements at market value and any other loss that does not require or result in the expenditure of cash. See "APPENDIX C -- FORM OF RESOLUTION."

Rate Covenant

Pursuant to the Resolution, the City covenants to fix, establish, maintain and collect such fees, rates, or other charges for the product, services and facilities of its System, and revise the same from time to time, whenever necessary, and will always provide in each Fiscal Year Net Revenues equal to at least (1) one hundred twenty percent (120%) of the Annual Debt Service becoming due in such Fiscal Year on all Outstanding Bonds plus (2) one hundred percent (100%) of any amounts required by the terms of the Resolution to be deposited or credited to the Reserve Subaccount or with any issuer of a Reserve Subaccount Credit Instrument to pay Policy Costs. Such rates, fees or other charges shall not be so reduced so as to be insufficient to provide adequate Net Revenues for the purposes provided therefor by the Resolution.

If, in any Fiscal Year, the City shall fail to comply with the requirements contained in the Resolution described above, it shall immediately cause the Rate Consultant to review its rates, fees, charges, income, Gross Revenues, Operating Expenses and methods of operation, and to make written recommendations as to the methods by which the City may seek to comply with the requirements set forth in the preceding paragraph. The City shall forthwith commence to implement such recommendations to the extent required so as to cause it to thereafter comply with said requirements. So long as the City implements such recommendations within 120 days of the receipt thereof, the City's failure to comply with the above requirements shall not be considered an Event of Default under the Resolution.

2016 Reserve Subaccount

The Resolution provides for the establishment and maintenance of a separate subaccount within the Reserve Account for each Series of Bonds issued thereunder. Upon delivery of the Series 2016 Bonds, the City expects to deposit into the 2016 Subaccount of the Reserve Account securing the Series 2016 Bonds a Reserve Account Insurance Policy issued by Assured Guaranty Municipal Corp., in the amount of the Reserve Account Requirement applicable to the Series 2016 Bonds, which is \$2,083,431.25. See "THE RESERVE POLICY", herein. No other Bonds are secured by such subaccount. In the event of a failure by AGM to honor its obligations under the Reserve Policy, the City is not obligated to deposit cash or obtain a replacement insurance policy to fund the 2016 Reserve Subaccount.

The "Reserve Account Requirement" is defined in the Resolution to mean, as of any date of calculation for a particular Series of Bonds for which a subaccount of the Reserve Account has been established, an amount equal to the lesser of (1) Maximum Annual Debt Service for all Outstanding Bonds which are secured by such subaccount, (2) one hundred twenty-five percent (125%) of the average annual debt service for all Outstanding Bonds which are secured by such subaccount, or (3) the maximum amount of the Bond proceeds which may be deposited to the

Reserve Account subaccount without subjecting the same to yield restriction under the Code, or causing interest on any of the Bonds secured thereby (other than Taxable Bonds) to be included in gross income for purposes of federal income taxation or otherwise violating applicable provisions of the Code; provided, that at the City's discretion, the Reserve Account requirement applicable to any Series of Bonds may be set at a lesser amount or may be zero.

Moneys on deposit in the 2016 Subaccount of the Reserve Account shall be applied in accordance with the provisions of the Resolution solely for the payment of principal of, or Redemption Price, if applicable, and interest on the Series 2016 Bonds when the moneys in the Interest Account, Principal Account and the Term Bonds Redemption Subaccount are insufficient therefor; but only to the extent the moneys transferred from the Utility Reserve Fund for such purposes shall be inadequate to fully provide for such inadequacy.

Flow of Funds

The City has covenanted in the Resolution to deposit or credit all Gross Revenues (other than Special Assessment Proceeds), as received, into the Revenue Fund established pursuant to the Resolution. The City shall deposit into the Special Assessments Fund, as received, all Special Assessment Proceeds. No Special Assessments are pledged to secure the Series 2016 Bonds.

<u>Operation and Maintenance Fund.</u> Moneys in the Revenue Fund shall first be used each month, after the City's Series 2006 Bonds are paid in full, to deposit or credit to the Operation and Maintenance Fund such sums as are necessary to pay Operating Expenses for the month; provided that the City may transfer moneys from the Revenue Fund to the Operation and Maintenance Fund at any time to pay Operating Expenses to the extent there is a deficiency in the Operation and Maintenance Fund for such purpose. Amounts in the Operation and Maintenance Fund shall be paid out from time to time by the City for reasonable and necessary Operating Expenses.

Amounts remaining in the Revenue Fund after the aforementioned deposits or credits to the Operation and Maintenance Fund and all amounts on deposit in the Special Assessments Account shall be applied by the City on or before the twenty-fifth (25th) day of each month, commencing in the month immediately following the delivery of any of the Bonds to the purchasers thereof, or such later date as hereinafter provided, first from designated amounts within the Special Assessments Fund (as established by Supplemental Resolution) and then from the Revenue Fund in the following manner and in the following order of priority:

(1) Interest Account. The City shall deposit or credit to the Interest Account the sum which, together with the balance in said Account, shall equal the interest on all Bonds Outstanding (except as to Capital Appreciation Bonds) accrued and unpaid and to accrue to the end of the then current calendar month. All Hedge Receipts and Federal Subsidy Payments shall be deposited directly to the Interest Account upon receipt. The City shall adjust the amount of the deposit to the Interest Account not later than a 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. No further deposit need be made to the Interest Account

when the moneys therein are equal to the interest coming due on the Outstanding Bonds on the next succeeding Interest Date.

(2) <u>Principal Account</u>. Commencing in the month which is one year prior to the first principal payment date (or if the first principal payment is less than one year after the issuance of a Series of Bonds, the first month after such issuance), the City shall next deposit into the Principal Account the sum which, together with the balance in said Account, shall equal the principal amounts on all Bonds Outstanding accrued and unpaid and that portion of the principal next due which would have accrued on such Bonds during the then current calendar month if such principal amounts were deemed to accrue monthly (assuming that a year consists of 12 equivalent calendar months having 30 days each) except for Sinking Fund Installments to be deposited as described below in equal amounts from the next preceding principal payment due date, or, if there be no such preceding payment due date, from a date no later than one year preceding the due date of such principal amount. Moneys in the Principal Account shall be applied by the Issuer for deposit with the Paying Agents to pay the principal of the Bonds on or prior to the date the same shall mature, and for no other purpose.

(3) <u>Term Bonds Redemption Account</u>. Commencing in the month which is one year prior to the first Sinking Fund Installment, there shall be deposited or credited to the Term Bonds Redemption Account the sum which, together with the balance in such Account, shall equal the Sinking Fund Installments on all Term Bonds Outstanding due and unpaid, and that portion of the Sinking Fund Installments of all Term Bonds Outstanding next due which would have accrued on such Term Bonds during the then current calendar month if such Sinking Fund Installments were deemed to accrue monthly (assuming that a year consists of twelve (12) equivalent calendar months having thirty (30) days each) in equal amounts from the next preceding Sinking Fund Installment due date, or, if there is no such preceding Sinking Fund Installment. Moneys in the Term Bonds Redemption Account shall be used to purchase or redeem Term Bonds in the manner provided in the Resolution, and for no other purpose.

(4) <u>Reserve Account</u>. Except as otherwise provided by the Resolution, the City shall establish within the Reserve Account a separate subaccount for each Series of Bonds issued under the Resolution. The moneys in each such subaccount shall be applied in the manner provided in the Resolution solely for the payment of the principal of, or Redemption Price, if applicable, and interest on the Series of Bonds for which it is designated and shall not be available to pay debt service on any other Series.

There shall be deposited to each subaccount of the Reserve Account an amount which would enable the City to restore the funds on deposit in each such subaccount to an amount equal to the Reserve Subaccount Requirement applicable thereto (without regard to whether a Reserve Account Credit Instrument is on deposit in any such subaccount), whether such shortfall was caused by decreased market value or withdrawal.

(5) <u>Renewal and Replacement Fund</u>. There shall be deposited or credited to the Renewal and Replacement Fund an amount equal to one-twelfth (1/12th) of the Renewal and Replacement Requirement until the amount accumulated in such Fund is equal to the Renewal

and Replacement Fund Requirement, taking into account the market value of investments in such account; provided, however, that (a) such Renewal and Replacement Fund Requirement may be increased or decreased as the Consulting Engineers shall certify to the City is necessary for the purposes of the Renewal and Replacement Fund, and (b) in the event that the Consulting Engineers shall certify that the Renewal and Replacement Fund Requirement is excessive for the purposes of the Renewal and Replacement Fund such excess amount as may be on deposit therein may be transferred by the City from the Renewal and Replacement Fund for deposit into the Utility Reserve Fund. The moneys in the Renewal and Replacement Account shall be applied by the City for the purpose of paying the cost of major extensions, improvements or additions to, or the replacement or renewal of capital assets of, the System, or extraordinary repairs of the System; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date), moneys in the Renewal and Replacement Fund shall be applied for the payment into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund pursuant to the Resolution, together with moneys available in the Reserve Account for such purpose pursuant to the Resolution, shall be inadequate to fully provide for such insufficiency. Moneys in the Renewal and Replacement Fund may also be transferred to the Operation and Maintenance Fund to fund Operating Expenses to the extent Gross Revenues shall be insufficient for such purpose; provided, however, such transfer shall be treated as an interfund loan and shall be repaid from Gross Revenues as described in the Resolution within one year from the date of such transfer.

(6) <u>Subordinated Indebtedness</u>. Gross Revenues shall next be applied by the City for the payment of any accrued debt service on Subordinated Indebtedness incurred by the City in connection with the System and in accordance with the proceedings authorizing such Subordinated Indebtedness.

(7) <u>Sinking Fund</u>. There shall be deposited to the Interest Account, the Principal Account and the Term Bonds Redemption Account, in that order, sufficient moneys such that the amounts on deposit therein shall equal, respectively, the interest, principal and Sinking Fund Installment next coming due on the Bonds Outstanding; provided, however, no deposit need be made to the Principal Account or Term Bonds Redemption Account until a date one year preceding the due date of such principal amount or Sinking Fund Installment.

(8) <u>Utility Reserve Fund</u>. The balance of any Gross Revenues remaining in said Revenue Fund after the foregoing shall be deposited or credited to the Utility Reserve Fund. Moneys in the Utility Reserve Fund shall be applied to the payment, on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein shall be insufficient to pay the principal of and interest on the Bonds coming due. Moneys not required to meet such deficiency shall be deposited to the Reserve Account to make up any deficiency therein, and thereafter to the Rebate Fund to the extent moneys are required to be deposited therein. Thereafter, moneys in the Utility Reserve Fund may be applied for any lawful purpose, including, but not limited to, purchase or redemption of Bonds, payment of Subordinated Indebtedness, payment of other obligations incurred with respect to the System, deposit to the Rate Stabilization Fund and improvements, renewals and replacements to the System; provided, however, that none of such revenues shall ever be used for the purposes provided in the preceding sentence unless all payments required in paragraphs (1) through (6) above, including any deficiencies for prior payments, have been made in full to the date of such use.

Rate Stabilization Fund

The City may transfer into the Rate Stabilization Fund such moneys which are on deposit in the Utility Reserve Fund as it deems appropriate. The City may transfer such amounts of moneys from the Rate Stabilization Account to the Revenue Fund as it deems appropriate; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date), moneys in the Rate Stabilization Fund shall be applied for the payment into the Interest Account, Principal Account and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund and any applicable Reserve Account Subaccount for such purposes pursuant to the Resolution.

Additional Bonds

Additional Bonds, payable on a parity with the Bonds then Outstanding pursuant to the Resolution, may be issued from time to time upon the following conditions and in the manner hereinafter provided. The City may issue one or more Series of Additional Bonds for any one or more of the following purposes: (i) financing or refinancing the Cost of a Project, or the completion thereof, or (ii) refunding any portion of any or all Outstanding Bonds, any Subordinated Indebtedness of the City, or any other indebtedness of the City that it may lawfully refund with proceeds of the Bonds.

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

A. Except in the case of Additional Bonds issued for the purpose of refunding Outstanding Bonds, the City shall certify that it is current in all deposits into the various accounts and subaccounts established by the Resolution, including a certification that all due and payable Policy Costs have been deposited or made, and the City is in compliance with the covenants and agreements of the Resolution.

B. An independent certified public accountant or the Rate Consultant shall certify to the City that the amount of Net Revenues (excluding Investment Earnings with respect to the Construction Fund) adjusted pursuant to the Resolution, received by the City during the immediately preceding Fiscal Year or any twelve (12) consecutive months selected by the City of the twenty-four (24) months immediately preceding the issuance of the Additional Bonds, were at least equal to (a) one hundred twenty percent (120%) of the Maximum Annual Debt Service of the Outstanding Bonds and the Additional Bonds then proposed to be issued, plus (b) one hundred percent (100%) of any amounts required to be deposited to the Reserve Account or

owed to the issuer of a Reserve Account Credit Instrument as Policy Costs or as a result of a draw against the Reserve Account Credit Instrument.

C. The Net Revenues calculated pursuant to the Resolution may be adjusted upon the written advice of the Rate Consultant, at the option of the City (i) if the City, prior to the issuance of the proposed Additional Bonds, has increased the rates, fees or other charges for the product, services or facilities of the System and the Net Revenues for the twelve (12) consecutive months shall be adjusted to show the Net Revenues which would have been derived from the System in such twelve (12) consecutive months as if such increased rates, fees or other charges for the product, service or facilities of the System had been in effect during all of such twelve (12) consecutive months, (ii) if the City acquires or contracts to acquire any privately or publicly owned existing utility system that will become part of the System, the Net Revenues derived from the System during the twelve (12) consecutive months shall be increased by adding to the Net Revenues for said twelve (12) consecutive months the Net Revenues which would have been derived from the existing utilities system as if such existing utilities system had been a part of the System during such twelve (12) consecutive months, (iii) if the City, in connection with the issuance of Additional Bonds, enters into a contract (with a duration not less than the final maturity of such Additional Bonds) with any public or private entity whereby the City agrees to furnish services in connection with any utilities 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 be obligated to pay in any one year for the furnishing of said services by the City, after deducting therefrom the proportion of operating expenses and repair, renewal and replacement cost to provide such services, (iv) in the event the City constructs or acquires 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, the Net Revenues for the twelve (12) consecutive months may be adjusted by adding thereto one hundred percent (100%) of the Net Revenues estimated by the Rate Consultant to be derived from the users (that occupy existing structures) of such new additional or expanded facilities during the first twelve (12) months of operation after completion of the construction or acquisition of such new facilities, (v) if the City covenants to levy Special Assessments against property to be benefited by the improvements, the cost of which shall be paid from the proceeds of the proposed Additional Bonds, and the City has included the corresponding Special Assessment Proceeds within the definition of Gross Revenues pursuant to Supplemental Resolution, then the Special Assessments Proceeds derived from the System during the 12 consecutive months shall be increased by an amount equal to the least amount which the Rate Consultant estimates will be received in any one year subsequent to completion of such improvements from the levy of said Special Assessments, said amount to be the total received, assuming no prepayments, from the installment payments on the Special Assessments plus the interest paid on the unpaid portion of the Special Assessments, (vi) if the City shall add new customers subsequent to the commencement of the twelve (12) consecutive months, the Rate Consultant may adjust the Net Revenues to reflect the Net Revenues that would have been received by the City if such customers had been in place for the entire twelve (12) consecutive months, and (vii) the Net Revenues shall be adjusted for any period the System or any portion thereof was not owned by the City to reflect government ownership of the System or such portion.

D. The City need not comply with the provisions of paragraph (B) above if and to the extent the Additional Bonds to be issued are refunding bonds, provided the issuance of such Additional Bonds will not result in an increase in aggregate debt service in any future bond year.

Insurance

The City will carry such insurance as is ordinarily carried by private or public corporations owning and operating water utilities systems similar to the System with a reputable insurance carrier or carriers, including public liability insurance in such amounts as the City shall determine to be sufficient and such other insurance against loss or damage by fire, explosion (including underground explosion), hurricane, tornado or other hazards and risks, and said property loss or damage insurance shall at all times be in an amount or amounts equal to the fair appraisal value of the buildings, properties, furniture, fixtures and equipment of the System, or such other amount or amounts as the Consulting Engineers or an insurance consultant shall approve as sufficient.

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

The proceeds from property loss and casualty insurance shall be deposited in the Renewal and Replacement Fund and, together with other available funds of the City, shall be used to repair or replace the damaged portion of the System; provided, however, if the City makes a determination in accordance with the Resolution that such portion of the System is no longer necessary or useful in the operation of the System, such proceeds shall (1) if such proceeds equal or exceed \$500,000, (a) be applied to the redemption or purchase of Bonds or (b) be deposited in irrevocable trust for the payment of Bonds in the manner set forth in the Resolution, provided the City has received an opinion of Bond Counsel to the effect that such deposit shall not adversely affect the exclusion, if any, from gross income of interest on the Outstanding Bonds for purposes of federal income taxation (other than Taxable Bonds) and will not otherwise affect the status of any Outstanding Bonds issued as Federal Subsidy Bonds or the City's receipt of Federal Subsidy Payments with respect to any Outstanding Federal Subsidy Bonds, or (2) if such proceeds are less than \$500,000, be deposited in the Revenue Fund.

No Free Service

The City will not render, or cause to be rendered, any free services of any nature by its System or any part thereof, nor will any preferential rates be established for users of the same class.

No Impairment of Rights; No Competing System

The City will not enter into any contract or contracts, nor take any action, the results of which might impair the rights of the Holders of the Bonds, and will not, to the extent permitted by law, permit the operation of any competing water and sewer facilities in the City.

Enforcement of Charges

The City shall compel the prompt payment of rates, fees and charges imposed for services rendered in connection with the System, and to that end, will vigorously enforce all of the provisions of any contracts entered into by, and all of the rights and remedies permitted the City under law, including the requirement for lawful disconnection of services for all premises delinquent in the payment of services.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2016 Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Series 2016 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2016 Bonds when due as set forth in the form of the Policy included as EXHIBIT F to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list

for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 27, 2016, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 8, 2016, Moody's published a credit opinion affirming its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

On December 10, 2015, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

Capitalization of AGM

At June 30, 2016, AGM's policyholders' surplus and contingency reserve were approximately \$3,841 million and its net unearned premium reserve was approximately \$1,459 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

the Annual Report on Form 10-K for the fiscal year ended December 31, 2015 (filed by AGL with the SEC on February 26, 2016);

the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016 (filed by AGL with the SEC on May 5, 2016); and

the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2016 (filed by AGL with the SEC on August 4, 2016).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Bonds or the advisability of investing in the Series 2016 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

RESERVE POLICY

AGM has issued a commitment to issue an insurance policy (the "Series 2016 Reserve Fund Insurance Policy") in the initial maximum amount of \$2,083,431.25 to be deposited in the Reserve Fund for the benefit of the Series 2016 Bonds. The Series 2016 Reserve Fund Insurance Policy will be held by the Paying Agent in the Reserve Fund and is provided as an alternative to the City depositing funds sufficient to cause the amount on deposit in the Reserve Fund to equal the Reserve Fund Requirement with respect to the Series 2016 Bonds. The Series 2016 Reserve Fund to equal the Reserve Fund Requirement with respect to the Series 2016 Bonds. The Series 2016 Reserve Fund Insurance Policy will be non-cancelable and the premium therefor will be fully paid by the

City at the time of delivery of the Series 2016 Bonds. The Series 2016 Reserve Fund Insurance Policy will provide that upon notice from the Paying Agent to AGM to the effect that insufficient amounts are on deposit in the Debt Service Fund to pay the principal of (at maturity or pursuant to scheduled mandatory redemption requirements) and interest on the Series 2016 Bonds, AGM will promptly deposit with the Paying Agent an amount sufficient to pay such scheduled principal of and interest on the Series 2016 Bonds or the available amount of the Reserve Fund Insurance Policy, whichever is less. Upon the later of: (i) the Business Day following receipt by AGM of a Notice of Non-Payment in the form attached to the Series 2016 Reserve Fund Insurance Policy, duly executed by the Paying Agent; or (ii) the paying Agent to AGM, AGM will transfer to the Paying Agent amounts which are then due to the Paying Agent (as specified in the Notice of Non-Payment) subject to the amount then available under the Series 2016 Reserve Fund Insurance Policy.

The available amount of the Series 2016 Reserve Fund Insurance Policy is the initial face amount of the Series 2016 Reserve Fund Insurance Policy less the amount of any previous draws thereunder paid by AGM to the Paying Agent which have not been reimbursed by the City. Pursuant to the Indenture, the City is required to reimburse AGM in full within one year of any deposit for the amount of such draws paid by AGM to the Paying Agent under the Series 2016 Reserve Fund Insurance Policy, plus interest at the rate specified in the Indenture. Such reimbursement shall be made only after all required deposits to the Debt Service Fund have been made.

Under the terms of the Indenture, the Paying Agent is required to reimburse AGM, with interest, until the face amount of the Reserve Fund Insurance Policy is reinstated, before any transfer is made from the Revenue Fund for purposes other than paying debt service on the Bonds. No optional redemption of Series 2016 Bonds may be made until AGM's Series 2016 Reserve Fund Insurance Policy is reinstated in full.

THE SYSTEM

Reference is made to "APPENDIX D -- FINANCIAL FEASIBILITY EVALUATION REPORT" attached hereto (the "Report") for a detailed description of the System, which Report should read in its entirety. Set forth below is certain general information relating to the System based in a large part on information furnished by Raftelis Financial Consultants, Inc., the Feasibility Consultant. The Report presents a description of the System facilities, a summary of the anticipated capital improvement program, and a discussion of the rates for service. The Report also presents information regarding historical and projected customer growth, revenues, expenses and net revenues.

The Resolution defines the "System" as the combined water and sewer utility system now owned, operated and maintained by the City, together with any and all improvements, extensions and additions thereto hereafter constructed or acquired, together with all lands or interests therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith.

Service Area

Utility service is presently provided to all areas within the City and to surrounding areas in Polk County.

Customers

The City currently provides potable water service to residential and commercial establishments within the City's limits and certain portions of unincorporated Polk County. During Fiscal Year 2015 the City provided potable water service to 11,395 customers. Approximately 91.25% of the City's water customers are classified as residential and the remaining 8.75% as commercial/non-residential. Since Fiscal Year 2011 the customer base has grown at 1.36% per year. The City expects customer growth to continue at a similar pace to its recent experience.

	Average		Average	_
	Annual	Percent of	Annual	Percent of
Customer Class	Customers	Total	ERUs	Total
Residential-Inside City	5,651	49.59%	5,673	48.42%
Residential-Outside City	4,747	41.66	4,857	41.45
Commercial-Inside City	599	5.26	754	6.44
Commercial-Outside City	264	2.32	299	2.55
City-Inside City	114	1.00	114	0.97
City-Outside City	20	0.18	20	0.17
Totals	11,395	100.00%	11,717	100.00%

Water Accounts by Customer Class for Fiscal Year 2015

Source: Financial Feasibility Report.

Water customer growth is based on recent trends which are expected to continue at the same relative pace. Projected water sales are based on historical average use per customer multiplied by the total number of projected customers. During the past year (Fiscal Year 2015) the average use per customer was 10.68 thousand gallons per month, which followed a pattern of lower average usage each year prior to Fiscal Year 2015. The forecast reflects no further increase in average consumption. Therefore the total consumption is projected to increase at the same rate as customer growth.

The water customer and sales projections summarized below do not anticipate any significant changes to the City's service area and represent a continuation of recent moderate trends as discussed above.

	Billed Accounts		Billed Usage	
Fiscal Year	Accounts	ERUs ⁽¹⁾	Total	Average <u>per ERU</u> (1,000s
			(MG/Year)	Gal/Month)
Historical:				<i>()</i>
2011	10,795	11,017	1,545	11.69
2012	10,869	11,092	1,512	11.36
2013	10,746	11,070	1,438	10.83
2014	11,147	11,469	1,482	10.77
2015	11,395	11,717	1,502	10.68
Average				
Annual				
Growth	1.36%	1.55%	-0.70%	-2.23%
Projected:				
2016	11,551	11,896	1,513	10.60
2017	11,734	12,079	1,535	10.59
2018	11,917	12,262	1,556	10.58
2019	12,100	12,445	1,578	10.56
2020	12,283	12,628	1,599	10.55
2021	12,466	12,821	1,622	10.54
Average				
Annual				
Growth	1.54%	1.51%	1.39%	-0.11%

Water Account and Billed Usage History and Projection

Source: Financial Feasibility Report. ⁽¹⁾ ERU is an "Equivalent Residential Unit", which reflects the total number of units served by the System.

Regarding the sewer system customer base, approximately 93.94% of the sewer customers are classified as residential and the remaining 6.06% as commercial/non-residential. While a large portion of customers are residential, a significant portion of sewer revenues derives from industrial customers as discussed further below. The following provides a summary of sewer accounts by class billed by the City during Fiscal Year 2015:

	Average		Average	
	Annual	Percent of	Annual	Percent of
Customer Class	Customers	Total	ERUs	Total
Residential-Inside City	5,010	63.43%	5,166	63.47%
Residential-Outside City	2,410	30.51	2,466	30.30
Commercial-Inside City	398	5.04	403	4.95
Commercial-Outside City	48	0.61	71	0.87
City-Inside City	21	0.27	21	0.26
City-Outside City	2	0.03	2	0.02
Industrial & Reuse-Inside City	6	0.08	6	0.07
Industrial-Outside City	4	0.05	4	0.05
Totals	7,899	100.00%	8,139	100.00%

Sewer Accounts by Customer Class for Fiscal Year 2015

Source: Financial Feasibility Report.

Since Fiscal Year 2011 the non-industrial sewer customer base has grown at a slightly faster pace than water at 1.59% per year. The projection recognizes sewer continuing to grow at a slightly faster pace than water, at 1.58% annually.

	Billed Accounts		Billed Usage	
Fiscal Year	Accounts ⁽¹⁾	ERUs ⁽²⁾	Total ⁽³⁾	Average per ERU ⁽³⁾
Historical:			(MG/Year)	(1,000s Gal/Month)
2011	7 407	7 5 4 4	82	10.81
2011 2012	7,407 7,471	7,544 7,612	82 86	11.31
2012	7,542	7,781	80	10.53
2013	7,684	7,923	91	11.44
2014	7,889	8,129	92	11.44
Average	7,005	0,127)2	11.50
Annual				
Growth	1.59%	1.88%	3.02%	1.12%
Projected:				
2016	8,009	8,257	91	11.02
2017	8,132	8,390	91	10.87
2018	8,255	8,533	91	10.71
2019	8,388	8,676	92	10.56
2020	8,521	8,819	92	10.40
2021	8,664	8,962	92	10.25
Average				
Annual				
Growth	1.58%	1.65%	0.20%	-1.43%

Non-Industrial Sewer Account and Billed Usage History and Projection

Source: Financial Feasibility Report.

⁽¹⁾ Table does not include industrial sewer accounts.

⁽²⁾ ERU is an "Equivalent Residential Unit", which reflects the total number of units served by the System.

⁽³⁾ Residential sewer customers are charged a flat rate; usage is from commercial customers only, and excludes sales to industrial customers. Average usage statistics exclude residential and industrial accounts.

The City's sewer system includes 9 industrial customers and 1 reuse customer. These 10 customers provide the City with over \$1 million in annual revenue. Due to their large proportion to the revenues of the sewer system, the historical usage for the industrial and reuse customers is shown below:

				Fiscal	Year			
	2	2012	2	013	2	014	2	015
	Usage		Usage		Usage		Usage	
	(1,000s		(1,000s		(1,000s		(1,000s	
	of	Sewer	of	Sewer	of	Sewer	of	Sewer
Account Name	gallons)	Revenue ⁽¹⁾						
<u>Inside City</u>								
Coca-Cola Domestic Meter	1,139	\$6,116	1,005	\$5,560	1,124	\$6,529	883	\$5,331
Bynum Transport	6,490	34,904	6,873	38,341	6,861	40,220	6,444	39,578
Florida Brewery	984	5,278	984	5,527	984	5,710	984	5,919
KIK Florida/Sewell Products	1,236	11,586	754	10,620	724	11,152	3,804	26,535
Coca-Cola	134,951	923,416	153,313	858,912	171,443	998,513	134,288	813,316
Outside City								
All Temp Storage	3,814	\$27,674	3,306	\$24,723	2,902	\$22,764	3,687	\$29,981
Board of County Commission	18,677	133,208	20,384	150,027	18,409	141,940	24,827	199,371
Givaudan Roure	7,694	206,023	7,475	174,210	7,278	261,058	10,284	335,351
Packaging Corp of America	5,514	100,328	2,173	32,369	3,895	46,096	4,076	38,921
<u>Reuse</u>								
Calpine	241,676	\$85,226	224,182	\$79,974	145,622	\$54,026	162,561	\$59,740
Totals:	422,175	\$1,533,757	420,449	\$1,380,263	359,242	\$1,588,008	351,838	\$1,554,042

Historical Usage and Revenues from Industrial Sewer and Reuse Customers

Source: Financial Feasibility Report.

⁽¹⁾ Total sewer revenues include charges for service, industrial pretreatment factor, additional analysis, and fines.

Existing Facilities

The System includes seven deep production wells, three water production/treatment facilities, two wastewater treatment facilities, and a network of piping ranging in size from 2 inches to 16 inches in diameter. The City has a potable water consumptive use permit (Permit Number 7119 issued 8/1/2014 and expiring 4/3/2034) with the Southwest Florida Water Management District to withdraw up to 7,036,300 gallons per day (average daily use) and a peak day withdrawal of 8,162,100 gallons per day. The City also participates in the Polk County Water Cooperative pursuant to an interlocal agreement established in 2016. While the City may participate in future water supplies and related projects to the Polk County Water Cooperative in the future, the City reports that there are no Cooperative projects that involve the City within the five year planning horizon ending in 2021.

The Regional Wastewater Treatment Plant was completed in January, 1997, is located at 1010 Spring Road and has a capacity of 2.0 MGD, with current annual average flows of 1.067 MGD. The facility provides the latest in treatment technology with automatic bar screen and grit removal system, computerized SBR basins, sand filters and UV disinfection. The City's other

plant is the Allred Plant with a design capacity of 1.4 MGD and has current annual average flows of 1.07 MGD. The plant produces public access quality effluent to the Calpine Power Plant. Treatment steps include screening, grit removal, oxidation ditch, filtration, and UV disinfection.

The effluent from the Allred Plant is currently either utilized by Calpine for cooling water makeup or disposed to Lena Run or a City-owned 210-acre spray field at 1-4 for disposal. The effluent from the Regional Plant is currently sprayed on a 120 acre City-owned hay field, and a portion of the effluent is beneficially reused by the Tenoroc Fish Management Area.

Water Supply

High service pumps pump water from reservoirs at each of the two water treatment plants into the System. The water supply for the System is owned by the City and is comprised of the following:

Well Site	Operational Capacity <u>(GPM)</u>	Auxiliary Capacity <u>(GPM)</u>
Atlantic Avenue WTP		
Atlantic Avenue #1	2750	2750
Atlantic Avenue #2	1800	1800
Tampa Street	1050	-0-
Winona Park WTP		
Winona Park #1	1300	1300
Winona Park #2	2000	2000

Source: City of Auburndale.

High service pump capacities are as follows:

Water Plant Atlantic Avenue WTP	Operational Capacity (GPM)	Standby Capacity (GPM)
HSP No. 1	2000	
HSP No. 2	2350	2350
HSP No. 3	2500	2500
Atlantic Avenue WTP		
HSP No. 1	550	550
HSP No. 2	650	650

Billing and Collecting

Bills for water service charges are billed and are due the last day of the month following the original date of billing. Any bill not paid by such date shall pay a \$10.00 late charge. If the bill is not paid by the 15th of the following month, the City shall discontinue water service and disconnect the premises from the System. A charge of \$20.00 is made for re-establishing service where it has been discontinued within the City limits. A charge of \$25.00 is made for re-establishing service where it has been discontinued outside the City limits.

Mandatory Connections

The City has covenanted in the Resolution, to the full extent permitted by law and in accordance with its Ordinance Code, to require all lands, buildings, and structures within the City's service area which can use the facilities of the System to connect with and use such facilities.

Existing Water and Sewer Rate Schedule

The City establishes rates and fees to recover the cost of providing water and sewer service and bills its customers monthly. The City examines its rates periodically, with the last rate study completed in 2012. As a result of the study, the City adopted annual rate increases of 4.0% for four years. Important considerations in the annual rate adjustments are maintaining adequate debt service coverage, providing adequate resources to fund capital improvements, and maintaining rate stability. Moving forward, the City is budgeting for an annual increase of 3.0% in Fiscal Year 2017 followed by an annual increase of 2.0% for the next few fiscal years.

The existing water and sewer rates became effective October 1, 2015 pursuant to Section 23-47 of the City's Code of Ordinances. The City charges a 35% surcharge for water and sewer customers outside the City's limits. The rates for the City's service area include fixed monthly base charges and usage charges for water and sewer service.

A minimum of 4,000 gallons is included in the base charge for water service with three usage blocks with corresponding rates for residential customers opposed to just one usage rate per 1,000 gallons for commercial customers. Meter sizes does not play a factor in the base charge for water service, but the base charge and minimum gallons allowed escalate up with meter sizes for sewer service. Residential sewer customers are charged a flat rate regardless of usage levels, where commercial customers are charged a usage rate per 1,000 over their allotted minimum gallons.

The current water and sewer rates for the City are found below:

Water Rates Effective October 1, 2015

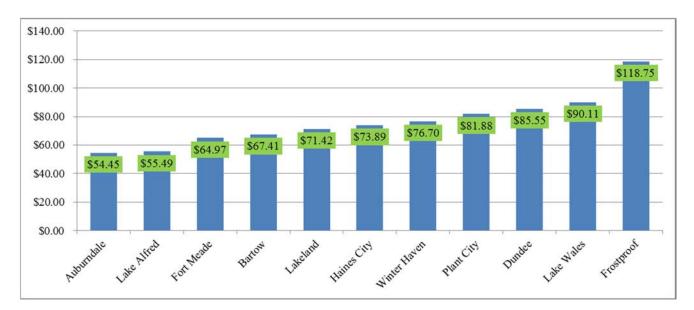
	Inside City	Outside City
Minimum Charge (includes 4,000 gallons):	\$10.36	\$13.98
Residential Usage Charge per 1,000 gallons:		
4,001 – 12,000 gallons	\$1.87	\$2.52
12,001 – 35,000 gallons	\$2.81	\$3.79
35,001 - gallons and above	\$3.74	\$5.05
Commercial Usage Charge per 1,000 gallons:		
4,001 gallons and above	\$2.57	\$3.47

Sewer Rates Effective October 1, 2015

Minimum Charge by Meter Size:	Minimum Gallons	Inside City	Outside City
3/4"	6,000	\$36.61	\$49.43
1"	10,000	61.77	83.38
1.5"	20,000	124.66	168.29
2"	40,000	250.45	338.10
3"	80,000	502.03	677.74
4"	160,000	1,005.18	1,356.99
6"	320,000	2,011.50	2,715.52
8"	640,000	4,024.12	5,432.56
10"	1,280,000	8,049.37	10,866.65

Source: City of Auburndale, Florida.

The monthly combined water and sewer bill for typical residential customer inside the City's limit is \$54.45. A comparison of a typical City residential customer bill with nearby utilities is summarized below:



Comparison of Residential Bills with Other Communities (8,000 Gallons)

Source: Financial Feasibility Report. Amounts shown are based on available rate information as of June 2016.

Principal Water and Sewer Customers

The City's ten largest water and sewer customers account for approximately 24.3% of the annual gross revenue of the System. Set forth below are the City's principal water and sewer customers, and their annual consumption and revenues during Fiscal Year 2015:

	Annual Revenue ⁽¹⁾			
	Water			
	Sales in			
Customer Name	MGY	Water	Sewer	Total
Coca Cola	312	\$779,169	\$818,647	\$1,597,816
Givaudan Roure	0	0	335,351	335,351
Board of County Commission	0	0	199,371	199,371
Sewell Products	28	71,215	26,535	97,750
Love's Travel Stops	9	24,796	60,706	85,502
Calpine Corporation	0	0	59,740	59,740
The Florida Brewery	19	48,383	5,919	54,302
Briarhill Nursing Center	5	19,977	34,211	48,188
Bynum Transport	0	0	39,578	39,578
Packaging Corp of America	0	0	38,921	38,921
Total	373	\$937,540	\$1,618,978	\$2,556,518

Principal Water and Sewer Customers for Fiscal Year 2015

Source: Financial Feasibility Report.

⁽¹⁾ Amounts shown may reflect calendar year 2015 amounts for certain customers based on the data provided by the City.

HISTORICAL REVENUES, EXPENSES AND DEBT SERVICE COVERAGE City of Auburndale, Florida Water and Sewer System Historical Revenues, Expenses and Debt Service Coverage

	For the Fiscal Years Ended September 30,				
	2011	2012	2013	2014	2015
Gross Water and Sewer Revenues	\$9,402,265	\$8,973,068	\$8,901,579	\$9,704,423	\$10,502,555
Net Operating Expenses	4,761,936	4,626,136	4,770,810	4,715,688	4,840,962
Net Revenues	\$4,640,329	\$4,346,932	\$4,130,769	\$4,988,735	\$5,661,593
Total Debt Service ⁽¹⁾	\$2,948,511	\$2,954,549	\$2,699,038	\$2,688,729	\$2,691,612
Debt Service Coverage	1.57x	1.47x	1.53x	1.86x	2.10x
Plus: Impact Fee Revenues	\$316,600	\$494,864	\$861,500	\$843,061	\$1,034,277
Less: Interfund Transfers ⁽²⁾	\$(1,557,381)	\$(1,945,882)	\$(2,494,636)	\$(2,313,573)	\$(4,149,127)
Amount Available for Capital and Other Lawful Purposes	\$451,037	\$(58,635)	\$(201,405)	\$829,494	\$(144,869)

Source: City of Auburndale, Florida.

⁽¹⁾ Reflects debt service on the Prior Lien Bonds and Refunded Bonds.

⁽²⁾ Reflects historical transfers made by the City. The City does not have a specific transfer policy.

Capital Improvement Plan

The Capital Improvement Program ("CIP") for the System consists of a variety of water and sewer projects that are identified for funding consideration over the six-year Forecast Period. The schedule of CIP projects is summarized below. There are no Polk County Water Cooperative alternative water projects with City participation planned within this timeframe. Funding sources for those projects planned within the Forecast Period are discussed below. The following summarizes the projects included in the six year CIP expenditures:

CIP Summary							
(in thousands of dollars)							
Description	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Water Lines	\$580	\$0	\$0	\$550	\$0	\$200	\$1,330
Radio Read Water Meter	8.5	100	0	100	0	100	308.5
Replacement							
Water Plant	31	50	50	20	150	0	301
Wastewater Collection	300	0	0	0	0	0	300
Allred WTTP ⁽¹⁾	3,576	160	300	25	0	300	4,361
Regional WWTP	340	300	460	0	300	0	1,400
Lift Station Upgrades	60	60	60	70	70	80	400
Equipment	0	25	10	0	0	60	95
Vehicles	65	15	80	2	80	0	240
Additional Improvements	0	200	50	250	250	250	1,000
Total	\$4,960.5	\$910	\$1,010	\$1,015	\$850	\$990	\$9,735.5

Source: Financial Feasibility Report.

⁽¹⁾ Includes Reuse Tank and Reuse Line Projects to Water Management District and Florida Poly University.

A summary of the planned funding sources for the above capital projects is detailed below:

Funding Source	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total
Rate Revenue	\$1,060,500	\$910,000	\$1,010,000	\$1,015,000	\$850,000	\$990,000	\$5,835,500
Line of Credit/Series	2,400,000	0	0	0	0	0	2,400,000
2016 Bonds							
WMD Reimbursement	1,500,000	0	0	0	0	0	1,500,000
Total	\$4,960,500	\$910,000	\$1,010,000	\$1,015,000	\$850,000	\$990,000	\$9,735,500

Summary of CIP Funding

Source: Financial Feasibility Report.

As shown above, with the exception of the projects funded as a portion of the Project funded by the Series 2016 Bonds (\$2,400,000), the capital improvements are planned to be funded from rate revenue (i.e., pay-go) or direct reimbursement from grant partners.

INVESTMENT CONSIDERATIONS

General

Investment in any municipal security involves some degree of risk. Political, economic and regulatory factors may affect the issuers of Florida municipal securities, including the City. The following information constitutes only a brief summary of a number of complex factors affecting the financial situation in Florida generally and the City in particular.

Economic Trends

Florida state and local government obligations may be adversely affected by political and economic conditions and developments within Florida and the nation as a whole. In addition, various limitations on the state, its governmental agencies and local governmental agencies and local governments, including municipalities, may inhibit the ability of these issuers to repay existing indebtedness and issue additional indebtedness.

The ability of the City to repay the Series 2016 Bonds and provide for repairs, replacements and improvements to the System will depend upon the continued receipt of the Pledged Funds in substantially the amounts currently received by the City. The continued strength of these Pledged Funds is dependent upon the national, state and local economies and the overall fiscal strength of the System.

System Operations

There is no assurance that permits for operation of major components of the System will be renewed or can be renewed without the issuance of Additional Bonds or junior lien debt. Further, there is no assurance that the requirements for renewal of the permits will remain the same prior to the time that renewal is mandatory; a change in requirements could require additional expenditures for improvements. The estimates of future Pledged Funds and operating expenses of the System, and the realization of such estimates, are subject to, among other things, the capabilities of the management of the City and the System, and future economic and other conditions which are unpredictable and which may affect Pledged Funds and, in turn, the payment of principal of and interest on the Series 2016 Bonds.

Bond Insurance

Assured Guaranty Municipal Corp. has, by issuing the Policy and the Reserve Policy (which are more fully described herein under the caption "BOND INSURANCE" and "RESERVE POLICY"), insured the payment of the principal and interest, when due, on the Series 2016 Bonds, and provided funding for the Reserve Account, respectively; however, there can be no assurance that AGM will be able to perform its obligations under the Policy or the Reserve Policy.

In the event of default of the payment of principal or interest with respect to the Series 2016 Bonds when all or some becomes due, any owner of the Series 2016 Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Series 2016 Bonds by the City which is recovered by the City from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may direct and must consent to any remedies and the Insurer's consent may be required in connection with amendments to the Resolution.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Series 2016 Bonds are payable solely from the moneys received pursuant to the Resolution. In the event the Insurer becomes obligated to make payments with respect to the Series 2016 Bonds, no assurance is given that such event will not adversely affect the market price of the Series 2016 Bonds or the marketability (liquidity) for the Series 2016 Bonds.

The long-term ratings on the Series 2016 Bonds are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Series 2016 Bonds will not be subject to downgrade, and such event could adversely affect the market price

of the Series 2016 Bonds or the marketability (liquidity) for the Series 2016 Bonds. See "RATINGS" herein.

The obligations of the Insurer are contractual obligations and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the City nor the Underwriter has made independent investigation into the claims paying ability of the Insurer, and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Series 2016 Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

No Replacement of Reserve Policy

In the event AGM fails to honor its obligations under the Reserve Policy, the City is not obligated to deposit cash into the 2016 Reserve Subaccount or obtain a replacement insurance policy for deposit therein.

Enforceability of Remedies

The remedies available to the owners of the Series 2016 Bonds upon a default in payment of the Series 2016 Bonds, and the inability of AGM to make payments under the Policy and/or the Reserve Policy, 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, including specifically Title 11 of the United States Code, the remedies specified by the federal bankruptcy code, the Resolution, the Policy and/or the Reserve Policy may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2016 Bonds (including Bond Counsel's approving opinion) 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, and by the exercise of judicial discretion.

CITY OF AUBURNDALE, FLORIDA

Background

The City is located in Polk County. The City has an area of approximately 20.8 square miles. The University of Florida Bureau of Economic and Business Research estimates the 2015 population at 14,832.

Municipal Government

Under Florida law, municipalities have full home rule powers, i.e., the governmental, corporate and proprietary powers to enable them to conduct municipal government. The governing body of a Florida municipality may enact legislation on any subject matter upon which the State of Florida legislature may act, except as prohibited by the State Constitution, a State Statute, or, in certain circumstances, the charter of the municipality.

The charter of the City provides for a "commission-manager" form of government. The City Commission is a legislative body, with the power to enact ordinances and adopt resolutions, and the City Manager is the chief executive officer and head of the administrative branch of the City.

The City Commission consists of four Commissioners and the Mayor. The City Commission is elected on a non-partisan basis. Commissioners and the Mayor are elected at large by the voters for four-year staggered terms.

Listed below are the current Mayor and Commissioners and their respective term expiration dates.

Name and Title	Term end date
Tim Pospichal, Mayor	December 2017
Jack Myers, Commissioner	December 2017
Richard Hamann, Commissioner	December 2019
James Moody, Commissioner	December 2017
William Sterling, Commissioner	December 2019

Administration

The City Manager is appointed by the City Commission. The City Manager is responsible for the administration, operation and maintenance of the City, excepting those responsibilities specifically delegated to other appointed officials. There is no definite term of office of the City Manager, as he or she holds office at the pleasure of the City Commission. Among the duties of the City Manager are the appointment of subordinate officers and employees, the supervision of departments, the making of recommendations to the City Commission, the submission of an annual budget, and the submission of an annual report of the operations of the City for the preceding Fiscal Year.

For administrative purposes, the City is divided into ten (10) departments (treating the City Clerk as a separate department), including the City Commission's office, the City Manager's office and the City Attorney's Office. The City employs 167 full and 8 part time employees.

Budgetary Process

The City is required by law to formulate and adopt annually a budget for all departments and activities and to hold required public hearings. The budgeting process of the City does not follow a traditional budgeting methodology, but rather is a zero-based budgeting system. The primary goal of zero-based budgeting is to relate levels of service to levels of expenditure with respect to specific programs.

Florida law requires a balanced budget for municipalities and prohibits the governing body of any municipality from making appropriations in any one fiscal year which exceed the revenues available in such fiscal year.

Description of Financial Practices and Financial Statements

The financial statements of the City are prepared in conformity with Generally Accepted Accounting Principles. The City uses funds and accounts groups to report on its financial position and the results of its operations. A summary of significant accounting policies of the City is contained in the notes to the City's financial statements, which are included in APPENDIX B hereto.

Investment Policy

The City's Investment Policy is set forth in Resolution No. 96-2, adopted by the City Commission on March 18, 1996, as amended and supplemented. With respect to investment objectives, it provides that the City shall consider safety of capital, liquidity of funds and investment income in that order of importance. It also states that the City shall follow the "prudent person" role.

City funds in excess of amounts needed to meet current expenditures may, pursuant to the City's investment policy, be invested in:

a. U.S. Government obligations, U.S. Government agency obligations, and U.S. Government instrumentality obligations.

- b. Canadian Government obligations (payable in local currency).
- c. Repurchase agreements.
- d. Certificate of deposit.
- e. Saving and Loan Association deposits.
- f. Prime bankers acceptances.
- g. Prime commercial paper.

h. Investment-grade obligations of state, provincial and local governments and public authorities.

i. Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of domestic securities.

j. Statewide investment pools.

k. The City will not hold or purchase any form of derivatives.

1. Securities of, or other interests in, (i) any open-end or closed-end management type investment company or (ii) any other investment fund operated under Section 3(c)(1) or 3(c)(7) of the Investment Company Act of 1940 and advised by a Registered Investment Advisor; provided that in the case of (i) and (ii) the fund's investment guidelines state that the fund will seek to maintain a \$1 per share net asset value, [generally offer daily redemptions,] and obtain a rating in the highest applicable category (including gradations within such category) by a nationally recognized statistical rating organization.

Alternative Investment Guidelines - In addition to, or in lieu of, the investments listed above, the City may invest in the following instruments at prevailing market rate/prices:

a. Local Government Surplus Trust Fund, or any intergovernmental investment pool authorized through the Florida Interlocal Cooperation Act.

b. S.E.C. registered money market funds with the highest credit quality rating from a nationally recognized rating company.

c. Savings accounts in state-certified qualified public depositories.***

d. Certificates of Deposit (CD's) in state-certified qualified public depositories.***

e. Direct obligations of the U.S. Treasury.***

f. Federal Agencies and Instrumentalities.***

***Shall be invested to match investment maturities with known cash needs and anticipated cash-flow requirements.

GENERAL PURPOSE FINANCIAL STATEMENTS

Included in APPENDIX B are audited general purpose financial statements of the City as of September 30, 2015, and for the year then ended. Such statements, including the auditor's report, have been included in this Official Statement as public documents and consent from the auditor was not requested. The general purpose financial statements and the supplemental schedules included in APPENDIX B are presented for general information purposes only.

LITIGATION

The City is a defendant from time to time in various lawsuits. It is the opinion of the City Attorney that none of the actions presently pending will have a material effect upon the finances of the City or its right to receive the Pledged Funds as provided in the Resolution. There is no pending or, to the knowledge of the City, threatened litigation against the City which in any way questions or affects the validity of the Series 2016 Bonds, or any proceedings or transactions relating to their issuance, sale, delivery or payment.

TAX EXEMPTION

Opinion of Bond Counsel

In the opinion of the Bond Counsel (see APPENDIX E), the interest on the Series 2016 Bonds is excludable from gross income and is not a specific item of tax preference for federal income tax purposes under existing statutes, regulations, rulings and court decisions. However, interest on the Series 2016 Bonds will be includable in the computation of adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations by the Internal Revenue Code of 1986, as amended (the "Code"). Failure by the City to comply subsequent to the issuance of the Series 2016 Bonds with certain requirements of the Code regarding the use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the Treasury of the United States may cause interest on the Series 2016 Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. The City has covenanted in the Resolution to comply with all provisions of the Code necessary to, among other things, maintain the exclusion from gross income of interest on the Series 2016 Bonds for purposes of federal income taxation. In rendering its opinion, Bond Counsel has assumed continuing compliance with such covenants.

Internal Revenue Code of 1986

The Code contains a number of provisions that apply to the Series 2016 Bonds, including, among other things, restrictions relating to the use or investment of the proceeds of the Series 2016 Bonds and the payments of certain arbitrage earnings in excess of the "yield" on the Series 2016 Bonds to the Treasury of the United States. Noncompliance with such provisions may result in interest on the Series 2016 Bonds being included in gross income for federal income tax purposes retroactive to their date of issue.

Discount Bonds

Under the Code, the difference between the principal amount of the Series 2016 Bonds maturing on December 1 of the years 2025, 2026, 2027, 2035, 2036, 2037, 2041 and 2046 (collectively, the "Discount Bonds"), and the initial offering price to the public, excluding bond houses and brokers, at which price a substantial amount of the Discount Bonds of the same maturity was sold, constitutes "original issue discount". Original issue discount on the Discount Bonds represents interest which is not includable in gross income. A portion of such interest that accrues to the owner of such Bonds in a year, as described below, is, however, included in the calculation of a corporate taxpayer's alternative minimum tax and environmental tax and may result in other collateral federal tax consequences, although the owner may not have received cash in such year. Original issue discount on such Discount Bonds will accrue actuarially over the term of a Discount Bond at a constant interest rate. A purchaser who acquires Discount Bonds at an issue price equal to the initial offering price thereof as set forth on the cover page of this Official Statement will be treated as receiving an amount of interest excluded from gross income for federal income tax purposes equal to the original issue discount accruing during the period such purchaser holds such Discount Bonds and will increase its adjusted basis in such Discount Bonds by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or the disposition of such Discount Bonds. The federal income tax consequences of the purchase, ownership and redemption, sale or price may be determined according to rules which differ from those described above. Holders of Discount Bonds should consult their own tax advisors with respect to the consequences of owning Discount Bonds, including the effect of such ownership under applicable state and local laws.

Premium Bonds

The difference between the principal amount of the Series 2016 Bonds other than the Discount Bonds (the "Premium Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriter or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of taxexempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Collateral Tax Consequences

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of, the Series 2016 Bonds. Prospective purchasers of the Series 2016 Bonds should be aware that the ownership of the Series 2016 Bonds may result in other collateral federal tax consequences. For example, ownership of the Series 2016 Bonds may result in collateral tax consequences to various types of corporations relating to (1) denial of interest deduction to purchase or carry such Series 2016 Bonds, (2) the branch profits tax, and (3) the inclusion of interest on the Series 2016 Bonds in passive income for certain Subchapter S corporations. In addition, the interest on the Series 2016 Bonds may be included in gross income by recipients of certain Social Security and Railroad Retirement benefits.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE SERIES 2016 BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES REFERRED TO ABOVE. PROSPECTIVE SERIES 2016 BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Other Tax Matters

Interest on the Series 2016 Bonds may be subject to state or local income taxation under applicable state or local laws in other jurisdictions. Purchasers of the Series 2016 Bonds should consult their tax advisors as to the income tax status of interest on the Series 2016 Bonds in their particular state or local jurisdictions.

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Series 2016 Bonds. In some cases these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Series 2016 Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Series 2016 Bonds and their market value. No assurance can be given that additional legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the Series 2016 Bonds. For example, proposals have been discussed in connection with deficit spending reduction, job creation and other tax reform efforts that could significantly reduce the benefit of, or otherwise affect the exclusion from gross income of, interest on obligations such as the Series 2016 Bonds. The President previously released legislative proposals that would, among other things, subject interest on tax-exempt obligations to a Federal income tax for taxpayers with incomes above certain thresholds for tax years beginning after 2012. The further introduction or enactment of one or more of such proposals could affect the market price or marketability of the Series 2016 Bonds.

LEGAL OPINION

Legal matters incident to the issuance of the Series 2016 Bonds and with regard to the tax-exempt status of the interest on the Series 2016 Bonds (see "TAX EXEMPTION") are subject to the legal opinion of Nabors, Giblin & Nickerson, P.A., whose fees and expenses for legal services as Bond and Disclosure Counsel will be paid by the City from a portion of the proceeds of the Series 2016 Bonds. The signed legal opinion, dated and premised on law in effect as of the date of original delivery of the Series 2016 Bonds, will be delivered to the Underwriter at the time of original delivery, and the text of the opinion will be printed on the Series 2016 Bonds.

The proposed text of the legal opinion is set forth as APPENDIX E. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion subsequent to its date.

Certain legal matters incident to the issuance of the Series 2016 Bonds will be passed upon for the City by V. Patton Kee, Auburndale, Florida, City Attorney.

ADVISORS AND CONSULTANTS

The City has retained certain advisors and consultants specifically in connection with the issuance of the Series 2016 Bonds. These advisors and consultants are compensated from a portion of the proceeds of the Series 2016 Bonds, identified as "Issuance Costs" under the heading "SOURCES AND USES OF FUNDS" herein, and their compensation is contingent upon the issuance of the Series 2016 Bonds and the receipt of the proceeds thereof.

Nabors, Giblin & Nickerson, P.A. ("NG&N"), Tampa, Florida, represents the City as Bond and Disclosure Counsel with respect to the issuance of the Series 2016 Bonds. As Disclosure Counsel, NG&N is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement.

RATING

The Series 2016 Bonds are expected to be assigned a rating of "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services, LLC ("S&P"), with the understanding that the Policy will be issued by AGM insuring the payment when due of the principal of and interest on the Series 2016 Bonds at the time of delivery of the Series 2016 Bonds.

The Series 2016 Bonds have received an underlying rating of "A-" from S&P.

Such ratings reflect only the views of such organization and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2016 Bonds.

UNDERWRITING

The Underwriter, as shown on the cover page hereof, has agreed to purchase the Series 2016 Bonds from the City, at a price of \$30,600,681.50 (\$29,695,000.00 par amount, plus original issue premium of \$1,113,546.50, and less Underwriter's discount of \$207,865.00) for the purpose of resale. The Underwriter has furnished the information in this Official Statement pertaining to the public offering price of the Series 2016 Bonds. The public offering price of the Series 2016 Bonds may be changed from time to time by the Underwriter, and the Underwriter may allow a concession from the public offering price to certain dealers. None of the Series 2016 Bonds will be delivered by the City to the Underwriter unless all of the Series 2016 Bonds are so delivered.

CONTINUING DISCLOSURE

The City has agreed and undertaken for the benefit of the holders of the Series 2016 Bonds in order to assist the Underwriter in complying with the continuing disclosure requirements of Securities and Exchange Commission ("SEC") Rule 15c2-12 (the "Rule"), to provide certain financial information and operating data relating to the City and the Series 2016 Bonds in each year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events, if material. Such undertaking shall only apply so long as the Series 2016 Bonds remain outstanding under the Resolution. The Annual Report and audited financial statements and the notices of material events will be filed by the City with the Municipal Securities Rulemaking Board or the SID. The specific nature of the information contained in the Annual Report and the notices of material events are described in "APPENDIX G -- FORM OF CONTINUING DISCLOSURE CERTIFICATE" attached hereto.

With respect to the Series 2016 Bonds, no party other than the City is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the aforementioned Rule.

As of the date hereof, the City has timely filed all current reports of operating and financial data and has also timely filed its audited financial statements for the past five years.

FLORIDA BLUE SKY DISCLOSURE

Section 517.051, Florida Statutes, and the regulations promulgated thereunder require that the City make a full and fair disclosure of any bonds or other debt obligations that it has issued or guaranteed and that 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 only as a conduit issuer such as industrial development or private activity bonds issued on behalf of private businesses). The City is not and has not since December 31, 1975, been in default as to principal and interest on its bonds or other debt obligations.

MISCELLANEOUS

The references, excerpts and summaries of all documents, resolutions and ordinances referenced herein do not purport to be complete statements of the provisions of such documents, resolutions and ordinances, and reference is directed to all such documents, resolutions and ordinances for full and complete statements of all matters of fact relating to Series 2016 Bonds, the security for and the repayment of Series 2016 Bonds and the rights and obligations of the holders thereof.

The execution and delivery of this Official Statement has been duly authorized by the City.

CITY OF AUBURNDALE, FLORIDA

By:/s/ Tim Pospichal Mayor

By:/s/ Robert R. Green City Manager

By:/s/ Shirley Lowrance City Clerk/Finance Director [THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX A

GENERAL INFORMATION CONCERNING THE CITY OF AUBURNDALE, FLORIDA

INTRODUCTION

Auburndale is located in almost the exact geographical and population center of Florida. It is centrally located along the Interstate 4 industrial corridor between Tampa and Orlando. The City also borders the Polk Parkway. This 26-mile intra-urban arterial roadway loops from I-4 south of Lakeland around the south side of Lakeland then east and north and to I-4 just northeast of the City. Auburndale is 45 miles east of Tampa, 50 miles southeast of Orlando and approximately 75 miles from either the Atlantic Ocean or the Gulf of Mexico. Auburndale is located in Polk County (county seat Bartow).

As a result of the City's geographical position, Auburndale is accessible to industrial and tourist traffic from the major cities in Florida.

То	From Auburndale
LEGOLAND/Winter Haven	5 miles
Lakeland	10 miles
Orlando	50 miles
Tampa	45 miles
St. Petersburg	80 miles
Walt Disney World	25 miles

POPULATION

According to the to the Bureau of Economic and Business Research, Warrington College of Business, University of Florida, Statistical Abstract, the estimated 2015 population of the City was 14,832 and the estimated 2015 population of Polk County was 633,052. The population within a 50 mile radius of the County is over 3,000,000. Polk County has been designated a Standard Metropolitan Statistical Area ("SMSA") by the United States Bureau of Census and is known as the Lakeland/Winter Haven Standard Metropolitan Statistical Area.

Year	Auburndale	Polk County
2015 (estimate) ⁽¹⁾	14,832	633,052
2010	11,975	541,840
$2000^{(2)}$	11,032	483,924
1990 ⁽²⁾	8,846	405,382
1980 ⁽²⁾	6,501	321,652
1970 ⁽²⁾	5,386	228,515

The following table shows the population growth, which has occurred in Auburndale and Polk County since 1970.

Source: ⁽¹⁾ Bureau of Economic and Business Research, Warrington College of Business, University of Florida, Statistical Abstract 2006.

⁽²⁾ U.S. Department of Census Publications, 1960, 1970, 1980, 1990, 2000 and 2010.

INDUSTRY, COMMERCE AND LABOR

Auburndale's economic base primarily consists of light industry, business and agriculture. Through planned growth, Auburndale has attracted many major enterprises. Principal industries include: container manufacturers, paper box companies, concentrate juice plants, plastic pipe manufacturing, distilleries, a meat plant, storage buildings, farm machinery and many other industries and businesses located in our four industrial parks.

The estimated unemployment rate for the City was 6.1% for 2015 according to the Auburndale, Florida Chamber of Commerce. According to the 2015 Census, Polk County's unemployment rate was 6.2% and the City's was 6.4%.

Citrus is the major agri-business of Polk County. Local fruit is processed in Auburndale into juice and other products for worldwide distribution.

Numerous lakes attract boaters and fisherman and the area's warm climate affords year-round outdoor recreation.

NEW CONSTRUCTION AND IMPROVEMENTS LAST TEN FISCAL YEARS

Fiscal Year	Permits Issued	Dollar Value
2015	832	\$44,527,611
2014	810	\$35,618,220
2013	713	\$23,694,905
2012	659	\$28,646,347
2011	775	\$67,858,634
2010	698	\$17,256,852
2009	611	\$38,546,965
2008	698	\$34,594,570
2007	910	\$50,402,107
2006	1136	\$75,768,567

Source: City of Auburndale, Florida.

Company	Product/Service	Function	Employment
Cutrale Citrus Juices Usa, Inc.	Fruit juices	Headquarters	700
Good Shepard Hospice Mid-Florida, Inc.	Nursing Care Facility	Headquarters	500
Coca-Cola Refreshments	Beverage Manufacturing	Single Location	500
Colorado Boxed Beef	Meat Production	Headquarters	275
ComCar Industries, Inc.	Transportation/Logistics	Headquarters	250
Bynum Transport, Inc.	Transportation	Single Location	250
Buckhead Beef Foods Co.	Meat Production	Headquarters	200
City of Auburndale	Municipal Government	School Location	168
KIK Custom Products	Bleach Products	Single Location	150
Cantex	Conduit Manufacturing	Single Location	131
Auburndale High School	Public School	School Location	98
Florida Distillers	Beverage Manufacturing	Single Location	93
Smithbilt Industries, Inc.	Prefabricated metal	Headquarters	75
Stambaugh Middle School	Public School	School Location	60
Berkley Elementary	Public School	School Location	54
Caldwell Elementary	Public School	School Location	42
FiFoil	Building Products	Headquarters	35
Auburndale Central Elementary	Public School	School Location	33
Berkley Middle	Public School	School Location	28
GTI Systems, Inc.	Small arms ammunition	Headquarters	20

LEADING EMPLOYERS IN THE AREA 2015

Source: City of Auburndale, Florida.

CITY GOVERNMENT

The City is a municipal corporation organized and existing under the laws of the State of Florida. The City was incorporated in 1911.

The City is governed by a Mayor and a four member City Commission who are elected at large to serve staggered four-year terms. The current members of the Commission are as follows:

Name and Title	Term end date
Tim Pospichal, Mayor	December 2017
Jack Myers, Commissioner	December 2017
Richard Hamann, Commissioner	December 2019
James Moody, Commissioner	December 2017
William Sterling, Commissioner	December 2019

Administration of the operations of the City is carried out by a City Manager who is appointed by the Commissioners and who is an employee of the City. The present City Manager is Robert R. Green, appointed City Manager in April 1991.

City financial operations, record keeping, and internal auditing are the responsibility of the City Clerk and her staff.

The City maintains all accounting records on a computer programmed and maintained by the Office of City Clerk. The City is required by law to annually formulate a budget with respect to departments of the City, and to hold public hearings thereon prior to the determination of the amounts to be financed in whole or in part by estimated revenues from operations. As part of the budget process of the City, every department of the City prepares a preliminary estimate of its expenses and disbursements for the succeeding fiscal year.

On or before October 1 of each year, after conducting public hearings on the budget proposals submitted by the City Manager, the City Commission adopts a final budget for this succeeding fiscal year. Under State law, appropriation for each fiscal year cannot exceed the amount to be received from revenues and appropriated fund balances.

CITY OF AUBURNDALE, FLORIDA Principal Taxpayers September 30, 2015

TOP TEN PRINCIPAL TAX PAYERS FINAL 2015 TAX ROLL

Taxpayer	Taxable Value	Percentage of Total Value	
Coca Cola	\$225,113,092	23.30%	
Calpine/Osprey Energy	\$120,135,073	12.50%	
Verizon	\$27,249,374	2.80%	
Tampa Electric	\$21,039,790	2.20%	
Florida Brewery Inc.	\$16,459,920	1.70%	
Sewell Products of Florida Inc.	\$12,462,673	1.30%	
Bright House	\$10,955,839	1.10%	
Gulfstream Natural Gas	\$9,501,675	1.00%	
Walmart	\$9,484,608	1.00%	
Buckhead Beef Company	\$9,035,148	0.90%	
Total of Top Ten Taxpayers	\$461,437,192	47.80%	
All Other Taxpayers	\$503,142,549	52.20%	
Total Taxable Value	\$964,579,741	100.00%	

Source: Office of the Property Appraiser, Polk County, Florida.

Current Percent Delinquent **Total Tax** Fiscal Tax of Levy Tax **Total Tax** Collections Year Levy Collection Collected Collection 2015 \$4,109,529 \$3,952,277 96.17% \$8,797 \$3,961,075 2014 \$3,755,739 \$3,612,832 96.19% \$5,114 \$3,617,947 2013 \$3,487,264 \$3,342,290 95.84% \$8,964 \$3,351,254 2012 \$3,447,547 \$3,308,705 95.97% \$4,196 \$3,312,901 2011 \$3,450,372 96.22% \$3,585,788 \$15,688 \$3,466,060 2010 \$3,828,503 \$3,692,766 96.46% \$9,766 \$3,702,532 2009 \$3,699,822 \$3,572,753 96.57% \$9,360 \$3,582,113 2008 \$3,680,549 \$3,550,906 96.48% \$5,098 \$3,556,004 2007 \$3,682,309 \$3,549,479 96.39% \$13,049 \$3,562,528 2006 \$3,652,129 \$3,508,623 96.07% \$8,433 \$3,517,056

CITY OF AUBURNDALE, FLORIDA Property Tax Levies and Collections

Source: Office of the Tax Collector, Polk County, Florida.

GOVERNMENTAL SERVICES

The City provides the full range of municipal services contemplated by statute and charter. They include police, fire, building and zoning, streets, sanitation, cemetery, parks and recreation, water, sewer, library, and general administrative services. The City currently has 175 employees.

Fire control and suppression are provided by the City Fire Department in the district surrounding the corporate limits.

MEDICAL FACILITIES

There are many family walk-ins clinics, private physicians, dentists and medical specialist available. The Winter Haven Hospital is a non-profit, community operated facility offering modernized health care. The 527 bed hospital is fully accredited and just five miles from the City.

Auburndale has a fully equipped fire/rescue department and the Polk County Emergency Services have ambulances stationed in the City.

RECREATION

Auburndale's municipal basketball, racquetball and tennis courts with Pro Shop (city tennis pro) provides facilities for all ages. Auburndale offers extensive programs on Little League Baseball and Girls' Softball. Lake Myrtle Sports Park is home to the Polk County Tourism and Sports Marketing Headquarters, the governing body for Visit Central Florida and

Central Florida Sports Marketing. It is also the home of the Florida Youth Soccer Association Headquarters. Lake Myrtle Sports Park is owned by the City of Auburndale and managed by Auburndale Parks and Recreation department. The park boasts nine (9) collegiate baseball fields and eleven (11) soccer fields that can host a variety of other sports, such as lacrosse, ultimate Frisbee, rugby, flag football, etc.

The City's beach is located on beautiful Lake Ariana. It is one of the largest inland freshwater beaches in central Florida, with facilities providing youngsters of all ages with boating and fishing. The beach has picnic areas and boat landings with easy access.

The City offers several large meeting facilities to the public. These include the Civic Center and the Senior Center.

Overall, Auburndale offers nearly 100 different summer activities for children and adults.

TRANSPORTATION

Major highway that provide a ready access to Auburndale include Interstate 4 which passes east-west just 4 miles to the north of the City and connects with two major north-south interstates, 1-75 to the west and I-95 to the east of Auburndale.

U.S. Highways 17 and 27 intersect just east of the City. The convergence of these highway systems near the City help make Auburndale easily accessible from virtually anywhere in the State of Florida.

The Imperial Parkway loops from Interstate 4 south of Lakeland, twenty-six miles back to the Interstate just west of the City. This major State Turnpike project has improved local transportation needs and allows for future commerce in the Auburndale area.

For industry, several major trucking carriers are located in Auburndale, making it a transportation hub in Central Florida. Both piggyback and conventional freight services is provided by CSX Rail.

Bus service is provided by Greyhound Bus Lines with in-state and interstate passenger and light freight service from the Winter Haven terminal just 4 miles to the east of the City.

EDUCATION

Auburndale has four elementary schools, two middle schools and two high schools. The percentage of high school graduates continuing on the higher schools of learning is above the national average. The Polk County School System has special schools and programs for the gifted and the slow learner plus a vocational program offering a broad range of courses from the basic trades through highly sophisticated training in computer programming and electronic data processing.

Supplementing the public school system are separate private parochial schools also offering classes from kindergarten through high school.

Polk State College affords students the opportunity for advanced study. Established in 1964, Polk State College is a multi-campus institution serving over 20,000 students with Bachelor of Applied Science, Bachelor of Science, Associate in Arts and Associate in Science degrees, as well as a wide range of certificate and workforce training options. The College also operates three charter high schools. Southern Technical College, located in Auburndale, also offers similar technical programs. Florida Southern College, Webber College, the University of South Florida, the University of Central Florida and the University of Tampa are all within commuting distance and offer four-year degree courses and doctorates in many academic fields.

EMPLOYEE RELATIONS

At the present time no city employees are affiliated with unions. There are no present labor disputes between the City and its employees.

APPENDIX B

GENERAL PURPOSE FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2015

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CITY OF AUBURNDALE, FLORIDA

T.I.N. No. 59-6000268

FINANCIAL STATEMENTS AND AUDITOR'S REPORTS

September 30, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Auburndale Management's Discussion and Analysis September 30, 2015

The City of Auburndale's Management's Discussion and Analysis (MD&A) is designed to provide an objective and easy to read analysis of the City's financial activities. The analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify the changes in the City's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the approved budget), and identify individual fund issues of concern.

Financial Highlights

- The assets of the City of Auburndale exceeded its liabilities at September 30, 2015 by \$43,480,723 (net position). Of this amount, -\$6,778,481 is reported as an unrestricted net position deficit mainly due to the implementation of Government Accounting Standards Board (GASB) Statement No. 68 and 71 Accounting and Financial Reporting for Pensions and the accumulated other post-employment benefit (OPEB) liability.
- The City's total net position increased by \$4,262,826 as a result of operations and was reduced \$8,251,287 as a result of a restatement due to the implementation of GASB 68 and 71. The results of operations increased the governmental activities' respective beginning restated net position by 28% and decreased the business-type activities by 1%.
- As of September 30, 2015, the City of Auburndale's governmental funds reported combined ending fund balances of \$11,362,836, an increase of \$7,520,519 in comparison with the prior year ending balance of \$3,842,317.
- The City of Auburndale's total net long-term liabilities increased by \$12,710,503 during the fiscal year.

UNDERSTANDING THE BASIC FINANCIAL STATEMENTS

The financial statements focus on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability. The Statement of Net Position and Statement of Activities, seeks to give the user a combined overview of the City's financial position; eliminates interfund activities, and "other people's money", such as pension funds, which can mislead users when incorporated in a combined manner.

The reporting model requires the use of accrual accounting (which focuses on economic resources) at the top most level, while maintaining modified accrual accounting (which focuses on current financial resources – budget resources) at the individual fund level. The impact of long-term financial decisions can be more properly matched to the period in which the expense or revenue is more properly attributed. More fairness in presentation is achieved and the impacts of long-term decisions are promptly recorded as the transactions occur, as opposed to the traditional method of recording them when the bill is paid.

The MD&A is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements (pages 3-4) consist of a Statement of Net Position and a Statement of Activities. Both statements represent an overview of the City as a whole, separating its operations between Governmental and Business-type activities. The governmental activities of the City include general government, public safety, streets, sanitation, community redevelopment and parks and recreation. The business-type activities of the City consist of the Public Utilities system. All information is presented utilizing the economic resource measurement focus and accrual basis of accounting. This method better matches revenues and expenses to the period in which the revenue is earned and the expense attributed. Fiduciary funds, such as pension trust funds, are excluded from the Government-wide Financial Statements as they represent money and funds legally set aside for use by the employee groups they benefit. Florida law requires municipalities to fund pension plans on an actuarially sound basis; therefore it is important for the user to study the Fund Financial Statements as well as the footnotes and statistical sections of this report.

The Statement of Net Position presents information on all the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the residual measure reported as net position. The focus of the Statement of Net Position (the "unrestricted net position") is designed to be similar to bottom line results for the City and its governmental and business-type activities. This statement combines and consolidates governmental fund current resources (short-term spendable resources) with capital assets and long-term obligations. Over time, the increase or decrease in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year, focusing on both the gross and net cost of various activities, both governmental and business-type, that are supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of cost of various governmental services and/or subsidy to various business-type activities.

The City has three defined benefit pension plans established for the exclusive benefit of its employees and beneficiaries and one 401A Money Purchase Plan for General Employees, who were hired after October 1, 2006.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over the resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statement. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the governmentalwide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmental-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Change in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two separate governmental funds – the General Fund and the Community Redevelopment Agency Fund. Information is presented separately for each fund in the governmental fund Balance Sheet and the governmental fund Statement of Revenue, Expenditures and Change in Fund Balances.

In September, following two Public Hearings the City adopts an annual appropriated budget each year. Budgetary comparison statements have been provided to demonstrate compliance with the budget (pages 46-47).

The basic Governmental Funds financial statements can be found on pages 5-8. The presentation is on a sources and uses of liquid resources basis. This is the manner in which the financial plan (the budget) is typically developed. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. Funds are established for various purposes and the Fund Financial Statements allow the demonstration of sources and uses and/or budgeting compliance for each fund.

Proprietary Funds - The City maintains only one of the two proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. The City uses an enterprise fund to account for its Public Utilities system. Internal Service funds are an accounting device used to accumulate and allocate costs internally among a government's various functions. The City does not utilize internal service funds. The basic proprietary fund financial statements can be found on pages 9-11 of this report.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government–wide financial statement because the resources of those funds are not available to support the City's own programs. While these funds represent trust responsibilities of the government, these assets are restricted in purpose and do not represent discretionary assets of the government. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on pages 12-13 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They can be found on pages 14-45 of this report.

Infrastructure Assets - The City implemented the infrastructure portion related to general governmental activities in 2006. Historically, a government's largest group of assets (infrastructure – roads, bridges, traffic signals, and underground pipes not associated with a utility, etc) have not been reported nor depreciated in governmental financial statements. Accounting standard requires that these assets be valued and reported within the governmental column of the government-wide statement. Additionally, the government must elect to either (a) depreciate these assets over their estimated useful life or (b) develop a system of asset management designed to maintain the service delivery potential to near perpetuity. If the government elects the asset management system or the modified approach, which periodically (at least every third year), by category, measures and demonstrates its maintenance of locally established levels of service standards, the government may record its cost of maintenance in lieu of depreciation. The City of Auburndale has elected to depreciate its infrastructure assets.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position - As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the current year, the City's net position was \$43,480,723 compared to \$47,469,184 as of the end of the prior year.

The following table reflects the condensed Statement of Net Position for the current year, as compared to the prior year. For more detailed information see the Statement of Net Position on page 3.

	Govern	imental	Busines	ss-Type		
	Activ	rities	Activ	rities	Tol	tal
	2015	2014	2015 2014		2015	2014
Current and other assets	\$12,625,352	34,817,384	\$7,237,992	36,409,351	\$19,863,344	\$11,226,735
Capital assets	\$38,559,459	\$38,577,937	\$53,883,706	\$54,766,915	\$92,443,165	\$93,344,852
Deferred Outflows of Resources	\$1,862,709	ទ ុប	\$305,460	ង្	\$2,168,169	\$0
Total assets and deferred outflows or resources	\$53,047,520	\$43,395,321	\$61,427,158	\$61,178,280	\$114,474,678	\$104,571,587
Long-term liabilities outstanding	\$29,976,816	\$19,640,847	\$36,974,568	\$35,545,034	\$66,951,384	\$54,185,881
Other liabilities	\$1,410,179	\$1,137,589	\$2,098,730	\$1,778,953	\$3,544,985	\$2,916,522
Deferred Inflows of Resources	\$497,586	នុព	\$36,076	\$ព	\$533,662	\$0
Total liabilities and deferred inflows of resources	\$31,884,581	\$19,778,416	\$39,109,374	\$37,323,987	\$70,993,955	\$57,102,403
Net position: Net Investment in capital assets	\$24,941,977	\$24,832 937	\$19,380,925	\$20,271,127	\$44,322,902	\$44,904,064
Restricted	\$3,599,607	32,921,291	\$2,336,695	32,162,730	\$5,936,302	\$5,084,021
Unrestricted	-\$7,378,645	\$4,235,926	\$600,164	81,418,422	-\$6,778,481	-\$2,817,504
Total net position	\$21,162,939	\$20,616,995	\$22,317,784	\$23,852,279	\$43,480,723	\$47,469,184

Statement of Net Position (Summary) As of September 30,

One hundred and two percent (102%) or \$44,322,902 of the City's net position reflect its investment in capital assets (land, buildings, improvements, infrastructure, vehicles and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Eleven percent (14%) or \$5,936,302 of the City's net position represent resources that are subject to external restrictions on how they may be used (debt service, reserves, and impact fees). The City's unrestricted net position is -\$6,778,481.

The City is able to report positive balance for the business-type activities; however the governmental activities report an unrestricted net position deficit of \$7,378,645 as of September 30, 2015.

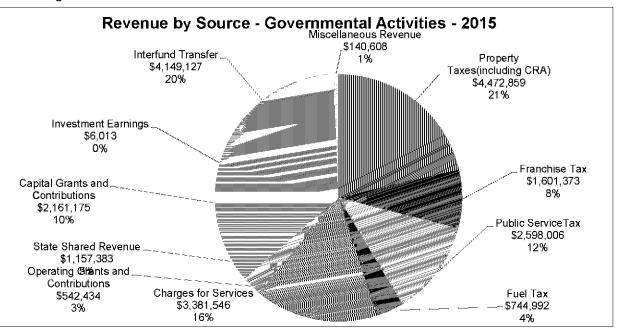
Statement of Activities – While net position of the City represents the difference between 1) assets and deferred outflows of resources and 2) liabilities and deferred inflows of resource, the statement of activities reports the changes in net position during the fiscal year using the economic resources measurement focus and accrual basis of accounting. The City has in place many charges that are designed to recover in part or in whole the cost of providing services. Florida case law prevents the City from recovering more than the cost of the services provided, except for proprietary activities. In the Governmental Activities, clearly the largest source of revenue comes from the Ad Valorem Taxes at \$4,472,859 or 42% of total general revenue of \$10,721,234. Operating Grants were received for the General Government, Library, Police and Fire Department. Capital Grants and Contributions were received for the Police, Fire, Streets and Parks and Recreation. The following table reflects the condensed Statement of Activities for the current year. For more detailed information see the Statement of Activities on page 4.

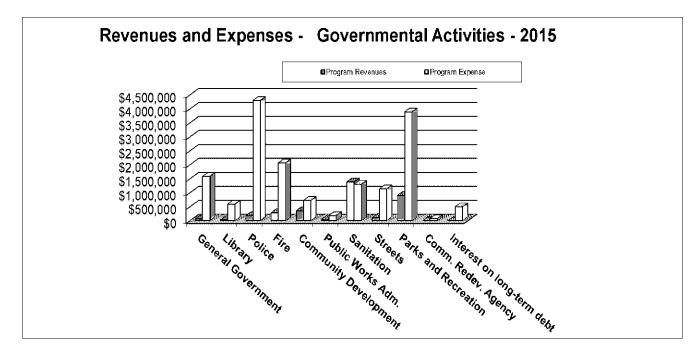
		year enueu s	September 30,			
	Government	al Activities	Business-typ	e Activities	Ťòt	als
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	\$3,381,546	\$3,333,672	\$10,499,197	\$9,700,481	\$13,880,743	\$13,034,153
Operating Grants and Contrib.	\$542,434	\$470,334	\$0	\$O	\$542,434	\$470,334
Capital Grants and Contrib.	\$2,161,175	\$1,141,925	\$2,287,466	\$843,061	\$4,448,641	\$1,984,986
General Revenues:						
Property Taxes & CRA	\$4,472,859	\$4,029,013	\$0	\$O	\$4,472,859	\$4,029,013
Franchise/Public Ser. Tax	\$4,199,379	\$3,576,358	\$0	\$O	\$4,199,379	\$3,576,358
Other	\$2,048,996	\$1,842,387	\$12,334	\$3,942	\$2,061,330	\$1,846,329
Total Revenues	\$16,806,389	\$14,393,689	\$12,798,997	\$10,547,484	\$29,605,386	\$24,941,173
Expenses:						
General Government	\$1,583,934	\$1,576,519	\$0	\$O	\$1,583,934	\$1,576,519
Library	\$599,672	\$598,258	\$0	\$O	\$599,672	\$598,258
Police	\$4,302,386	\$4,419,877	\$0	\$O	\$4,302,386	\$4,419,877
Fire	\$2,068,450	\$2,196,887	\$0	\$O	\$2,068,450	\$2,196,887
Community Development	\$729,585	\$491,147	\$0	\$O	\$729,585	\$491,147
Public Works	\$186,997	\$437,803	\$0	\$O	\$186,997	\$437,803
Sanitation	\$1,303,631	\$1,359,176	\$0	\$O	\$1,303,631	\$1,359,176
Streets	\$1,139,286	\$1,128,495	\$0	\$O	\$1,139,286	\$1,128,495
Parks and Recreation	\$3,894,033	\$3,963,721	\$0	\$O	\$3,894,033	\$3,963,721
Community Redevelopment	\$72,708	\$395,689	\$0	\$O	\$72,708	\$395,689
Interest on Long-Term Debt	\$502,661	\$545,394	\$0	\$O	\$502,661	\$545,394
Public Utilities	\$0	\$0	\$8,959,217	\$8,866,420	\$8,959,217	\$8,866,420
Total Expenses	\$16,383,343	\$17,112,966	\$8,959,217	\$8,866,420	\$25,342,560	\$25,979,386
						(b) oc = 1 =:
Change in net position before transfers	\$423,046	-\$2,719,277	\$3,839,780	\$1,681,064	\$4,262,826	(\$1.035,213)
Transfers	\$4,149,127	\$2,313,573	(84,149,127)	(\$2,013,570)	\$0	\$0
Inc. (decrease) in net position	\$4,572,173	(\$405,704)	(\$309,347)	(\$832,509)	\$4,262,826	(\$1.035,213)
Net position - October 1	\$23,616,905	\$24,357,724	\$23,852,279	\$24,853,784	\$47,469,184	\$49,211,508
Restatement: GASB 68 in 2015, GASB 65 in 2014	(\$7,026,139)	(\$335,115)	(31,225,148)	(\$368,996)	(\$8,25) 287)	(8704-111)
Net position - September 30	\$21,162,939	\$23,616,905	\$22,317,784	\$23,852,279	\$43,480,723	\$47,469,184

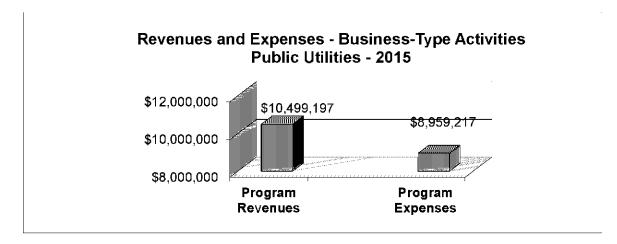
Statement of Activities (Summary)

For the year ended September 30

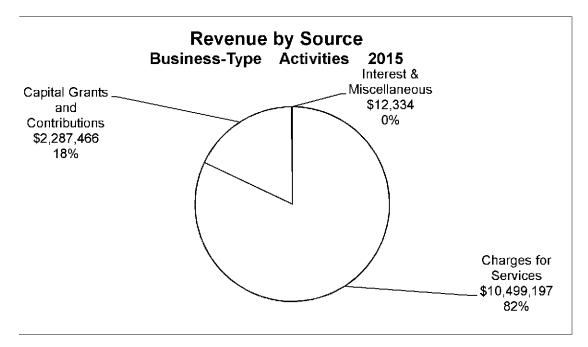
Governmental Activities - Governmental activities' operations increased the City's net position by \$4,572,173 for the current year, as shown on Page 4. Approximately 71% or \$14,870,361 of the Governmental activities operations are funded by General Revenue sources and transfers that are not attributable to any one particular activity. The City is dependent upon property taxes and taxes on utilities, both through franchise and through direct taxation of those utilities.







Business-type activities - Business-type activities decreased the City's net position by \$309,347.



The Government-Wide Statement of Activities shows \$8,251,287 decrease in Total Net position for the year, as a result of the Adjustment Related to Adoption of GASB 68 (Pension Liabilities). GASB 68 is a new reporting standard for FY 2014-2015. Significant Governmental Fund revenues are generated by Ad-valorem taxes, public service tax, transfers in from Public Utilities and State shared revenues. Compensated absences liabilities totals \$1,107,462 an increase of \$45,065 from the previous year's total of \$1,062,397 (see Footnote 6, Page 29). Major businesses that provide property taxes and utility revenue include: the Coca Cola Plant which opened in March 2003, the Osprey Energy Plant (Calpine Corporation) which began operations in March 2004, Wal-Mart Super Center which opened April 2004 and Lowes Home Improvement Store which opened in March 2008.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2015, the City's governmental funds reported combined ending fund balances of \$11,362,836 (page 5). Of this total, the unassigned fund balance amount is \$4,063,269 and is the amount available for spending at the City's discretion. The remainder of fund balance, \$7,299,567, is restricted as indicated and not available for new spending because funds have already been committed. The Combined Total Fund Balance in Fiscal Year 2014 was \$3,842,317.

The General Fund is the chief operating fund of the City. At September 30, 2015, the unassigned fund balance of the General Fund was \$4,063,269, while the total fund balance was \$10,105,678. The General Fund's unassigned fund balance has increased from \$742,292 in Fiscal Year 2014. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. During the current fiscal year, the fund balance of the City's General Fund increased by \$7,087,471 (see page 7).

The Community Redevelopment Agency was created with Ordinance No. 772, in June of 1992. The CRA Board was restructured to include the City Commission and two City residents, with Ordinance No. 1117, in July of 2003. An amendment to the redevelopment plan extended the time certain for completing all redevelopment financed by increment revenue for 30 years from the date of Resolution No. 2005-11 (adopted May 2, 2005). In November of each year, the CRA entertains public comment on new projects to be included in the Board's adopted Capital Improvements Program. The CRA receives property tax increment funds from the County and City, which combined were \$828,397. Total fund balance at year end equals \$1,257,158.

Major CRA projects this year include: Lake Street Property Assembly (\$221,230), Sidewalk – Repairs (\$27,000), City Reimbursement for Labor (\$78,778), and Update Streetscape (\$25,692). The CRA spent \$395,882 during the year.

As a look forward at CRA collections, the 2015/2016 Fiscal Year Budget projected revenues of \$1,115,500. For the PK Avenue Project, we anticipate reimbursement funds of \$112,500 from the Water Management District for the PK Project and \$175,000 as Carry Over Funds from the prior year. The tax increment collection from the County in December 2015 was \$560,773 and the City tax increment was \$352,510 for a total of \$913,510.

Business-type Activities Funds - The City's Public Utilities system provided Operating Income of \$3,123,848 that resulted in a primary Net Revenue Bond Coverage of 2.10. Last year the Operating Income was \$2,477,268 with Net Revenue Bond Coverage of 1.69. City Resolution Number 95-10 requires the City to maintain net revenues sufficient to cover 1.05 times the bond service requirement. Principal and interest paid during the year totaled \$2,691,612.

The City's practice has been to provide water and sewer service in a quality manner at an affordable price. After the Water Master Plan Study was presented, projects were identified for construction purposes and the Water and Sewer Rate Study was completed in December 2006. It was determined the City would need to Bond for the infrastructure improvements at an estimated \$22 million – which was completed in April 2008. As a result of the Water and Sewer Rate Study, which was required for the 2007 Bond Issue, the sewer rates were increased by 15% effective January 1, 2007 and an additional 10% effective October 1, 2007. These needed and anticipated increased revenues aided in providing continued quality services to our citizenry. As of September 30, 2011, the 2007 Bond proceeds have been expended and all proposed projects completed.

In November 2012 with Staff's assistance, Raftelis Financial Consulting completed a comprehensive Water and Sewer Sufficiency Rate Study. The Study recommended a rate adjustment for Water and Sewer of 4% per year for four years beginning January 2013, October 2013, October 2014, and October 2015. The City Commission approved this adjustment with Ordinance No. 1399 in November 2012. Raftelis had previously performed a Revenue Sufficiency Review of the City's Water and Sewer revenue in 2003. Prior to this adjustment, the City's water rates were last adjusted in 2003 and the sewer rates were last adjusted in 2007.

For fiscal year 2014/2015, there were Capital Improvements for the Water and Sewer Fund related to Water Improvements of \$32,486; I-4 Widening of \$448,145; Water Capital Equipment of \$93,320; Allred Sewer Improvements \$62,438; Florida Poly Reuse Line of \$74,579; Allred Sewer Motor Equipment of \$63,251; and Regional Sewer I-4 Widening expenses of \$840,261. The City maintains the Allred Wastewater Treatment Plant, Regional Treatment Plant, and three Water Plants with expenses charged to Maintenance and Repair at the various facilities. The maintenance and repair expenses for the various facilities/divisions are:

- Water Distribution Maintenance and Repair expenses total \$95,123.
- Water Treatment Plant Maintenance and Miscellaneous Repair expenses total \$10,370.
- Allred Wastewater Treatment Plant Maintenance, Lift Station Repairs and Repair expenses total \$347,704.
- Regional Wastewater Treatment Plant Maintenance, Sprayfield Repairs, and Miscellaneous Repair expenses total \$112,776.

The Florida Poly Reject Tank and Reuse Line were delayed and are anticipated in FY 2016. The City has secured a Line of Credit from CenterState Bank in the amount of \$5 million for projects in FY 2015. The projects will be reimbursable to the City, after construction.

- Extend Reuse water to Florida Polytechnic University (\$907,000 with 75% reimbursable after construction). Bids for this project were requested in February 2016 and construction anticipated this fiscal year.
- Construct Reject Tank at the Allred Wastewater Plant (\$1,723,000). Plans have been revised to include construction of the Reject Tank in FY 2015-2016 and bids were requested in February 2016.

The City's Relocation of Water and Sewer lines along SR 559 at the I-4 Intersection and reimbursement from Florida Department of Transportation in the amount of \$1,280,455 has been completed. The project began in April 2014 and the State's road improvements at I-4 are scheduled for completion in January 2017.

Fiduciary Funds - The General Employee Pension Fund funding requirement was \$1,211,447 for the current year. This represents a \$32,339 increase over prior year funding of \$1,179,108. The General Employee Pension Board hired an independent actuary to prepare the valuations beginning in 2008 and hired a pension attorney in 2009. Pension Plan assets are managed by the General Employee Pension Board of Trustees with the assistance of an investment advisor. The Defined Benefit Plan has a blended multiplier of 2.75% for all years prior to October 1, 2003 and 2.5% for all years after October 1, 2003. Employees under the Defined Benefit Plan contribute 2% of salary. The data from the General Employee Pension Actuarial Report as of October 1, 2013 shows 158 total members, 74 retirees or beneficiaries currently receiving benefits, 18 terminated vested employees, and 66 active participants.

Effective October 1, 2006, the City implemented a Defined Contribution Plan for all new hires and froze the current enrollment into the General Employee Defined Benefit Plan. The City now has a 401A Plan administered through the International City/County Management Association (ICMA) and contributes 8% to the employee's account. The employees contribute 2% of salary and have a five-year vesting period for the Plan. For fiscal year 2014-2015, the City expenses for the 401A Plan were \$76,260. As of September 30, 2015 there were 47 active participants in this Plan and no retirees for the Plan.

The Fire Pension Fund is funded by State contributions, employee contributions, return on investments, and a City contribution to make the funds actuarially sound. The City and State contributed \$395,634 for the current fiscal year and \$353,786 for the prior fiscal year. Ordinance Numbers 1275 and 1328 modified the Plan: the employee contributes 6.6% of salary for the Pension benefit, provides for eligible retirement with 25 years of service regardless of age, provides an additional supplemental benefit for every year of service for future retirees, and increased the Fire Pension multiplier to 3.5%. The supplemental benefit is subject to adjustment based upon the actual state funding received. Normal retirement is age 55 with 10 years of service. The Plan is administered by the Firefighter Pension Board. Per the Firefighter Pension Actuarial Report as of October 2013, the participant data is: 31 participants, 12 retirees or beneficiaries currently receiving benefits, 3 vested terminated employees, and 16 active participants.

The Police Pension Fund is funded by State contributions, employee contributions, return on investments, and a City contribution to make the funds actuarially sound. The City and State contributed \$551,319 for the current fiscal year and \$570,404 for the prior year. Ordinance No. 1421 increased the employee contribution to 5.6% of salary and

Ordinance No. 1256 modified the Plan benefits, which provides for eligible retirement with 20 years of service regardless of age, and provides an additional supplemental benefit for every year of service for future retirees. The supplemental benefit is subject to adjustment based upon the actual state funding received. Normal retirement is age 55 with 10 years of service. The Plan is administered by the Police Pension Board and the current pension multiplier for the Police Pension is 3.25%. Per the Police Officer Actuarial Report as of October 2013, the participant data is: 63 participants, 21 retirees currently receiving benefits, 11 vested terminated employees, and 31 active participants.

Note 8, pages 34-38, will provide more information regarding the City's three Pension Trust Funds.

ANALYSIS OF SIGNIFICANT BUDGET VARIANCES

Budget variance reporting is only included for the General Fund and Community Redevelopment Authority and appear on pages 46-47. For the revenues in the General Fund, the differences between the original budget and the final amended budget amounted to \$31,863. On a budgetary basis, the budgeted net change in fund balance for the General Fund was a positive \$4,847,971 when compared to actual results. Summarized below are the significant Budgetary Variances accompanied by an explanation:

GENERAL FUND REVENUE COMPARISON:

- Taxes collections were \$8,558,720 and \$58,342 more than the Final Budget of \$8,500,378.
- Charges for Services collections were \$2,972,307 and \$52,048 less than the Final Budget of \$3,024,355.
- Miscellaneous Revenue collections were \$373,816 and \$21,316 more than the Final Budget of \$352,500.

GENERAL FUND EXPENSE COMPARISON:

- General government expenses were \$1,162,644 and provided a positive variance of \$1,573,118 when compared to the Final Budget of \$2,735,762.
- Public Safety expenses were \$5,263,386 and provided a negative variance of \$59,421 when compared to the Final Budget of \$5,203,965.
- Culture/Recreation expenses were \$2,618,278 and provided a negative variance of \$116,212 when compared to the Final Budget of \$2,502,066.
- Capital Outlay expenses were \$1,628,235 and provided a positive variance of \$3,438,215 when compared to the Final Budget of \$5,066,450.

COMMUNITY REDEVELOPMENT AGENCY COMPARISON:

- The Community Redevelopment Agency Tax line-item completed the year with total collections of \$828,930, which was a negative variance of \$8,070 compared to the Final Budget of \$837,000.
- The Community Redevelopment Agency expenses for the year were \$395,882 and provided a positive variance of \$441,118 when compared to the Final budget of \$837,000.
- The Community Redevelopment Agency net change in fund balance was a positive \$433,048.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets - The City's investment in capital assets for its governmental and businesstype activities as of September 30, 2015 amounts to \$92,305,110 (net of accumulated depreciation). The capital assets increased from \$93,200,521 in 2014. This investment in capital assets includes land, buildings, improvements, infrastructure, vehicles, and equipment, as shown on page 27 and 28 in Note 5.

City of Auburndale Capital Assets

September 30, (net of depreciation)

	Govern Activ	· · · · · ·	Business-Type Activities		Total		
	2015	2014	2015	2014	2015	2014	
Land	\$4,204,759	\$3,985,529	\$11,188,910	\$11,188,910	\$15,393,669	\$15,174,439	
Buildings	\$24,308,631	\$25,235,226	\$41,738,408	\$42,656,173	\$66,047,039	\$67,891,399	
Vehicles & Equipment	\$3,578,006	\$3,909,453	\$726,475	\$777,501	\$4,304,481	\$4,686,954	
Infrastructure	\$5,454,719	\$5,447,729	\$0	\$O	\$5,454,719	\$5,447,729	
Construction in Progress	\$1,013,344	\$O	\$91,858	\$O	\$1,105,202	\$0	
Total	\$38,559,459	\$38,577,937	\$53,745,651	\$54,622,584	\$92,305,110	\$93,200,521	

Long-term Debt - At the end of the current fiscal year, the Governmental Activities had total bonds and notes payable outstanding of \$17,149,388. The long-term debt balances are: \$5,845,000 for Public Improvements Series 2011 Lake Myrtle Sports Complex Reimbursable from Polk County, \$2,960,000 for Public Improvement Series 2009 B to complete Lake Myrtle Sports Complex, \$3,960,000 for the 2006 Public Safety Bonds, \$4,500,000 Capital Improvement 2015 (Lake Myrtle Baseball Expansion), and -\$115,612 of unamortized premium discounts net. The Series 2011 debt of \$7,345,000 and the Capital Improvement 2015 (Lake Myrtle Baseball Expansion) are fully funded through an Interlocal Agreement with Polk County and use of the 5th Cent Tourist Tax. The 2011 funds were used to construct the Lake Myrtle Park Sports Complex and the 2015 funds were used to construct four new Baseball Fields and a concession stand. The Series 2009 debt of \$4,000,000 acquired on October 20, 2009 reimburses the City for funds expended during the construction completion of the Lake Myrtle Park Sports Complex.

As shown in Note 6, page 29, the Business-type Activities had total bonds and notes payable outstanding of \$34,416,206. The long-term debt balances are: \$775,000 for the 2003 Water and Sewer Bond, \$9,290,000 for the 2006 Water and Sewer Bonds, \$22,125,000 for the 2007 Water and Sewer Bonds, \$1,480,000 for the 2009 Water and Sewer Bonds, 1,270,844 for the Revolving Line of Credit, and Premium Discounts net of - \$524,638.

In 2003, the City took the upfront-savings option on the 1995 Water and Sewer Bonds (\$300,000) and refinanced the 1993 Water and Sewer Bonds. Neither the refinance nor the upfront savings option impacted the length of the original loan or the payment amounts; however it did create the Premiums (discount) net value.

In December 2006, the 1995 Water and Sewer, Series Bond was refinanced. This action did not lengthen the terms of the bond or cost to the City.

Additional information on the City's long-term debt can be found on page 29-33 of the Notes to the Financial Statement in this report.

FUTURE CAPITAL PROJECTS AND FUNDING

Borrowing for Public Utilities Fund Projects - FY 2014 and FY 2015

The City Manager presents a two-year Budget in September for the new fiscal year, which begins October 1. On September 10, 2012 the City Commission approved a two-year \$5 million line-of-credit borrowing with CenterState Bank for Water and Sewer Projects for FY 2013 and FY 2014. The projects were delayed and resulted in an extension on the \$5 million line-of-credit borrowing with CenterState Bank, with Commission action on August 4, 2014. The Capital Outlay sections of the FY 2015 Budget included these large utility projects: 1) I-4 Widening \$1,340,000; 2) Partial replacement of Lake Shore Force Main \$150,000; 3) Influent Lift Station Rehab \$400,000; and 4) provide reuse water to Florida Polytechnic University - \$907,000. Several of these projects will be two-year projects. The Reuse Project to Florida Polytechnic is 75% reimbursable to the City. After construction of the projects, the City anticipates refinancing the line-of-credit borrowing into a traditional loan, with a term of five to ten years.

Proposed Future Funding for Lake Myrtle Borrowing

City Staff and County Staff are working on additional revenues to reimburse the City for improvements related to the 2009 Public Improvement Borrowing of \$4,000,000. County Staff has suggested that additional Tourist Tax dollars may come available to offset this expense. This would be a similar arrangement to the existing \$12 million debt service in which the City is reimbursed by the County for principal and interest payments.

CURRENTLY KNOWN FACTS, DECISIONS AND CONDITIONS

The City of Auburndale, Florida is located in Polk County. It encompasses approximately 20.7 square miles or 13,251 acres. The City was incorporated in 1911 and has a 2015 estimated population of 14,832 according to the Bureau of Economic and Business Research University of Florida. Auburndale's economic base primarily consists of light industry, business and agriculture. Through planned growth, Auburndale has attracted many major enterprises. Principal industries within the Utility Service area include: container manufacturers, plastic pipe manufacturing, distilleries, food and consumer goods distribution centers, farm machinery and many other industries and businesses.

The City is governed by a Mayor and a four member City Commission who are elected at large to serve staggered four-year terms. For the Fiscal Year 2014-2015 members of the Commission are as follows:

<u>Name</u>

Timothy Pospichal Keith Cowie Jack Myers William Kim Smith William Sterling, Jr. Position

Mayor Commissioner Commissioner Commissioner Term Expires

December 2017 December 2015 December 2017 December 2017 December 2015 Administration of the operations of the City is carried out by a City Manager who is appointed by the Commissioners and who is an employee of the City. The present City Manager is Robert R. Green, appointed City Manager in April 1991. For Fiscal Year 2014-2015, there were 174 budgeted employees.

The City is a desirable location for both residences and businesses. The "leading indicators" of growth, such as requests for building permits, site plan approvals for new developments and redevelopment, and requests for land use and zoning changes, have all been very strong, indicating the outlook for continued growth is favorable. The City's Community Development Department has received many compliments from the business community for their business-friendly working relationship with contractors.

In the conduct of municipal government, various lawsuits, commitments, and contingencies will arise. However, the City has no known current lawsuits that are considered to pose any significant loss to the City.

The City continues to annex property to improve the tax base. As a policy, the City does not provide utility service without the property owner signing an annexation agreement. The annexation agreement provides that the property will be annexed whenever the property does become contiguous with the City limits. For the current fiscal year, the City annexed 40.2 acres and is comprised of 13,250.7 acres.

The City has a great Parks and Recreation Department and with the completion of the Auburndale Community Center (Gym), the City has provided even more recreational programs for the public. The partnership at the Lake Myrtle Sports Complex with Polk County Sports Marketing and Florida Youth Soccer has worked well over the past few years. Through the partnership with Polk County Board of County Commissioners, four additional collegiate baseball fields have been constructed at the Lake Myrtle Sports Complex, with play to begin February 2016.

The area road networks continue to be improved including State Road 559, the I-4 Interchange at SR559, County Road 559A, and Berkley Road. The much anticipated Main Street to Recker Highway fly-over extension was opened in January 2012. The improvement was funded by the Florida Department of Transportation and desired by the City Commission for well over 30 years. The beautification on Main Street from Bridgers Avenue to Highway 92 with pavers and Medjool palms has enhanced the entry way into the Downtown.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City of Auburndale's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the City of Auburndale, Finance Department, P. O. Box 186, Auburndale, FL 33823, call 863-968-5133, or email <u>slowrance@auburndalefl.com</u>.

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Commission City of Auburndale, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Auburndale, Florida as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Auburndale, Florida, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68 and 71, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents (collectively, the "required supplementary information") be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Auburndale, Florida's basic financial statements. The miscellaneous statistics section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The miscellaneous statistics section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2016, on our consideration of the City of Auburndale, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Auburndale, Florida's internal control over financial reporting and compliance.

Other Reporting Required by Chapter 10.550, Rules of the Auditor General

In accordance with *Chapter 10.550, Rules of the Auditor General,* we have also issued our report dated February 10, 2016 on our examination of compliance with requirements of Section 218.415, *Florida Statutes.* The purpose of that report is to describe the scope of our examination and the issuance of an opinion on the City of Auburndale, Florida's compliance with requirements of Section 218.415, *Florida Statutes.*

Brynjutson CPA, P.A.

Brynjulfson CPA, P.A. Auburndale, Florida February 10, 2016

CITY OF AUBURNDALE, FLORIDA GOVERNMENT-WIDE STATEMENT OF NET POSITION

as of September 30, 2015

	Pi	nt	
	Governmental	Business-type	
	Acti∨ities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,026,155	\$ 2,018,116	\$ 5,044,271
Receivables, current:			
Customer accounts, net	201,874	1,194,167	1,396,041
Intergovernmental	1,313,316	34,503	1,347,819
Franchise and public service taxes	342,140		342,140
Inventory	13,931		13,931
Restricted assets:			
Cash and cash equivalents	7,727,936	3,991,206	11,719,142
Capital assets:			
Non-depreciable	6,324,383	11,280,768	17,605,151
Depreciable, net	32,235,076	42,464,883	74,699,959
Unamortized bond insurance		138,055	138,055
TOTAL ASSETS	51,184,811	61,121,698	112,306,509
DEFERRED OUTFLOWS OF RESOURCES	<u>.</u>	· · · · · · · · · · · · · · · · · · ·	
Deferred outflows related to pensions	1,862,709	305,460	2,168,169
TOTAL ASSETS AND DEFERRED OUTFLOWS	53,047,520	61,427,158	114,474,678
	, <u>,</u>	, , <u>,</u>	
LIABILITIES			
Accounts payable and accrued expenses	449,331	357,644	806,975
Construction costs payable	438,449	86,575	525,024
Accrued pension contributions payable	368,273		368,273
Payable from restricted assets:			
Accrued interest payable	154,126	512,209	666,335
Customer deposits		1,142,302	1,142,302
Long-term liabilities:			
Due within one year	1,215,000	1,150,000	2,365,000
Due in more than one year	28,761,816	35,824,568	64,586,384
TOTAL LIABILITIES	31,386,995	39,073,298	70,460,293
DEFERRED INFLOWS OF RESOURCES			
Deferred intflows related to pensions	497,586	36,076	533,662
TOTAL LIABILITIESS AND DEFERRED INFLOWS	31,884,581	39,109,374	70,993,955
NET POSITION			
Net investment in capital assets	24,941,977	19,380,925	44,322,902
Restricted for:			
Debt retirement	1,378,074	1,611,545	2,989,619
Community redevelopment	1,257,158		1,257,158
Recreation improvements	260,667		260,667
Fire rescue and safety	220,873		220,873
Law enforcement	161,941		161,941
	320,894		320,894
Stormwater improvements	320,694		
Stormwater improvements Water and sewer improvements	520,894	725,150	725,150
•	(7,378,645)	725,150	

CITY OF AUBURNDALE, FLORIDA GOVERNMENT-WIDE STATEMENT OF ACTIVITIES for the year ended September 30, 2015

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		P		m Revenue			Expense) Revenu	
		Oberne of the		perating	Capital		anges in Net Posi	tion
FUNCTIONS/PROGRAMS	Expenses	Charges for Services		ants and tributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
PRIMARY GOVERNMENT:		Jervices	001		contributions	AGIIVILIES	Activities	
Governmental Activities:								
General government	\$ 1,583,934	\$ 63,129	\$		\$	\$ (1,520,805)	\$	\$ (1,520,805)
Library	599,672	30,216		124,810		(444,646)		(444,646)
Police	4,302,386	175,377		302,031	65,582	(3,759,396)		(3,759,396)
Fire	2,068,450	285,498		115,593	82,619	(1,584,740)		(1,584,740)
Building and zoning	729,585	364,089				(365,496)		(365,496)
Public works administration	186,997	54,019				(132,978)		(132,978)
Sanitation Streets	1,303,631	1,392,795 111,276			4,750	89,164		89,164
Parks and recreation	1,139,286 3,894,033	905,147			2,008,224	(1,023,260) (980,662)		(1,023,260) (980,662)
Community redevelopment	72,708	303,147			2,000,224	(300,002) (72,708)		(300,002) (72,708)
Interest on long-term debt	502,661					(502,661)		(502,661)
Total governmental activities	16,383,343	3,381,546		542,434	2,161,175	(10,298,188)		(10,298,188)
Business-type activities:	10,000,040	5,001,040		542,454	2,101,175	(10,290,100)		(10,290,100,
Water and sewer utility	8,959,217	10,499,197			2,287,466		3,827,446	3,827,446
Total business-type activities	8,959,217	10,499,197			2,287,466		3,827,446	3,827,446
TOTAL PRIMARY GOVERNMENT	\$ 25,342,560	\$ 13,880,743	\$	542,434	\$ 4,448,641	(10,298,188)	3,827,446	(6,470,742)
	GENERAL REVENUE							
	Taxes:							
		evied for general	ססזעס	ses		3,644,462		3,644,462
		evied for commun				828,397		828,397
	Franchise taxes		,	,		1,601,373		1,601,373
	Public service ta	xes				2,598,006		2,598,006
		d for transportatio	n purp	oses		744,992		744,992
	State shared rever					1,157,383	0.050	1,157,383
	Investment earning	S				6,013	3,358	9,371
	Miscellaneous Transfers					140,608 4,149,127	8,976 (4,149,127)	149,584
	TOTAL					14,870,361	(4,136,793)	10,733,568
	CHANGE IN NET PO	SITION				4,572,173	(309,347)	4,262,826
				viously re-	aartad			47,469,184
	NET POSITION - beg Adjustment related		•		Jorreu	23,616,905 (7,026,139)	23,852,279	, ,
	,					16,590,766	(1,225,148)	(8,251,287)
	NET POSITION - beg	jinning of year, a	as ies	laleu		10,080,700	22,627,131	39,217,897
	NET POSITION - end	l of year				<u>\$ 21,162,939</u>	<u>\$ 22,317,784</u>	<u>\$ 43,480,723</u>

CITY OF AUBURNDALE, FLORIDA BALANCE SHEET - GOVERNMENTAL FUNDS as of September 30, 2015

		General Fund	Red	community levelopment Authority		Total
ASSETS						
Cash and cash equivalents	\$	3,026,155	\$	1,261,009	\$	4,287,164
Receivables, net						
Customer accounts, net		195,411				195,411
Intergovernmental		1,313,316				1,313,316
Franchise and public service taxes		342,140				342,140
Inventory		13,931				13,931
Restricted assets:						
Cash and cash equivalents		6,466,927				6,466,927
TOTAL ASSETS	\$	11,357,880	\$	1,261,009	\$	12,618,889
LIABILITIES AND FUND BALANCE						
Accounts payable	\$	349,953	\$	3,851	\$	353,804
Construction costs payable		438,449		- 1 -		438,449
Accrued payroll		95,527				95,527
Pension contributions payable		368,273				368,273
TOTAL LIABILITIES	_	1,252,202		3,851		1,256,053
FUND BALANCE						
Non-spendable inventory		13,931				13,931
Restricted for:						
Bond retirement		1,532,200				1,532,200
Unspent bond proceeds		3,531,903				3,531,903
Recreation improvements		260,667				260,667
Fire rescue and safety		220,873				220,873
Lawenforcement		161,941				161,941
Stormwater improvements		320,894				320,894
Community redevelopment				1,257,158		1,257,158
Unassigned		4,063,269				4,063,269
TOTAL FUND BALANCE		10,105,678		1,257,158	_	11,362,836
TOTAL LIABILITIES AND FUND BALANCE	\$	11,357,880	\$	1,261,009	\$	12,618,889

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS as of September 30, 2015

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	11,362,836
Amounts reported for Governmental Activities in the Statement of Net Position an different because:	e	
Capital assets used in governmental activities are not current financial resources		
and therefore are not reported in the governmental funds.		38,559,459
Accounts receivable that were not available were not recorded as		
assets/revenue in the governmental funds.		6,463
Deferred outflows related to pensions		1,862,709
Deferred intflows related to pensions		(497,586)
Interest payable on long-term debt does not require current financial resources and		
therefore, is not reported as a liability in governmental funds.		(154,126)
Long-term liabilities (including certain accounts payable, compensated absences		
and unfunded post employment and pension obligations) are not payable from		
current resources and therefore they are not reported in the governmental funds.		(29,976,816)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	21,162,939

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS for the year ended September 30, 2015

	General Fund		Community Rede∨elopment Authority		 Total
REVENUES					
Taxes	\$	8,558,720	\$	828,397	\$ 9,387,117
Licenses and permits		355,889			355,889
Intergovernmental revenue		3,759,560			3,759,560
Charges for services		2,972,307			2,972,307
Fines and forfeitures		38,195			38,195
Other		373,816		533	 374,349
Total revenues		16,058,487		828,930	 16,887,417
EXPENDITURES					
General government		1,480,641			1,480,641
Public safety		6,955,843			6,955,843
Physical environment		1,845,669			1,845,669
Economic environment				120,575	120,575
Transportation		765,888			765,888
Culture/recreation		3,222,819			3,222,819
Capital outlay		1,688,223		275,307	1,963,530
Debt service		1,661,060			 1,661,060
Total expenditures		17,620,143		395,882	 18,016,025
EXCESS (DEFICIENCY) OF REVENUES					
OVER EXPENDITURES		(1,561,656)		433,048	 (1,128,608)
OTHER FINANCING SOURCES (USES)					
Proceeds from borrowings		4,500,000			4,500,000
Operating transfers in (out)		4,149,127			 4,149,127
Total other financing sources		8,649,127			 8,649,127
NET CHANGE IN FUND BALANCE		7,087,471		433,048	7,520,519
FUND BALANCE - beginning of year		3,018,207		824,110	 3,842,317
FUND BALANCE - end of year	\$	10,105,678	\$	1,257,158	\$ 11,362,836

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS for the year ended September 30, 2015

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 7,520,519
Amounts reported for governmental activities in the Statement of Activities are different because: Governmental funds report capital outlay as expenditures. However, in the government-wide statement of activities, the cost of those assets is allocated	
over their estimated useful lives as depreciation expense:	
This is the amount of capital assets recorded in the current period.	1,859,243
This is the depreciation expense for the current period	(1,846,751)
This is the gain or loss on capital assets disposed during the year	(30,970)
This is the change in receivables for revenues accrued when earned in the	
government-wide statement of net position but not accrued in the governmental funds	2,751
Long-term obligations including bonds and notes payable and compensated absences are reported as liabilities in the government-wide statement of net position but are not reported as liabilities in the governmental funds because they do not require the use of current financial resources:	
This is the repayment of bond principal reported as an expenditure in governmental funds	1,180,000
This is the net proceeds from borrowings	(4,500,000)
This is the change in accrued interest payable on long-term obligations	12,088
This amount represents amortization of bond discounts.	(33,690)
This is the change in accrued compensated absences during the year	(4,791)
This is the net change in the net pension related inflow/outflows and net liability during the year	987,260
This is the change in the net OPEB liability during the year	 (573,486)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 4,572,173

CITY OF AUBURNDALE, FLORIDA STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS as of September 30, 2015

	Enterprise Fund
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 2,018,116
Customer accounts receivable, net	1,194,167
Due from other governments	34,503
Total current assets	3,246,786
Noncurrent assets:	
Restricted assets:	0.004.000
Cash and cash equivalents	3,991,206
Capital assets:	11 200 760
Non-depreciable Depreciable, net	11,280,768 42,464,883
Unamortized bond insurance	138,055
Total noncurrent assets	57,874,912
TOTAL ASSETS	61,121,698
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	305,460
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 61,427,158
	<u>Ψ 01,427,100</u>
Current liabilities:	
Accounts payable	343,275
Construction costs payable	86,575
Accrued payroll	14,369
Bonds and notes payable, current portion	1,150,000
Total current liabilities	1,594,219
Noncurrent liabilities:	
Compensated absences	202,632
Post employment obligation payable	1,012,678
Net pension liability	1,343,052
Payable from restricted assets:	
Accrued interest payable	512,209
Customer deposits	1,142,302
Bonds and notes payable, noncurrent portion	33,266,206
Total noncurrent liabilities	37,479,079
TOTAL LIABILITIES	39,073,298
DEFERRED INFLOWS OF RESOURCES	20.070
Deferred inflows related to pensions	36,076
TOTAL LIABILITIES AND DEFERRED INFLOWS	39,109,374
NET POSITION	
Net investment in capital assets	19,380,925
Restricted for:	
Debt retirement	1,611,545
Sewer improvements	524,566
Water improvements	200,584
	600,164
TOTAL NET POSITION	<u>\$ 22,317,784</u>

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS for the year ended September 30, 2015

	Enterprise Fund
OPERATING REVENUES	
Charges for services	<u>\$ 10,499,197</u>
Total charges for services	10,499,197
OPERATING EXPENSES	
Personal services	1,298,812
Operating expenses	3,542,150
Depreciation	2,534,387
Total operating expenses	7,375,349
OPERATING INCOME	3,123,848
NONOPERATING REVENUE (EXPENSE)	
Interest revenue	3,358
Other nonoperating revenue	8,976
Interest expense	(1,583,868)
Total nonoperating revenues (expenses)	(1,571,534)
Income (loss) before contributions	
and transfers	1,552,314
CAPITAL CONTRIBUTIONS	
Utility line relocation cost reimbursements	1,253,189
Impact fees	1,034,277
Total capital contributions	2,287,466
TRANSFERS IN (OUT)	(4,149,127)
Change in net position	(309,347)
TOTAL NET POSITION - beginning of year, as previously reported	23,852,279
Adjustment related to adoption of GASB 68	(1,225,148)
TOTAL NET POSITION - beginning of year, as restated	22,627,131
TOTAL NET POSITION - end of year	<u>\$ 22,317,784</u>

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS for the year ended September 30, 2015

	Ente	erprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES Receipts from customers	\$	10,452,964
Payments to suppliers	Ŧ	(3,373,557)
Payments for salaries and benefits		(1,279,380)
Net cash flows from operating activities		5,800,027
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers (to) from other funds, net of change in due to		(4,149,127)
Net cash flows from noncapital financing activities		(4,149,127)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES Acquisition and construction of capital assets, net of change in		
construction payables		(1,588,141)
Proceeds from sale of capital assets		26,238
Proceeds of borrowings		1,014,859
Principal paid on notes, bonds and lease obligations		(1,130,000)
Interest paid on borrowings		(1,561,612)
Contributions for utility line relocations		1,218,686
Impact fees received		1,034,277
Net cash flows from capital and related financing activities		(985,693)
CASH FLOWS FROM INVESTING ACTIVITIES		
Earnings on invested funds		3,358
Net cash flows from investing activities		3,358
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		668,565
CASH AND CASH EQUIVALENTS, beginning of year		5,340,757
CASH AND CASH EQUIVALENTS, end of year	\$	6,009,322
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$	3,123,848
Adjustments to reconcile operating income to net cash provided by operating activities:	-	
Depreciation		2,534,387
(Increase) decrease in accounts receivable		(125,573)
Increase (decrease) in accounts payable		168,592
Increase (decrease) in accrued payroll		4,849
(Increase) decrease in compensated absences liability		40,274
Increase (decrease) in customer deposits		79,340
(Increase) decrease in OPEB liability		125,790
(Increase) decrease in pension related assets and liabilities		(151,480)
Net cash flows from operating activities Noncash financing and investing activities:	\$	5,800,027
Book value of equipment disposed	\$	17,262

CITY OF AUBURNDALE, FLORIDA STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS as of September 30, 2015

ASSETS	Employee Benefit Plans	
Receivables:		
Accrued in come	\$	29,156
Contributions receivable		384,365
Total receivables		413,521
Investments, at fair value:		
Short term money market		758,856
Fixed income investments		12,121,545
Equity securities		18,567,100
Total investments		31,447,501
Total assets		31,861,022
NET POSITION - restricted for pension benefits	\$	31,861,022

CITY OF AUBURNDALE, FLORIDA STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS for the year ended September 30, 2015

	Employee Benefit Plans	
ADDITIONS		
Contributions:		
City	\$	1,937,687
Plan members		218,821
State of Florida		230,482
Total contributions		2,386,990
Investment income		(101,809)
Less investment expenses:		
Performance evaluation		52,125
Custodial fees		20,277
Investment management		50,412
Total investment expenses		122,814
Net investment income (loss)		(224,623)
Total additions		2,162,367
DEDUCTIONS		
Administrative expenses		122,603
Benefit and termination payments		2,794,891
Total deductions		2,917,494
NET INCREASE (DECREASE)		(755,127)
NET POSITION - beginning of year		32,616,149
NET POSITION - end of year	<u>\$</u>	31,861,022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its statements (GASBS) and interpretations (GASBI). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. REPORTING ENTITY

The **City of Auburndale, Florida** (the "City") is a municipal corporation governed by a board of five elected commissioners and was established in 1911 by a special act of the Florida legislature, laws of the State of Florida Chapter 8324. The City was subsequently reincorporated by a special act in 1925, Chapter 10301.

The accompanying financial statements present the City's primary government and component units based on the financial benefit/burden criteria in GASB Statement No. 61. Certain component units, although legally separate, are presented in the financial statements as "blended" components. Blending refers to the fact that the component unit's funds and account groups are combined with those of the primary government for financial reporting purposes. These entities include: (1) the Municipal Firefighters' Pension Trust Fund established pursuant to Florida Statute chapter 175 and Ordinance No. 799, (2) the Municipal Police Officers' Pension Trust Fund established pursuant to Florida Statute chapter 185 and Ordinance No. 823, (3) the General Employees' Pension Trust Fund, restated by Resolution 2000-20, (4) the Other Post Employment Benefits Trust (OPEB Trust) established pursuant to City Ordinance 1294, and (5) the Auburndale Community Redevelopment Authority (the "CRA") which was created by City Ordinance No. 772 pursuant to Florida Statutes chapter 163. All of the component units issue separate component unit financial statements except the OPEB Trust and the CRA, which may be obtained by contacting the City's Finance Department.

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

B. BASIC FINANCIAL STATEMENTS

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

Government-wide Financial Statements - The required government-wide financial statements are the Statement of Net Position and the Statement of Activities, which report information on all of the nonfiduciary activities of the City. The effects of interfund activity have been removed from these statements. Fiduciary funds are also excluded from the government-wide financial statements since by definition these assets are being held for the benefit of a third party and cannot be used to fund activities or obligations of the government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *Business-type activities*, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements - The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Cod. Sec. 2200 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Non-major funds by category are summarized into a single column. Due to the City's fund structure, there were no non-major funds. The various funds are reported by type within the financial statements. The following fund types and funds are used and reported by the City:

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

B. BASIC FINANCIAL STATEMENTS (cont...)

a) Governmental Funds:

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

- **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- Aubumdale Community Redevelopment Authority (the "CRA") was created by City Ordinance No. 772 pursuant to Florida Statutes chapter 163. Due to its profile in the community, the City electively added the Auburndale CRA as a major fund. The CRA has the power to levy taxes or appropriate funds to preserve and enhance the designated CRA district which includes the downtown Auburndale area. The CRA receives the incremental ad valorem taxes generated in future years by the increase in property values in the redevelopment area. The CRA's property taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. The CRA's Board members consist of the City Commission and two appointed citizens.

b) Proprietary Funds:

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

• Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs. The City has one *Enterprise Fund* which accounts for the activities associated with providing potable water and sewer collection, treatment and disposal services to area residents.

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

B. BASIC FINANCIAL STATEMENTS (cont...)

c) Fiduciary Funds:

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

C. MEASUREMENT FOCUS, AND BASIS OF ACCOUNTING

The government-wide financial statements, the proprietary fund financial statements and the fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Imposed nonexchange resources (property taxes, fines) are reported as deferred inflows if received before the tax is levied or before the date when use is first permitted. Government mandated nonexchange transactions (grants) and voluntary nonexchange transactions (donations) resources are reported as liabilities until the eligibility requirements are met and as deferred inflows if received before time requirements are met.

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

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

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

C. MEASUREMENT FOCUS, AND BASIS OF ACCOUNTING (cont...)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within 60 days of the end of the current fiscal period. Revenues received prior to meeting the available criterion are reported as deferred inflows. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise and public service taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual as revenue of the current period. Property taxes are billed and collected within the same period in which the taxes are levied. Grant revenues are considered earned and are accrued simultaneously with the grant expenditure. All other revenue items are considered to be measurable and available only when cash is received by the government.

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

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

INVESTMENTS - Debt securities owned are reported at cost plus accrued interest which approximates fair value. Investments in pooled accounts are reported at fair value as determined by the fund manager. Money market funds and common stocks are reported at fair value based upon quoted market prices. Purchases and sales of investments are reflected on trade dates. Net realized gains or losses on sales of investments are based on the cost of investments applied on a first-in, first-out basis and are reflected in current operating results.

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

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

CUSTOMER ACCOUNTS RECEIVABLE - The City accrues unbilled service of its enterprise fund, which represents the estimated value of service from the last billing date to year end and totaled \$234,442 at September 30, 2015. A reserve for doubtful accounts is maintained in the enterprise fund equal to the value of the utility customer receivables that are not expected to be collected. As of September 30, 2015, such reserve totaled \$4,000.

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

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

CAPITAL ASSETS - In the government-wide financial statements capital assets include land, buildings, improvements, utility plant, infrastructure and furniture and equipment. Capital assets are defined by City resolution as tangible property with an individual cost of \$1,000 or improvements having an initial cost of \$10,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at date of gift, if donated. Major additions (over \$10,000) are capitalized while maintenance and repairs which do not improve or extend the life of the respective assets are charged to expense.

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

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

	<u>Years</u>
Utility plant in service	15-35
Buildings and improvements	10-40
Machinery and equipment	3-20
Infrastructure:	
Streets	80
Road resurfacing	10-15
Sidewalks	40
Drainage	50

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

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

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows* of *resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

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

CONNECTION FEES AND IMPACT FEES - Connection fees represent reimbursement of the costs incurred to perform the connection of the respective utilities and are recorded as operating revenue when received. Impact fees, which are not considered connection fees since they substantially exceed the cost of connection, are recorded as capital contributions when received. Prepaid impact fees received which reserve capacity in the City's future water and sewer facilities are reported as capital contributions when the requirements of the developer agreements are met by the City.

INTEREST COSTS - Interest costs are capitalized when incurred on debt where proceeds were used to finance the construction of enterprise fund capital assets. Interest earned on proceeds of tax-exempt borrowing arrangements restricted to the acquisition of qualifying assets is offset against interest costs in determining the amount to be capitalized. The enterprise fund incurred a total interest cost of \$1,574,820 of which \$9,048 was capitalized.

LONG-TERM OBLIGATIONS - In the government-wide financial statements and proprietary fund types statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts and bond insurance acquired with the proceeds of the bonds are amortized over the life of the bonds. Debt issuance costs are reported as expenses in the period incurred. Bond premiums and discounts are reported, net of amortization, in the related debt balances shown in the financial statements. Bond insurance costs are reported, net of amortization as and asset.

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

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

LONG-TERM OBLIGATIONS (cont...) - For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is the shorter. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements; rather the debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

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

INTERFUND TRANSFERS - Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the Government-wide Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

ON-BEHALF PAYMENTS FOR FRINGE BENEFITS - The City receives on-behalf payments from the State of Florida to be used for Municipal Police Officers' Pension Plan and Municipal Firefighters' Pension Plan contributions which totaled \$117,600 and \$112,882, respectively, for the fiscal year ended September 30, 2015. Such payments are recorded as intergovernmental revenue and public safety expenses/expenditures in the government-wide and general fund financial statements, but are not budgeted and therefore are not included in the general fund budgetary basis financial statements.

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

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

EQUITY CLASSIFICATIONS -

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

- a) Net investment in capital assets Consists of capital assets, including certain restricted assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) Restricted net position Consists of resources with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$5,764,186 of restricted net position, of which \$2,946,683 is restricted by enabling legislation.
- c) Unrestricted net position Consists of the net amount of assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund Balance Classification in Governmental Fund Statements - The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form such as inventories, prepaid items and noncurrent receivables (including noncurrent interfund advances) or (b) are legally or contractually required to be maintained intact. The City has non spendable inventory.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The City has classified police education fines and forfeitures and building and permitting fees as being restricted because their use is restricted by State Statute. The City has also classified its various impact fees and stormwater resources as restricted as their use is restricted by local ordinances. Debt service resources are to be used for future servicing of the revenue notes and are restricted through debt covenants. Resources provided for capital projects are classified as restricted when the resources for the projects are restricted by the grantor (e.g. Federal, State or local governments) or lender for funding of specific projects.

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

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

EQUITY CLASSIFICATIONS -

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by ordinance of the City Commission. These amounts cannot be used for any other purpose unless the City Commission removes or changes the specified use by taking the same type of action (ordinance) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The City did not have any committed resources as of September 30, 2015.

Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Commission or through the City Commission delegating this responsibility to the City Manager through the budgetary process. The City had no assigned resources as of September 30, 2015.

Unassigned: All other spendable amounts.

The details of the fund balances are included in the governmental fund balance sheet. The City uses restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first.

The City Commission has established the targeted minimum reserve balance in the City's general fund unassigned fund balance equal to 8% of the general fund's current fiscal year operating expenditures and transfers out budgeted for the fund. For purposes of this calculation, the current fiscal year budget shall be the budget as originally adopted by resolution on or before September 30 for the subsequent fiscal year. If, at the end of any fiscal year, the actual amount of "unassigned fund balance" falls below the targeted levels set forth herein, a plan shall be established to achieve the target by adding a designated amount to the budget to cover the deficiency over a period not to exceed five (5) fiscal years. In the event that the "unassigned fund balance" exceeds the amounts set forth herein, the excess may be utilized for any lawful purpose. Appropriation of the minimum reserve balances, once met, shall require the approval of the City Commission by inclusion in the approved annual budget (and revisions thereto). Compliance with the provisions of the minimum fund balance policy shall be reviewed as a part of the annual budget adoption process and the amounts of non-spendable, restricted, committed, assigned and unassigned fund balance shall be determined during this process. Any changes to the targeted amounts established herein must be approved by the City Commission.

NOTE 2 - PROPERTY TAX CALENDAR

Under Florida Law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The tax levy of the City is established by the City Commission prior to October 1 of each year and the Polk County Property Appraiser incorporates the millage into the total tax levy, which includes the municipalities, the County, independent districts and the County School Board tax requirements. State statutes permit cities to levy property taxes at a rate of up to 10 mills. The City's millage rate in effect for the fiscal year ended September 30, 2015, was 4.2657. All taxes are due and payable on November 1 (levy date) of each year and unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment as follows: 4% in of November, 3% in December, 2% in January, 1% in February. The taxes paid in March are without discount. Delinquent taxes on real and personal property bear interest of 18% per year. On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property.

NOTE 3 - BUDGETARY LAW AND PRACTICE

The budget is adopted by Ordinance on a City-wide basis for all City funds on or before October 1 of each year as required by State Statute. City Ordinance establishes the legal level of budgetary control at the individual fund level. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations subject to notification of the City Commission. Budgets for all funds are adopted on the basis of cash receipts and disbursements which differs from the basis used for financial reporting purposes.

NOTE 4 - DEPOSITS AND INVESTMENTS

The captions on the government-wide statement of net position for "cash and cash equivalents", both restricted and unrestricted, are comprised of the following:

Cash and cash equivalents:		
Cash on hand	\$	5,130
FLSAFE money market		2,070,355
Bank deposits in qualified public depositories		14,688,078
Total cash and cash equivalents	<u>\$</u>	16,763,563

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

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

INVESTMENTS - The types of investments in which the City may invest are governed by State Statutes and City policy. According to State Statutes, the City is authorized to invest in the following instruments: direct obligations issued or unconditionally guaranteed by the US Government, collateralized or federally-insured interest-bearing time deposits, obligations of the Federal Farm Credit Banks, Federal Home Loan Mortgage Corporation, Federal Home Loan Bank or obligations guaranteed by the Government National Mortgage Association or the Federal National Mortgage Association and repurchase agreements. In addition to the above types of investment, City policy allows investments in prime commercial paper, state and local government obligations, and statewide investment pools. The City Commission may also authorize by resolution, certain other types of investments in connection with the issuance of debt. These would be one-time investments not otherwise permitted by the City policy. The City's employee benefit plans are authorized by City Ordinances to invest in corporate stocks and bonds subject to certain limitations and held deposits and investment securities during the year.

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

Information related to interest rate and credit risk for the City's fixed income investments at September 30, 2015 is summarized below (information marked NA is not available and information marked N/A is not applicable to this type of investment):

lssuer/lssue	S&P Rating	Fair Value	Weighted Average Duration (WAD)
City			
FLSAFE money market	AAAm	<u>\$ 2,070,355</u>	NA
OPEB Trust:			
Short term money market funds	Not Rated	<u>\$ 11,239</u>	NA
General Employees' Pension Plan:			
Short term money market funds	Not Rated	\$ 388,879	WAD 0.09 years
U. S. Government	AA+	1,524,900	WAD 3.43 years
U. S. Government agencies	AA+	867,964	WAD 1.07 years
Mortgage/asset backed securities	AA+	584,020	WAD 2.57 years
Fixed income mutual fund	Not Rated	681,921	WAD .32 years
Corporate and foreign bonds	BBB to AA+	2,480,797	WAD 3.84 years
		\$ 6,528,481	
Police Officers' Pension Plan:			
Short term money market funds	AAAm-G	\$ 190,420	WAD 0.00 years
Fixed income mutual funds	Not Rated	3,663,202	WAD 4.85 years
		\$ 3,853,622	
Fire Fighters' Pension Plan:			
Short term money market funds	AAAm-G	\$ 168,318	WAD 0.00 years
Fixed income mutual funds	Not Rated	2,318,561	WAD 4.85 years
		<u>\$ 2,486,879</u>	

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2015, was as follows:

		Balance October 1, 2014		Reclass- ifications		Additions		Deletions		Balance eptember 30, 2015
Governmental Activities: Capital assets not being depreciated:										
Land	\$	3,985,529	\$		\$	219,230	\$		\$	4,204,759
Infrastructure - land	•	1,106,280			•		·			1,106,280
Construction in process						1,013,344				1,013,344
Total non-depreciable capital assets	\$	5,091,809	s		\$	1,232,574	\$		\$	6,324,383
Capital assets being depreciated:	<u> </u>		<u> </u>		<u> </u>		-		<u> </u>	
Buildings and improvements	\$	32,647,174	\$		\$		\$		\$	32,647,174
Equipment		10,294,694				361,209		(312,501)		10,343,402
Infrastructure:										
Road network		8,156,304				238,460				8,394,764
Sidewalks		298,445				27,000				325,445
Stormwater drainage		556,550								556,550
Total		51,953,167				626,669		(312,501)	_	52,267,335
Less accumulated depreciation for:										
Buildings and improvements		(7,411,948)				(926,595)				(8,338,543)
Equipment		(6,385,241)				(661,686)		281,531		(6,765,396)
Infrastructure: Road network		(4,430,077)				(239,878)				(4,669,955)
Sidewalks		(4,430,077) (88,960)				(239,878) (7,461)				(4,009,955) (96,421)
Stormwater drainage		(150,813)				(11,131)				(161,944)
Total accumulated depreciation		(18,467,039)				(1,846,751)		281,531		(20,032,259)
Depreciable capital assets, net	_	33,486,128	\$		_	(1,220,082)		(30,970)	\$	32,235,076
Governmental activities capital assets, net	<u>ş</u>	38,577,937	\$		<u>\$</u>	12,492	<u>\$</u>	(30,970)	\$	38,559,459
Business-type activities:										
Capital assets not being depreciated:										
Land	\$	11,188,910	\$		\$		\$		\$	11,188,910
Construction in process						91,858				91,858
Total non-depreciable capital assets	<u>\$</u>	11,188,910	\$		\$	91,858	\$		\$	11,280,768
Capital assets being depreciated:										
Utility plant	\$	72,788,334	\$	(19,325)	\$	1,500,683	\$		\$	74,269,692
Equipment		1,988,119		8,616		82,175		(70,436)		2,008,474
Total		74,776,453		(10,709)		1,582,858		(70,436)		76,278,166
Less accumulated depreciation for:										
Utility plant		(30,132,161)		1,380		(2,400,503)				(32,531,284)
Equipment		(1,210,618)		9,329		(133,884)		53,174		(1,281,999)
Total accumulated depreciation	_	(31,342,779)		10,709		(2,534,387)	_	53,174		(33,813,283)
Capital assets being depreciated, net		43,433,674				(951,529)		(17,262)		42,464,883
Busines s -type activities capital assets, net	<u>\$</u>	54,622,584	<u>\$</u>		<u>\$</u>	(859,671)	<u>\$</u>	(17,262)	<u>\$</u>	53,745,651

NOTE 5 - CAPITAL ASSETS (cont...)

Depreciation expense was charged to the following programs and functions for the year ended September 30, 2015:

Governmental Activities:		
General government	\$	25,817
Library		28,934
Police		219,020
Fire		186,414
Building and zoning		5,316
Public works		6,539
Sanitation		57,635
Fleet maintenance		2,051
Streets		338,560
Parks and recreation		963,962
Community redevelopment		12,503
Total depreciation expense - governmental activities	<u>\$</u>	1,846,751
Business-type Activities:		
Water and sewer	<u>\$</u>	2,534,387
Total depreciation expense - business-type activities	<u>\$</u>	2,534,387

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended September 30, 2015:

Governmental Activities	Balance October 1, 2014	Additions	Reductions	Balance September 30, 2015	Amounts Due within One Year
Long-term debt:					
Bonds and notes payable:		-	. (700.000)		
Public Improvements, Series 2011 Public Improvements, Series 2009 B	\$ 6,605,000 3,190,000	\$	\$ (760,000) (230,000)	\$ 5,845,000 2,960,000	\$ 775,000 240,000
Public Improvements, Series 2009 B Public Improvements, Series 2006	4,150,000		(190,000)	2,960,000	240,000
Capital Improvement, Series 2006	4,150,000	4,500,000	(190,000)	4,500,000	200,000
Less deferred amounts: Premiums (discounts), net	(149,302)		33,690	(115,612)	
Total bonds and notes payable	13,795,698	4,500,000	(1,146,310)	17,149,388	1,215,000
	15,785,080	4,500,000	(1,140,310)	17,149,000	1,210,000
Other liabilities: Unfunded post employment benefits	3,945,110	573,486		4,518,596	
Net pension liability	3,945,110 8,614,391	575,400	(1,210,389)	7,404,002	
Compensated absences:	0,014,001		(1,210,000)	7,404,002	
Vacation	340,018	5,486		345,504	
Sick	560,021	-, -	(695)	559,326	
Total compensated absences	900,039	5,486	(695)	904,830	
Total other liabilities	13,459,540	578,972	(1,211,084)	12,827,428	
Total long-term liabilities	\$ 27.255.238	\$ 5.078.972	\$ (2,357,394)	29,976,816	\$ 1,215,000
Less amount due in one year	<u> </u>		<u> </u>	(1,215,000)	
Net long-term debt due after one year				\$ 28,761,816	
Business-type Activities				<u> </u>	
Long-term debt:					
Bonds and notes payable:					
Water and Sewer, Series 2003	\$ 1,130,000	5	\$ (355,000)	\$ 775,000	\$ 740,000
Water and Sewer, Series 2006	9,950,000		(660,000)	9,290,000	290,000
Water and Sewer, Series 2007	22,125,000			22,125,000	
Water and Sewer, Series 2009	1,595,000		(115,000)	1,480,000	120,000
Revolving Line of Credit, 2014	255,985	1,014,859		1,270,844	
Less deferred amounts: Premiums (discounts), net	(560,197)		35,559	(524,638)	
Total bonds and notes payable	34,495,788	1,014,859	(1,094,441)	34,416,206	1,150,000
Other liabilities:					
Unfunded post employment benefits	886,888	125,790		1,012,678	
Net pension liability	1,522,456		(179,404)	1,343,052	
Compensated absences:	70.445	47.450		400 500	
Vacation Sick	79,115	47,453	(7.170)	126,568	
Total compensated absences	<u>83,243</u> 162,358	47,453	(7,179)	76,064	
Total other liabilities	2,571,702	173,243	(186,583)	2,558,362	
		·			
Total long-term liabilities	<u>\$ 37,067,490</u>	<u>\$ 1,188,102</u>	<u>\$ (1,281,024)</u>	36,974,568	
Less amount due in one year				(1,150,000)	
Net long-term debt due after one year				<u>\$ 35,824,568</u>	

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

Notes to Long-Term Obligations Table

Long term liabilities, including accumulated compensated absences and OPEB and pension liabilities, are typically liquidated by the individual fund to which the liability is directly associated.

Interest Included as Direct Expense:

None of the interest on governmental activities long-term debt has been included in the direct expenses of any of the various programs.

Governmental Activities:

- Public Improvement Refunding Bonds Series 2011 These bonds were issued June 9, 2011 to refund the 2008 and 2007 Series Public Improvement Bonds. The notes bear interest at 2.69% and mature serially on December 1 of each year through December 1, 2021 and require the maintenance of a debt service sinking account. The County will pay the City annually such amounts of its tourist tax receipts to pay the principal and interest on these bonds as they become due.
- Public Improvement Series 2009B These revenue bonds were issued on October 9, 2009 to fund the Lake Myrtle sports complex expansion. The bonds are secured by a pledge of residential and commercial sanitation and refuse collection revenues. The bonds mature serially on December 1 of each year through 2024, with interest at 4.45% payable semiannually on June 1 and December 1. These bonds require the maintenance of a debt service sinking account.
- Public Improvement Refunding Revenue Bonds, Series 2006 These revenue bonds were issued March 1, 2006 to refund the Public Improvement, Series 1999 revenue bonds originally issued to fund the construction of new police and fire facilities. The bonds are repayable from non-ad valorem revenues. The bonds mature serially on December 1 of each year through December 1, 2029, with interest ranging from 3.25% to 4.375% payable semiannually on June 1 and December 1. The 2006 bonds require the maintenance of a principal and interest sinking account and a bond reserve account.
- Capital Improvement Revenue Note, Series 2015 These notes were issued August 25, 2015 to fund new baseball fields at Lake Myrtle sports complex and are repayable from non-ad valorem revenues and mature serially on December 1 of each year through December 2035 with interest at 3.345% payable semiannually on June 1 and December 1. The County will pay the City annually such amounts of its tourist tax receipts to pay the principal and interest on these bonds as they become due.

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

Business-Type Activities:

Water and Sewer Revenue Bonds - The water and sewer revenue certificates series 2003, 2006, 2007 and 2009 are secured by the net revenues of the water and sewer system and require the maintenance of a debt service sinking account and the 2003 Series requires a bond reserve of \$404,050 and the 2006 Series requires a renewal and replacement reserve of \$250,000.

- Water and Sewer Revenue Bonds Series 2003 The Series 2003 bonds were issued September 3, 2003 to refund the 1993 issue, the proceeds of which were used to fund water and sewer systems improvements. The bonds mature serially on December 1 of each year through December 1, 2016, with interest at 4% payable semiannually on June 1 and December 1 of each year.
- Water and Sewer Revenue Bonds Series 2006 These bonds were issued December 1, 2006, to refund the 1995 Series, the proceeds of which were used to fund water and sewer systems improvements, and mature serially on December 1 of each year through December 2025, with interest ranging from 5.25% to 5.375% payable semiannually on June 1 and December 1 of each year.
- Water and Sewer Revenue Bonds Series 2007 These bonds were issued April 1, 2007, to fund water and sewer system improvements and mature serially on December 1 of each year through December 2037, with interest at an average rate of 4.3%, payable semiannually on June 1 and December 1 of each year.
- Water and Sewer Revenue Bonds Series 2009 These bonds were issued October 20, 2009, to fund sewer system improvements and mature serially on December 1 of each year through December 2024, with interest at an average rate of 4.45%, payable semiannually on June 1 and December 1 of each year.

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

Business-Type Activities:

Revolving Line of Credit 2014 - The City has a \$5 million revolving line-of-credit agreement with a local bank dated September 30, 2015 secured by non-advalorem revenues. Interest payments are due quarterly until the end of the draw period (January 31, 2017) at which point both principal and interest will be due. It is anticipated this loan will be replaced with permanent financing on or before its final maturity. The obligation has a variable rate of interest of 70% of the 30 day LIBOR plus 225 basis points, adjusted monthly. As of September 30, 2015, the actual interest rate on the credit line was approximately 1.71%. Proceeds of the obligation shall be applied to finance or refinance all or a portion of certain water and sewer system capital improvements approved by the City.

Pledged Revenues:

The City has pledged certain future revenues, net of operation and maintenance expenses, for payment of debt. The following table provides a summary of the pledged revenues for the City's outstanding debt issues for which specific revenues have been pledged:

								Percentage of Net
	Revenue	Т	otal Principal	C	urrent Year			Revenues to
	Pledged	a	and Interest	Pi	incipal and	C	urrent Year	Principal and
Pledged Revenue	Through		Dutstanding	ln	terest Paid	Ne	et Revenue	Interest Paid
Water and sewer revenue	12/01/2037	\$	53,112,639	\$	2,692,681	\$	5,661,594	210%
Sanitation and refuse revenue	12/01/2024	\$	3,665,770	\$	366,838	\$	1,392,795	380%

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

Maturities:

Annual requirements to repay all long-term bonds and notes payable as of September 30, 2015, were as follows:

	Governmental Activities		Business-t	ype Activities	
Fiscal Year Ending	Principal	Interest	Principal	Interest	
2016	\$ 1,215,000	\$ 560,940	\$ 1,150,000	\$ 1,540,262	
2017	1,410,000	559,139	2,220,844	1,469,131	
2018	1,450,000	516,809	1,000,000	1,411,956	
2019	1,500,000	469,704	1,055,000	1,360,876	
2020	1,550,000	418,033	1,105,000	1,307,038	
2021 - 2025	5,710,000	1,303,923	6,405,000	5,627, 43 7	
2026 - 2030	2,760,000	559,293	7,075,000	4,018,189	
2031 - 2035	1,370,000	167,752	8,730,000	2,333,225	
2036 - 2040	300,000	5,018	6,200,000	416,125	
Less unamortized:					
bond discount	(115,612)		(524,638)		
Total	<u>\$ 17,149,388</u>	<u>\$ 4,560,611</u>	<u>\$ 34,416,206</u>	<u>\$ 19,484,239</u>	

NOTE 7 - INTERFUND TRANSACTIONS

Interfund transactions are summarized below:

Interfund transfers for the year ending September 30, 2015 consisted of:

Receiving Fund	Paying Fund		Amount
General Fund	Enterprise Fund	<u>\$</u>	4,149,127

The transfer from the Enterprise Fund to the General Fund is a budgeted annual operating transfer to finance services accounted for in the General Fund.

NOTE 8 - PENSION TRUST FUNDS

Plan Descriptions - The City of Auburndale contributes to three single-employer defined benefit pension plans: the General Employees Pension Trust Fund, the Municipal Police Officers' Pension Trust Fund, and the Municipal Firefighters' Pension Trust Fund. Each plan provides retirement and disability benefits to plan members and beneficiaries. The plans are established by City Ordinance and the benefits and contribution requirements can be amended by the City Commission through ordinance. All three plans are administered by separate boards of trustees who are either appointed by the City Commission or elected by the plan members. It is the City's policy to annually fund the annual required contribution amount for each plan. Contributions are also provided to the Firefighters' and Police Officers' plans by the State of Florida from a tax collected on insurance premiums. Each plan issues a publicly available financial report that includes financial statements and required supplementary information (RSI) for that plan. Those reports may be obtained by contacting the City of Auburndale Finance Department, P.O. Box 186, Auburndale, FL 33823.

Benefits - The City's pension plans provide retirement and disability benefits. Benefits for all members vest after 10 years of service. Retirement benefits for general employee members are calculated at 2.75% (2.5% if hired after October 1,2003) of average compensation multiplied by years of creditable service. Normal retirement is the earlier of age 55 with 10 years of service or age 52 with 25 years of service. The Plan is closed for employees hired on or after October 1, 2006. Benefits for police officers and firefighters are calculated at 3.5% of average final compensation multiplied by years of creditable service. Normal retirement is the earlier of age 55 with 10 years of service or attainment of 20 (25 for firefighters) years of credited service.

Contributions - It is the City's policy to annually fund the actuarially determined required contributions representing the difference between the actuarially determined amount and the contributions of plan members.

	General Employees'	Police Officers'	Fire- fighters'
Contribution rates			
City	44.90%	33.90%	47.60%
Plan members	2.00%	5.60%	6.60%
Actuarially determined contribution	\$1,211,447	\$551,319	\$395,634
Contributions made	\$1,211,447	\$551,319	\$395,634

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

Plan Membership - Participant data for the City pension plans as of the current actuarial valuation date was as follows:

	as of October 1, 2013				
	General	Police	Fire-		
	Employees'	Officers'	fighters'		
Retirees and beneficiaries					
currently receiving benefits	74	17	8		
Active employees in the DROP plan		4	4		
Terminated vested employees	18	1 1	3		
Active Employees:					
Vested	44	12	6		
Nonvested	22	19_	10		
Totals	158	63	31		

Net Pension Liability - The components of the changes in the net pension liability, combined for all three plans, for the year ended September 30, 2015, is shown below. The net pension liability as of September 30, 2015 for financial reporting purposes was determined by actuarial valuations as of October 1, 2014 updated to September 30, 2015.

	Pension Trust Funds				
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability		
Balances at September 30, 2014	\$ 39,916,863	\$ 29,780,016	\$ 10,136,847		
Changes for the year:					
Service cost	758,789		758,789		
Interest	3,002,392		3,002,392		
Changes of benefit terms					
Differences between expected and actual experience					
Contributions - employer		1,885,560	(1,885,560)		
Contributions - State of Florida		217,739	(217,739)		
Contributions - employee		215,747	(215,747)		
Net investment income		2,933,525	(2,933,525)		
Benefit payments and refunds	(2,326,581)	(2,326,581)			
Administrative expenses		(101,595)	101,595		
Net changes	1,434,600	2,824,395	(1,389,795)		
Balances at September 30, 2015	<u>\$ 41,351,463</u>	<u>\$ 32,604,411</u>	<u>\$ 8,747,052</u>		

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

Actuarial Assumptions - The actuarial valuation date and significant actuarial assumptions used to measure the total pension liability were as follows:

-	General Employees'	Police Officers'	Fire- fighters'
Actuarial valuation date	October 1, 2014	October 1, 2014	October 1, 2014
Inflation	3.00%	3.00%	3.00%
Projected salary increases	3.5% to 5.0%	5.75%	6.00%
Investment rate of return	7.50%	7.75%	7.75%
Mortality rates	RP 2000	RP 2000	RP 2000
Date of actuarial experience study	2004-2013	1993-2009	1987-2009

Long-term Expected Rate of Return on Pension Plan Investments - Best estimates of arithmetic real rates of return for each major asset class and the target asset allocations for each of the pension plans as of September 30, 2015, are summarized in the following table.

	Long-term Expected Real Rates of Return				
	General	Police	Fire		
Asset Class	Employees	Pension	Pension		
Donestic Equity	7.50%	7.50%	7.50%		
International Equity	8.50%	8.50%	8.50%		
Broad Market Fixed Income	2.50%	2.50%	2.50%		
Non-core Fixed Income	2.50%				
	Targ	et Asset Allocat	ions		
Donestic Equity	45.00%	45.00%	45.00%		
International Equity	15.00%	15.00%	15.00%		
Broad Market Fixed Income	35.00%	40.00%	40.00%		
Non-core Fixed Income	5.00%				

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

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pension - For the year ended September 30, 2015, the City recognized pension expense of \$1,029,428. At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Inf	eferred lows of sources	C	Deferred Dutflows of Resources
Difference between expected and actual experience Change in assumption	\$		\$	
City contributions made subsequent to the measurement date of September 30, 2014 Net difference between projected and actual earnings				2,168,169
on pension plan investments		533,662		
Total	\$	533,662	\$	2,168,169

Deferred outflows of resources related to City contributions subsequent to the measurement date of September 30, 2014 will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Amounts reported as deferred inflows and outflows of resources will be recognized in pension expense in the years and amounts shown below:

	Deferred Inflows of Resources		Deferred Outflows of Resources
September 30, 2016	\$	133,416	\$
September 30, 2017		133,416	
September 30, 2018		133,416	
September 30, 2019		133,414	
September 30, 2020			
Thereafter			
	\$	533,662	\$

Discount Rate - a rate of 7.5% for the General Employees' Plan and 7.75% for both the Police and Firefighters' plans was used to measure the total pension liability of each of the three Plans as of September 30, 2014, which is the measurement date for financial reporting purposes. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City as of the measurement date (September 30, 2014), calculated using the current discount rates discussed above for each plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate used by each plan.

	Current Discount	Net Pension	Liability at Measur	ement Date
	Rate	1% Decrease	Current Discount	1% Increase
General Employees Police Officers	7.50% 7.75%	\$7,802,783 3,144,988	\$5,326,515 1,733,124	\$3,232,619 608,625
Firefighters	7.75%	2,628,221	1,687,413	1,019,456
City's Net Pension Liability		\$13,575,992	\$8,747,052	\$4,860,700

The only significant event to impact the measurement of the net pension liability from September 30, 2014 (measurement date), and the City's reporting date, September 30, 2015 is that the pension plans' earnings on investments for the year ended September 30, 2015 were less than the current discount rates used to measure the net pension liability. All three plans had a negative actual money weighted rate of return of around a negative 1% for the year ended September 30, 2015. The table below presents the net pension liability of the City as of the financial reporting date, September 30, 2015, and the total change in the net pension liability between the two dates.

	Current Discount	Net Pension Lia	ability at Financial I	Reporting Date
	Rate	1% Decrease	Current Discount	1% Increase
General Employees	7.50%	\$8,601,869	\$6,104,685	\$3,988,734
Police Officers	7.75%	3,995,815	2,527,752	1,304,801
Firefighters	7.75%	3,361,762	2,394,590	1,582,194
City's Net Pension Liability		\$15,959,446	\$11,027,027	\$6,875,729
Change in City's net pension liability be measurement date and reporting date		\$2,383,454	\$2,279,975	\$2,015,029

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS PLAN

Plan Description - On October 15, 2007, the City Commission enacted Ordinance 1294 establishing the Other Post Employment Benefits Trust (the OPEB Trust) for accumulating funds and paying for post employment health, life and dental insurance premiums for eligible retired employees. The OPEB Trust is a single-employer defined benefit health care plan administered by the City which provides medical (including vision), dental and life insurance to eligible retirees and their spouses and beneficiaries. Ordinance 1294 assigned the authority to establish and amend plan benefit provisions to the City Commission.

For employees hired prior to 10/1/1996 or employees hired after that date with 20 years or more of service at retirement, the City pays 100% of the active premium rate up to age 65 then 100% of the Medicare Advantage premium and health reimbursement account fee. Employees retiring with less than 20 years of service at retirement can continue their coverage and their spouses coverage under the City's group policy at the active employee rates but must pay 100% of the cost of the insurance. The Plan also pays 100% of the active employee premium rate up to age 65 then 100% of the Medicare Advantage premium and health reimbursement account fee for spouses of employees who retired prior to 10/1/1996. Retirees who reside in locations where there is no coverage within the City group insurance network may opt out of the coverage and receive a cash reimbursement equal to the active employee premium rate instead of the coverage; or if Medicare eligible, \$200 per month.

The City charges both the active employee and retired employee groups an equal, blended premium rate. Although both groups are charged the same rate, GAAP requires the actuarial amounts to be calculated using age adjusted premiums that approximate costs for retirees separately from those for active employees. The use of age adjusted premiums results in the inclusion of an implicit rate subsidy in the actuarial accrued liability. The City's annual required contribution rate in effect for the year ended September 30, 2015 was 16.2% of covered payroll.

Participant data as of the most recent actuarial valuation:

	October 1, 2013
Retirees and beneficiaries currently receiving benefits:	
Pre-Medicare	17
Post-Medicare	33
Covered spouses receiving benefits: Pre-Medicare Post-Medicare	6
	0
Active Employees:	
Vested	29
Nonvested	129
Totals	214_

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS PLAN (cont...)

Annual OPEB Cost and Net OPEB Obligation - The following table summarizes activity related to the City's OPEB obligation for the year ended September 30, 2015:

Annual required contribution	\$ 1,101,428
Interest on net OPEB obligation	217,440
Adjustment to required contribution	(224,983)
Annual OPEB cost	1,093,885
Actual employer contributions made	(394,609)
Total employer contributions (actual costs)	(394,609)
Change in net OPEB obligation	699,276
Net OPEB obligation (asset), beginning of year	4,831,998
Net OPEB obligation (asset), end of year	<u>\$ 5,531,274</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are shown below for the years indicated.

Year	Annual		Actual			I	Net
Ended	OPEB		Employer	P	ercentage	0	PEB
September 30	 Cost	Contributions Contributed		Contributions Contributed		Obli	igation
2015	\$ 1,093,885	\$	394,609	\$	36%	\$ 5,5	31,274
2014	\$ 1,030,866	\$	373,473	\$	36%	\$ 4,8	31,998
2013	\$ 870,089	\$	332,282	\$	38%	\$4,1	74,605

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS PLAN (cont...)

Funded Status and Funding Progress - Information as to the funding progress of the OPEB Trust is presented below. The funded status of the plan shows whether the actuarial value of plan assets as of the most recent actuarial valuation is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial accrued liability for benefits is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

OPEB Trust-Schedule of Funding Progess

		Actuarial				UAAL as
	Actuarial	Accrued	Unfunded			a Percentage
Actuarial	Value of	Liability (AAL)	AAL	Funded	Covered	of Covered
Valuation	Assets	-Unit Credit	(UAAL)	Portion	Payroll	Payroll
Date	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)

Funding Policy - The contribution requirements of the City and plan members are established and may be amended by the City Commission. These contributions are neither guaranteed nor mandatory. The City has retained the right to unilaterally modify its payments toward retiree health care benefits.

Actuarial Methods and Assumptions - Calculations of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the City's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS PLAN (cont...)

Actuarial Methods and Assumptions (cont...)

The entry age normal actuarial cost method (level percent of pay) was used in the October 1, 2013 valuation. The actuarial assumptions included a 4.5% valuation interest rate and \$9,000 in administrative expenses annually. The annual health care cost trend rate is 7.5% in 2014 6.5% in 2015, decreasing 1% per year to the ultimate rate of 4.5% in 2019. Both the rate of return and the health care cost trend rate include an assumed inflation rate of 3% and a 6% salary scale. The actuarial valuation of assets was set at market value of investments as of the measurement date. The initial unfunded actuarial accrued liability (UAAL) as of October 1, 2007, is being amortized as a level percentage of projected payroll over a closed period of 30 years from October 1, 2007.

Condensed Financial Statements - The OPEB Trust does not issue a separate report and its condensed financial statements for the year ended September 30, 2015, are presented below:

		OPEB Trust
ASSETS	•	
Short-term money market	\$	11,239
TOTAL ASSETS		11,239
NET POSITION HELD IN TRUST FOR OPEB	\$	11,239
		OPEB Trust
ADDITIONS	•	40
Investment income (loss)	\$	13
Less investment expenses: Custodial fees		511
Total investment expenses		511
Net investment income (loss)		(498)
Total additions		(498)
DEDUCTIONS Benefit payments Total deductions		
NET INCREASE		(498)
NET POSITION - beginning of year		11,737
NET POSITION - end of year	\$	11,239

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS PLAN (cont...)

Summary of Significant Accounting Policies:

Basis of Accounting - The financial statements shown above are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which they are remitted to the OPEB Trust. Benefits are recognized when paid.

Investments - Investments are reported at fair value as determined by the investment custodian. The City has contracted with the Florida Municipal Pension Trust Fund (FMIvT) to be the custodian and investment manager for the OPEB Trust's investments. Subject to the provision of the FMIvT's investment policy, the City selected an investment allocation ratio of not to exceed 60% of the OPEB Trust's assets invested in equity securities (pooled equity funds managed by FMIvT) and 40% in fixed income securities (pooled fixed income funds managed by FMIvT). Within this 60/40 ratio, the FMIvT has target percentages of how it allocates a participant's investments among the various pooled accounts that it maintains for its participants. Within certain limitations, FMIvT's investment policy allows for investments in: repurchase agreements; direct obligations of the US Treasury; authorized investments purchased by or through the State Board of Administration; commercial paper issued in the US by any corporation with a rating of A1/A+ or better; bankers acceptances with a rating of at least AA; non-negotiable certificates of deposit in Florida Qualified Public Depositories; obligations of agencies or instrumentalities of the Federal government; money market mutual master trust funds regulated by the SEC; mortgage obligations guaranteed by the US Government; and FMIvT portfolios.

All of the Trust's investments are evidenced by shares of the applicable investment pools and are not exposed to custodial credit risk and are excluded from the concentration risk disclosure.

NOTE 11 - OTHER EMPLOYEE BENEFITS PLANS

Effective October 1, 2006, the City closed its defined benefit general employee pension plan for employees not already participating in that plan and instituted a defined contribution 401(a) money purchase plan for employees hired on or after October 1, 2006, whereby the City contributes 8% of gross pay with the employee contributing 2%. The total cost of this plan to the City was \$76,260 for the year ended September 30, 2015, with employees contributing \$19,065.

The City offers its employees a deferred compensation plan created pursuant to Internal Revenue Code Section 457. The Plan is available to all employees and permits them to defer a portion of their salary until future years. The assets are held in trust for each participant who is free to direct their investments to a variety of mutual fund offerings. Participation in the plan is optional.

The City has a cafeteria and flexpay plan whereby employees can elect to receive a cash subsidy or use it to pay for dependent health, dental and life insurance premiums with before tax dollars. The City's subsidy is fixed and ranges from \$98 to \$234 per month per employee depending on the employee's health insurance needs and the total cost for the year was \$189,930.

NOTE 12 - MAJOR CUSTOMERS

In the City's enterprise fund (business-type activities), approximately 18% of the City's water and sewer revenue, is represented by sales to one industrial customer. With respect to the ad-valorem (property taxes) taxes the City's largest taxpayer represents 22% of its ad-valorem taxes and the second largest represents 15%.

NOTE 13 - COMMITMENTS & CONTINGENCIES

Risk Management:

Commercial insurance protection with normal deductibles is in place to limit the City's exposure from losses arising from liability and property and equipment damages. There have been no significant reductions in coverage nor have settlement amounts exceeded the City's coverage during the year ended September 30, 2015 or the two previous years. The City's workers compensation coverage is provided through a non-assessable program; in the event the insurance company were declared insolvent, the City would only be responsible for its own claims and not the claims of other insured entities under the program.

Unemployment Claims:

The City has elected to reimburse the State directly for its unemployment claims rather than participate in the State insurance fund for this purpose. As a result, the cost for unemployment claims is deducted when paid. Such costs have been insignificant in the past and no provision for potential claims has been made in the financial statements.

Litigation:

The City is contingently liable with respect to lawsuits and other claims which arise in the ordinary course of carrying out its public service. Management believes that any losses not covered by insurance which may ultimately be incurred as a result of the suits and claims will not be material, with the exception of attorney's fees which are not determinable.

Construction Projects:

The City has construction commitments of \$4,792,432 related to the governmental activities Lake Myrtle Park improvement project.

NOTE 14 - RESTATEMENT OF NET POSITION FROM ADOPTION OF GASB 68 AND 71

For the fiscal year ended September 30, 2015, the City implemented the provisions of GASB Statement 68 and 71 - *Accounting and Financial Reporting for Pensions*. Accordingly, beginning net position was restated to reflect the recording of net pension liabilities, deferred inflows of resources, and deferred outflows of resources as follows:

	Govern	Fund Level	
	Governmental	Business-type	Enterprise
	Activities	Activities	Fund
Net position September 30, 2014, as previously reported Adjustements:	\$23,616,905	\$23,852,279	\$23,852,279
Net pension liability as of September 30, 2014	(8,614,391)	(1,522,456)	(1,522,456)
Deferred outflows of resources	1,588,252	297,308	297,308
Net position September 30, 2014, as restated	\$16,590,766	\$22,627,131	\$22,627,131

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF AUBURNDALE, FLORIDA BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (Unaudited) for the year ended September 30, 2015

	Budgeted	l Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)	
	Original	Final	(Budgetary Basis)		
RESOURCES (in flows):					
Taxes	\$ 7,660,778	\$ 8,500,378	\$ 8,558,720	\$ 58,342	
Licenses and permits	301,600	350,600	355,889	5,289	
Intergovernmental revenue	2,439,411	2,465,322	2,469,091	3,769	
Charges for services	2,886,755	3,024,355	2,972,307	(52,048)	
Fines and forfeitures	43,000	43,000	38,195	(4,805)	
Mișaellafees us revenues	189,200	352,500	373,816	21,316	
Other sources - transfers in	4,149,127	4,149,127	4,149,127		
Other sources - debt proceeds		4,500,000	4,500,000		
Beibt peareautplus appropriated	98,500	98,500	98,500		
Amounts available for appropriations	17,768,371	23,483,782	23,515,645	31,863	
CHARGES TO APPROPRIATIONS (outflows):					
General government	1,298,362	2,735,762	1,162,644	1,573,118	
Public safety	5,330,865	5,203,965	5,263,386	(59,421)	
Physical environment	1,524,409	1,606,109	1,598,504	7,605	
Transportation	611,693	585,093	581,252	3,841	
Culture/recreation	2,361,366	2,502,066	2,618,278	(116,212)	
Unallocated general services	2,849,387	2,780,787	2,816,315	(35,528)	
Capital outlay	788,739	5,066,450	1,628,235	3,438,215	
Debt service	1,665,550	1,665,550	1,661,060	4,490	
Total charges to appropriations	16,430,371	22,145,782	17,329,674	4,816,108	
EXCESS (DEFICIENCY) OF RESOURCES					
OVER CHARGES TO APPROPRIATIONS	<u>\$ 1,338,000</u>	<u>\$ 1,338,000</u>	<u>\$ 6,185,971</u>	<u>\$ 4,847,971</u>	

Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures: Resources (inflows):

Actual amounts (budgetary basis) "resources (inflows)" from the budgetary		
comparison schedule above	\$	23,515,645
Differences - budget to GAAP:		
County grant budgeted in next fiscal year		1,000,000
Receipt of on-behalf payments for pension benefits		230,481
Donated capital assets not budgeted		59,988
Prior year surplus reappropriated as a budgetary resource		(98,500)
Total revenues and other sources reported on the statement of revenues,	_	
expenditures, and changes in fund balances - governmental funds	\$	24,707,614
Charges to appropriations (outflows):		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary		
comparison schedule above	\$	17,329,674
Differences - budget to GAAP:		
Donated capital assets not budgeted		59,988
Payment of on-behalf payments for pension benefits		230,481
Total expenditures and other uses as reported on the statement of revenues,		
expenditures, and changes in fund balances - governmental funds	\$	17,620,143

CITY OF AUBURNDALE, FLORIDA BUDGETARY COMPARISON SCHEDULE -COMMUNITY REDEVELOPMENT AUTHORITY (Unaudited) for the year ended September 30, 2015

	 Budgeteo	l Amo	unts	A	Actual mounts	Variance wit Final Budge		
	 Original	Final		•	udgetary Basis)	Positive (Negative)		
RESOURCES (inflows):								
Taxes	\$ 836,000	\$	836,000	\$	828,397	\$	(7,603)	
Other	 1,000		1,000		533		(467)	
Amounts available for appropriations	837,000		837,000		828,930		(8,070)	
CHARGES TO APPROPRIATIONS (outflows):								
Economic environment	416,000		120,278		120,575		(297)	
Capital outlay	 421,000		716,722		275,307		441,415	
Total charges to appropriations	 837,000		837,000		395,882		441,118	
EXCESS (DEFICIENCY) OF RESOURCES					422.049	¢	402.048	
OVER CHARGES TO APPROPRIATIONS	 				433,048	\$	433,048	
Prior year fund balance reappropriation	 							
NET CHANGE IN FUND BALANCE	\$ 	\$		\$	433,048			

CITY OF AUBURNDALE, FLORIDA

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS General Employees Pension Plan September 30, 2015

The following information presents the changes in net pension liability for the General Employees' pension plan:

	General Employees Pension Pla					
		ptember 30, 2015		ptember 30, 2014		
Total pension liability						
Service cost	\$	264,889	\$	246,408		
Interest		1,581,148		1,544,414		
Changes of benefit terms						
Differences between expected and actual experience						
Changes of assumptions						
Employee buy-back		17,731				
Benefit payments and refunds		(1,505,997)		(1,133,034 <u>)</u>		
Net change in total pension liability		357,771		657,788		
Total pension liability, beginning		21,570,078		20,912,290		
Total pension liability, ending	\$	21,927,849	\$	21,570,078		
Plan fiduciary net position						
Contributions - employer		1,211,447		1,179,108		
Contributions - State of Florida						
Contributions - employee		72,890		57,658		
Net investment income		(163,438)		1,292,623		
Benefit payments and refunds		(1,505,997)		(1,133,034)		
Administrative expenses		(35,303)		(31,563 <u>)</u>		
Net change in plan fiduciary net position		(420,401)		1,364,792		
Plan fiduciary net position, beginning		16,243,565		14,878,773		
Plan fiduciary net position, ending	\$	15,823,164	\$	16,243,565		
Net pension liability	\$	6,104,685	\$	5,326,513		
Plan fiduciary net position as a percentage						
of the total pension liability		72.16%		75.31%		
Covered employee payroll	\$	2,781,826	\$	2,882,921		
Net pension liability as a percentage of						
covered employee payroll		21 9.4 5%		1 84 .76%		
Notes to Schedule:						

There have been no changes in benefits

There have been no changes in asumptions

Additional years will be added to this schedule annually until 10 years' data is presented

CITY OF AUBURNDALE, FLORIDA SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS Police Officers' Pension Plan September 30, 2015

The following information presents the changes in net pension liability for the Police Officers' pension plan:

	F	Police Officers	nsion Plan	
	Se	ptember 30, 2015	Se	ptember 30, 2014
Total pension liability				
Service cost	\$	351,180	\$	364,059
Interest		907,055		849,820
Change in excess State money		4,550		
Changes of benefit terms		16,945		
Differences between expected and actual experience		82,678		
Benefit payments and refunds		(609,037)		(349,828)
Net change in total pension liability		753,371		864,051
Total pension liability, beginning		11,709,939		10,845,888
Total pension liability, ending	\$	12,463,310	\$	11,709,939
Plan fiduciary net position				
Contributions - employer		438,270		459,488
Contributions - State of Florida		117,600		110,916
Contributions - employee		91,074		79,023
Net investment income		(37, 4 82)		986,394
Benefit payments and refunds		(609,037)		(349,828)
Administrative expenses		(4 1,68 1)		(35,838)
Net change in plan fiduciary net position		(41,256)		1,250,155
Plan fiduciary net position, beginning		9,976,81 4		8,726,659
Plan fiduciary net position, ending	\$	9,935,558	\$	9,976,814
Net pension liability	\$	2,527,752	\$	1,733,125
Plan fiduciary net position as a percentage of the total pension liability		79.72%		85.20%
Covered employee payroll	\$	1,873, 4 43	\$	1,517,015
Net pension liability as a percentage of	Ŧ		Ŧ	
covered employee payroll Notes to Schedule		134.93%		114.25%

Notes to Schedule:

For the year ended September 30, 2015, the supplemental benefit was increased from \$18.75 to \$19.35 per month for each year of credited service.

There have been no changes in asumptions

Additional years will be added to this schedule annually until 10 years' data is presented

CITY OF AUBURNDALE, FLORIDA SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS Firefighters' Pension Plan September 30, 2015

The following information presents the changes in net pension liability for the Firefighters' pension plan:

		sion Plan		
	Se	otember 30, 2015	Se	ptember 30, 2014
Total pension liability				
Service cost	\$	186,947	\$	148,322
Interest		625,808		608,158
Change in excess State money		5,219		
Changes of benefit terms		194,426		
Differences between expected and actual experience		81,662		
Benefit payments and refunds		(679,857)		(843,719)
Net change in total pension liability		414,205		(87,239)
Total pension liability, beginning		8,071,446		8,158,685
Total pension liability, ending	\$	8,485,651	\$	8,071,446
Plan fiduciary net position				
Contributions - employer		287,970		246,963
Contributions - State of Florida		112,882		106,823
Contributions - employee		54,857		79,065
Net investment income		(23,205)		650,566
Benefit payments and refunds		(679,857)		(843,719)
Administrative expenses		(45,619)		(34,752)
Net change in plan fiduciary net position		(292,972)		204,946
Plan fiduciary net position, beginning		6,384,033		6,179,087
Plan fiduciary net position, ending	\$	6,091,061	\$	6,384,033
Net pension liability	\$	2,394,590	\$	1,687,413
Plan fiduciary net position as a percentage of the total pension liability		71.78%		79.09%
Covered employee payroll	\$	951,460	\$	769,099
Net pension liability as a percentage of covered employee payroll		251.68%		219.40%
Natao ta Cabadula.				

Notes to Schedule:

For the year ended September 30, 2015, the supplemental benefit was increased from \$16.73 to \$21.49 per month for each year of credited service.

There have been no changes in asumptions

Additional years will be added to this schedule annually until 10 years' data is presented

The following information presents a schedule of contributions for the General Employees' Pension Plan:

		Contributions in Relation to			Contributions as a Percentage
Year	Actuarially	the Actuarially	Contribution	Covered	of Covered
Ended	Determined	Determined	Excess	Employee	Employee
September 30	<u>Contribution</u>	Contribution	(Deficiency)	Payroll	Payroll
2015	\$ 1,211,447	\$ 1,211,447	\$ -	\$ 2,781,826	43.55%
2014	\$ 1,179,108	\$ 1,179,108	\$ -	\$ 2,882,926	40.90%
2013	\$ 1,124,500	\$ 1,124,500	\$ -	\$ 2,998,667	37.50%
2012	\$ 799,848	\$ 799,848	\$ -	\$ 3,112,198	25.70%
2011	\$ 790,443	\$ 790,443	\$ -	\$ 3,307,293	23.90%
2010	\$ 367,955	\$ 367,955	\$ -	\$ 3,471,273	10.60%
2009	\$ 693,551	\$ 693,551	\$ -	\$ 3,210,884	21.60%
2008	\$ 679,952	\$ 679,952	\$ -	\$ 3,469,143	19.60%
2007	\$ 981,456	\$ 981,456	\$ -	Not available	
2006	\$ 926,576	\$ 926,576	\$ -	Not available	

Notes to Schedule of Contributions:

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Valuation date - for the September 30, 2015 contributions, the valuation date was as of October 1, 2013. Actuarial cost method - the entry age method is used.

Amortization method - level dollar

Remaining amortization period - 12 years as of October 1, 2013.

Asset valuation method - four year average market value (net of fees).

Inflation - 3.0%

Salary increases - 5.0%

Investment rate of return - 7.5%

Retirement age - later of age 59 and current age.

Mortality - RP-2000 combined projected to 2012 with scale AA.

CITY OF AUBURNDALE, FLORIDA SCHEDULE OF CONTRIBUTIONS Police Officers' Pension Plan September 30, 2015

The following information presents a schedule of contributions for the Police Officers' pension plan:

Year Ended <u>September 30</u>	۵	Actuarially Determined ontribution	ned Determ		E	ntribution Excess ficiency)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2015	\$	551,319	\$	551,319	\$	0	\$ 1,871,356	29.46%
2014	\$	570,398	\$	570,398	\$	0	\$ 1,517,015	37.60%
2013	\$	513,224	\$	513,224	\$	0	\$ 1,483,306	34.60%
2012	\$	442,163	\$	442,163	\$	0	\$ 1,546,023	28.60%
2011	\$	464,991	\$	464,991	\$	0	\$ 1,535,612	30.28%
2010	\$	391,895	\$	391,895	\$	0	\$ 1,671,141	23.45%
2009	\$	334,934	\$	334,934	\$	0	\$ 1,579,757	21.20%
2008	\$	237,435	\$	237,435	\$	0	\$ 1,470,281	16.15%
2007	\$	207,991	\$	207,991	\$	0	\$ 1,446,102	14.38%
2006	\$	200,414	\$	200,414	\$	0	\$ 1,232,703	16.26%

Notes to Schedule of Contributions:

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Valuation date - for the September 30, 2015 contributions, the valuation date was as of October 1, 2013.

Actuarial cost method - the entry age method is used.

Amortization method - level percentage of pay, closed.

Remaining amortization period - 29 years as of October 1, 2013.

Asset valuation method - historical geometric four year average market value (net of fees).

Inflation - 3.0%

Salary increases - 5.75%

Investment rate of return - 7.75%

Retirement age - earlier of age 55 with 10 years of service or 20 years of credited service regardless of age. Mortality - RP-2000 mortality table with no projection.

CITY OF AUBURNDALE, FLORIDA SCHEDULE OF CONTRIBUTIONS Firefighters' Pension Plan September 30, 2015

The following information presents a schedule of contributions for the Firefighters' pension plan:

Year Ended <u>September 30</u>	۵	Actuarially Determined ontribution	ir th	Contributions Relation to ne Actuarially Determined Contribution	ontribution Excess Deficiency)	Contributions as a Percentage of Covered Employee Payroll		
2015	\$	395,634	\$	395,634	\$ 0	\$ 951,460	41.58%	
2014	\$	353,786	\$	353,786	\$ 0	\$ 769.099	46.00%	
2013	\$, 326,546	\$	326,546	\$ 0	\$ 720,852	45.30%	
2012	\$	257,238	\$	257,238	\$ 0	\$ 730,788	35.20%	
2011	\$	264,678	\$	264,678	\$ 0	\$ 806,943	32.80%	
2010	\$	224,165	\$	216,063	\$ (8,102)	\$ 754,766	28.63%	
2009	\$	216,769	\$	216,769	\$ 0	\$ 755,203	28.70%	
2008	\$	143,976	\$	143,976	\$ 0	\$ 837,062	17.20%	
2007	\$	127,469	\$	136,583	\$ 9,114	\$ 802,481	17.02%	
2006	\$	114,407	\$	116,561	\$ 2,154	\$ 668,807	17.43%	

Notes to Schedule of Contributions:

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Valuation date - for the September 30, 2015 contributions, the valuation date was as of October 1, 2013. Actuarial cost method - the entry age method is used.

Amortization method - level percentage of pay, closed.

Remaining amortization period - 30 years as of October 1, 2013.

Asset valuation method - historical geometric four year average market value (net of fees).

Inflation - up to 3.0% per year (2.7% used for the 10-1-13 valuation)

Salary increases - 6.0%

Investment rate of return - 7.75%

Retirement age - earlier of age 55 with 10 years of service or 25 years of credited service regardless of age Mortality - RP-2000 mortality table with no projection.

OPEB TRUST - SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date		Actuarial Value of Assets (a)		Actuarial Accrued Liability (AAL) -Unit Credit (b)	 Unfunded AAL (UAAL) (b-a)	 Funded Portion (a/b)	 Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/01/2013	\$	11,294	\$	10,096,308	\$ 10,085,014	0.11%	\$ 6,420,552	157.07%
10/01/2012	\$	na	\$	na	\$ na	na	\$ na	na
10/01/2011	\$	9,548	\$	8,250,479	\$ 8,240,931	0.12%	\$ 6,716,979	122.69%
10/01/2010	\$	82,114	\$	14,465,835	\$ 14,383,721	0.57%	\$ 6,521,339	220.56%
10/01/2009	\$	214,277	\$	13,454,414	\$ 13,240,137	1.59%	\$ 6,331,397	209.12%
10/01/2008	\$	305,555	\$	10,610,631	\$ 10,305,076	2.88%	\$ 6,225,657	165.53%
An acuarial v	alua	tion was not	do	ne at 10/1/12				

COMPLIANCE



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members of the City Commission City of Auburndale, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Auburndale, Florida as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise City of Auburndale, Florida's basic financial statements, and have issued our report thereon dated February 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Auburndale, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Auburndale, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Auburndale, Florida's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Auburndale, Florida's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Brynjulfson CPA, P.A.

Honorable Mayor and Members of the City Commission City of Auburndale, Florida

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brynjutson CPA, P.A.

Brynjulfson CPA, P.A. Auburndale, Florida February 10, 2016



INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

Honorable Mayor and Members of the City Commission City of Auburndale, Florida

We have examined City of Auburndale, Florida's compliance with Section 218.415, Florida Statutes for the year ended September 30, 2015. Management is responsible for City of Auburndale, Florida's compliance with those requirements. Our responsibility is to express an opinion on City of Auburndale, Florida's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about City of Auburndale, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on City of Auburndale, Florida's compliance with specified requirements.

In our opinion, City of Auburndale, Florida complied, in all material respects, with the aforementioned requirements of Section 218.415, Florida Statutes for the year ended September 30, 2015.

Brynjutson CPA, P.A.

Brynjulfson CPA, P.A. Auburndale, Florida February 10, 2016 INDEPENDENT AUDITOR'S MANAGEMENT LETTER



MANAGEMENT LETTER

Honorable Mayor and Members of the City Commission City of Auburndale, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Auburndale, Florida as of and for the year ended September 30, 2015, and have issued our report thereon dated February 10, 2016.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance with the requirements of Section 218.415, Florida Statutes in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated February 10, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. For the legal authority of the City of Auburndale, Florida, see footnote A of the summary of significant accounting policies in the notes to financial statements.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, requires that we apply appropriate procedures and report the results of our determination as to whether or not City of Auburndale, Florida has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the City of Auburndale, Florida did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the City of Auburndale, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Brynjulfson CPA, P.A.

Honorable Mayor and Members of the City Commission City of Auburndale, Florida

Annual Financial Report

Section 10.554(1)(i)5.b.and 10.556(7), Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City of Auburndale, Florida for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, members of the City Commission, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Brynjutson CPA, P.A.

Brynjulfson CPA, P.A. Auburndale, Florida February 10, 2016



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MISCELLANEOUS STATISTICS



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CITY OF AUBURNDALE, FLORIDA MISCELLANEOUS STATISTICS (unaudited) As of September 30, 2015

Date of incorporation	1911
Form of Government	Commission - Manager
Area	20.76 miles or 13,289 acres
Population	14,832 estimated
Fire protection: Number of stations	1
Number of firemen and officers	·
(exclusive of volunteer firemen)	20
Police Protection:	
Number of stations	1
Number of policemen and officers	35
Municipal water departments:	
Total utility meters	11,982
Average daily consumption	4.483 MGD
Sewers:	
Sanitary and storm sewers	210 miles
Regional wastewater plant average flows	1.193 M GD
Allred facility average flows	.795 MGD
Recreation and culture:	
Number of parks	10
Number of libraries	1
Number of volumes	59,793
Employees:	
Full-time service	165
Part-time service	9_
Total	174_

APPENDIX C

FORM OF RESOLUTION

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CITY OF AUBURNDALE, FLORIDA

WATER AND SEWER SYSTEM REVENUE BOND RESOLUTION

ADOPTED AUGUST 15, 2016

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RESOLUTION NO. 2016-07

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF AUBURNDALE, FLORIDA AUTHORIZING THE ISSUANCE OF WATER AND SEWER SYSTEM REVENUE BONDS FROM TIME TO TIME FOR THE PRINCIPAL PURPOSES OF FINANCING AND ACOUISITION, CONSTRUCTION REFINANCING THE AND **EQUIPPING OF CAPITAL IMPROVEMENTS TO THE CITY'S WATER** AND SEWER UTILITY SYSTEM AND FOR OTHER LAWFUL PURPOSES; PLEDGING THE NET REVENUES OF THE CITY'S WATER AND SEWER UTILITY SYSTEM AND OTHER FUNDS TO SECURE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON BONDS ISSUED HEREUNDER; PROVIDING FOR PAYMENT OF THE BONDS FROM SUCH REVENUES AND OTHER FUNDS; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF BONDS ISSUED HEREUNDER: MAKING CERTAIN OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH BONDS ISSUED HEREUNDER; AND PROVIDING FOR AN EFFECTIVE DATE FOR THIS RESOLUTION.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF AUBURNDALE CITY COMMISSION that:

ARTICLE I GENERAL

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

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

"Act" shall mean Chapter 166, Part II, Florida Statutes, the Constitution of the State of Florida, and other applicable provisions of law.

"Additional Bonds" shall mean the obligations issued at any time under the provisions of Section 6.02 hereof on parity with any Outstanding Bonds.

"Annual Audit" shall mean the annual audit prepared pursuant to the requirements of Section 5.06 hereof.

"Annual Budget" shall mean the annual budget prepared pursuant to the requirements of Section 5.03 hereof.

"Annual Debt Service" shall mean the aggregate amount of Debt Service on the Bonds for each applicable Fiscal Year. Notwithstanding the foregoing, any interest payments or principal payments or Sinking Fund Installments with respect to any Outstanding Bonds or proposed Additional Bonds that are due and payable on October 1 shall be considered to be due and payable on the immediately preceding September 30 for purposes of determining Annual Debt Service for such Bonds hereunder.

"Authorized Investments" shall mean any investments that may be made by the Issuer under applicable law and which are allowed under the Issuer's investment policy.

"Authorized Issuer Officer" shall mean the Mayor (or his or her designee), the Clerk, and when used in reference to any act or document, also means any other person authorized by resolution of the Issuer to perform such act or sign such document.

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

"Bond Insurance Policy" shall mean the municipal bond new issue insurance policy or policies issued by an Insurer guaranteeing the payment of the principal of and interest on any portion of the Bonds.

"Bondholder" or **"Holder"** or **"holder"** or any similar term, when used with reference to a Bond or Bonds, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds as provided in the registration books of the Issuer.

"**Bonds**" shall mean any Bonds issued pursuant to this Resolution and any Subordinated Indebtedness which accedes to the status of Bonds pursuant to Section 6.04 hereof.

"Capital Appreciation Bonds" shall mean those Bonds of a Series so designated under the authority of the Issuer, whether by Supplemental Resolution, purchase contract, or otherwise, 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 redemption of such Bonds, such Bonds shall be considered Capital Appreciation Bonds only during the period of time prior to such conversion.

"Capital Government Grant," when used with respect to the System, shall mean any sum of money heretofore or hereafter received by the Issuer from the United States of America or any agency thereof or from the State of Florida or any agency or political subdivision thereof as or on account of a grant or contribution, not repayable by the Issuer, for or with respect to the construction, acquisition or other development of an addition, extension or improvement to any part of the System or any costs of any such construction, acquisition or development.

"Commission" means the City of Auburndale City Commission, or any successor entity.

"Clerk" shall mean the City Clerk of the Issuer, or such other person as may be duly authorized to act on his or her behalf, including but not limited to any Deputy Clerk.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations and rules thereunder in effect or proposed.

"Connection Fees" shall mean, collectively, the Sewer Connection Fees and the Water Connection Fees.

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

"Consulting Engineers" shall mean any engineering firm of reputation for skill and experience with respect to the construction, maintenance and operation of facilities similar to the facilities that make up all or a portion of the System, which is duly licensed under the laws of the State of Florida and designated by the Issuer to perform the duties of the Consulting Engineers under the provisions hereof.

"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 System during the period of acquisition and construction of such Project and for such period subsequent to completion as the Issuer shall determine and shall be allowable under applicable provisions of the Code; (6) engineering, legal and other consultant fees and expenses; (7) costs and expenses of the financing, including audits, fees and expenses of any Paying Agent, Registrar, escrow agent or depository; (8) amounts, if any, required by this Resolution to be paid into the Interest Account upon the issuance of any Series of Bonds; (9) 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 a Project for the System; (10) costs of machinery, equipment and supplies and reserves required by the Issuer for the commencement of operation of such Project; and (11) any other costs properly attributable to such construction or acquisition, as determined by generally accepted accounting principles applicable to public utility systems similar to the System, and shall include reimbursement to the Issuer for any such items of Cost heretofore paid by the Issuer and interest on any interfund loan related thereto. Any Supplemental Resolution may provide for additional items to be included in the aforesaid Costs.

"Counterparty" shall mean the entity entering into a Hedge Agreement with the Issuer. Counterparty shall also include any guarantor of such entity's obligations under such Hedge Agreement. "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 other credit or liquidity 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, an irrevocable letter of credit, a line of credit or other credit or legal liquidity facility (other than a Bond Insurance Policy), as approved in the Supplemental Resolution providing for the issuance of such Bonds.

"Debt Service" shall mean, at any time, the aggregate amount in the then applicable period of time of (1) interest required to be paid on the Outstanding Bonds during such period of time, except to the extent that such interest is to be paid from deposits in the Interest Account or Construction Fund made from Bond proceeds for such purpose, (2) principal of Outstanding Serial Bonds maturing in such period of time, and (3) the Sinking Fund Installments scheduled to be paid during such period of time. For purposes of this definition, (A) all amounts payable on a Capital Appreciation Bond shall be considered a principal payment in the year it becomes due, (B) with respect to debt service on any Bonds which relate to a Qualified Hedge Agreement, interest on such Bonds during the term of such Qualified Hedge Agreement shall be deemed to be the Hedge Payments coming due during such period of time, (C) if any Series of Bonds has 25% or more of the aggregate principal amount of such Series coming due in any one year, Debt Service shall be determined on such Series during such period of time as if the principal of and interest on such Series were being paid from the date of issuance thereof in substantially equal annual amounts over a period of 25 years, (D) the amount, if any, on deposit in the Reserve Account (or any subaccount thereof), on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Bonds which are secured by such Reserve Account (or subaccount thereof) and in each preceding year until such amount is exhausted, and (E) with respect to debt service on any Federal Subsidy Bonds, when determining the interest on such Bonds for any particular Interest Date the amount of the corresponding Federal Subsidy Payment shall be deducted from the amount of interest which is due and payable to the holders of such Bonds on the Interest Date, but only to the extent that the Issuer reasonably believes that it will be in receipt of such Federal Subsidy Payment on or prior to such Interest Date.

"Debt Service Reserve Fund Policy Agreement" shall mean any agreement securing the obligation of the Issuer to repay Policy Costs associated with a Reserve Account Letter of Credit or Reserve Account Insurance Policy.

"Federal Securities" shall mean non-callable direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of Treasury) or non-callable obligations the principal of and interest on which are unconditionally guaranteed by the United States of America. All such obligations shall not permit redemption prior to maturity at the option of the obligor.

"Federal Subsidy Bonds" shall mean bonds issued under Section 54AA of the Code, Section 1400U-2 of the Code or any other applicable provision of the Code, the interest on which is not exempt from federal income taxation, with respect to which the Issuer elects to receive, or is otherwise entitled to receive, Federal Subsidy Payments from the United States Department of the Treasury. **"Federal Subsidy Payments"** shall mean the direct payments made by the United States Department of the Treasury to the Issuer with respect to any Federal Subsidy Bonds pursuant to Sections 54AA(g), 6431 and 1400U-2 of the Code, or any other applicable provision of the Code.

"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.

"Fitch" means Fitch Ratings and any assigns and successors thereto.

"Gross Revenues" shall mean all income and moneys received by the Issuer from the rates, fees, rentals, charges and other income to be made and collected by the Issuer for the use of the products, services and facilities to be provided by the System, or otherwise received by the Issuer or accruing to the Issuer in the management and operation of the System, calculated in accordance with generally accepted accounting principles applicable to public utility systems similar to the System, including, without limiting the generality of the foregoing, (1) moneys deposited from the Rate Stabilization Fund into the Revenue Fund in accordance with the terms hereof, provided any moneys transferred from the Rate Stabilization Fund into the Revenue Fund within 120 days following the end of a Fiscal Year may be designated by the Issuer as Gross Revenues of such prior Fiscal Year, (2) proceeds from use and occupancy insurance on the System, (3) Investment Earnings, and (4) Operating Government Grants. "Gross Revenues" shall not include (A) Capital Government Grants, (B) proceeds of Bonds or other Issuer debt, (C) moneys deposited to the Rate Stabilization Fund from the Utility Reserve Fund, including any moneys transferred from the Utility Reserve Fund to the Rate Stabilization Fund within 120 days following the end of a Fiscal Year which the Issuer determines not to be Gross Revenues of such prior Fiscal Year, (D) Sewer Connection Fees, (E) Water Connection Fees, (F) Special Assessments Proceeds, unless subsequently pledged by Supplemental Resolution, and (G) any gain resulting from the valuation of investment securities or Hedge Agreements at market value and any other gain that does not require or result in the receipt of cash. Gross Revenues may include Special Assessments Proceeds and/or other revenues related to the System which are not enumerated in the definition of "Gross Revenues" if so authorized by Supplemental Resolution and if and to the extent the same shall be approved for inclusion by all Insurers and Credit Banks.

"Hedge Agreement" shall mean an agreement in writing between the Issuer and the Counterparty pursuant to which (1) the Issuer agrees to pay to the Counterparty an amount, either at one time or periodically, which may, but is not required to, be determined by reference to the amount of interest (which may be at a fixed or variable rate) payable on a notional amount specified in such agreement during the period specified in such agreement and (2) the Counterparty agrees to pay to the Issuer an amount, either at one time or periodically, which may, but is not required to, be determined by reference to the amount of interest (which may be determined by reference to the amount of interest (which may be at a fixed or variable rate) payable on all or a portion of a notional amount specified in such agreement during the period specified in such agreement. Hedge Agreement shall also include any financial product or agreement which is used by the Issuer as a hedging device with respect to its obligations to pay interest on Bonds, or any portion thereof, which is designated by the Issuer as a "Hedge Agreement."

"Hedge Payments" shall mean any amounts payable by the Issuer as interest on the related notional amount under a Qualified Hedge Agreement; excluding, however, any payments due as a penalty or a fee or by virtue of termination of a Qualified Hedge Agreement or any obligation to provide collateral.

"Hedge Receipts" shall mean any amounts receivable by the Issuer on the related notional amount under a Qualified Hedge Agreement.

"Insurer" shall mean such Person as shall be in the business of insuring or guaranteeing the payment of principal of and interest on municipal securities and whose credit is such that, at the time of any action or consent required or permitted by the Insurer pursuant to the terms of this Resolution, all municipal securities insured or guaranteed by it are then rated, because of such insurance or guarantee, in one of the three highest categories (without regard to gradations, such as "+" or "-" or "1, 2 or 3" of such categories) by at least one of the Rating Agencies.

"Interest Account" shall mean the separate account in the Sinking Fund established pursuant to Section 4.05(C) hereof.

"Interest Date" or "interest payment date" shall be such date or dates for the payment of interest on the Bonds as provided pursuant to Section 2.01 hereof and by Supplemental Resolution.

"Investment Earnings" shall mean all income and earnings derived from the investment of moneys in the funds and accounts established hereunder, other than the Rebate Fund.

"Issuer" shall mean the City of Auburndale, Florida, and also includes any authority or other governmental entity to which may hereafter be transferred some or all of the powers and responsibilities of the Issuer with respect to the ownership, financing, operation, enlargement, improvement and maintenance of the System.

"Maximum Annual Debt Service" shall mean the largest aggregate amount of the Annual Debt Service becoming due in any Fiscal Year in which Bonds are Outstanding.

"Maximum Interest Rate" shall mean, with respect to any particular Variable Rate Bonds, a numerical rate of interest, which shall be set forth in, or determined in accordance with, the Supplemental Resolution of the Issuer authorizing the issuance of such Bonds, or in such other documentation relating to such Variable Rate Bonds, that shall be the maximum rate of interest such Bonds may at any particular time bear.

"Mayor" shall mean the Mayor of the Issuer or, in his or her absence or unavailability, his or her duly appointed designee.

"Moody's" shall mean Moody's Investors Service, and any assigns and successors thereto.

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

"Operating Expenses" shall mean the Issuer's expenses for operation, maintenance and repairs with respect to the System and shall include, without limiting the generality of the foregoing, administration expenses, payments for the purchase of materials essential to or used in the operation of the System including bulk purchases of water or sewage services, fees for the management of the System or any portion thereof, accounting, legal and engineering expenses, ordinary and current rentals of equipment or other property, refunds of moneys lawfully due to others, payments to others for disposal of sewage or other wastes, payments to pension, retirement, health and hospitalization funds, and any other expenses required to be paid for or with respect to proper operation or maintenance of the System, including appropriate reserves therefor, all to the extent properly attributable to the System in accordance with generally accepted accounting principles applicable to public utility systems similar to the System, and disbursements for the expenses, liabilities and compensation of any Paying Agent or Registrar under this Resolution, but does not include any costs or expenses in respect of original construction or improvement other than expenditures necessary to prevent an interruption or continuance of an interruption of service or of Gross Revenues or minor capital expenditures necessary for the proper and economical operation or maintenance of the System, or any payments in lieu of taxes or franchise fees made to the Issuer's general fund, or any provision for interest, depreciation, amortization or similar charges, or any loss resulting from the valuation of investment securities or Hedge Agreements at market value and any other loss that does not require or result in the expenditure of cash.

"Operating Government Grant," when used with respect to the System, shall mean any sum of money heretofore or hereafter received by the Issuer from the United States of America or any agency thereof or from the State of Florida or any agency or political subdivision thereof as or on account of a grant or contribution, not repayable by the Issuer, for the purpose of funding Operating Expenses or paying Debt Service on Bonds or otherwise allowed by the terms thereof to be used to pay Operating Expenses or Debt Service.

"Operation and Maintenance Fund" shall mean the fund created pursuant to Section 4.05(B) hereof.

"Outstanding," when used with reference to Bonds and as of any particular date, shall describe all Bonds theretofore and thereupon being authenticated and delivered except, (1) any Bond in lieu of which other Bond or Bonds have been issued under agreement to replace lost, mutilated or destroyed Bonds, (2) any Bond surrendered by the Holder thereof in exchange for other Bond or Bonds under Sections 2.05 and 2.06 hereof, (3) Bonds deemed to have been paid pursuant to Section 9.01 hereof and (4) Bonds cancelled after purchase in the open market or because of payment at, or redemption prior to, maturity.

"Paying Agent" shall mean for each Series of Bonds, the paying agent appointed by the Issuer for such Series of Bonds and its successor or assigns, if any.

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

"Pledged Funds" shall mean (1) the Net Revenues, and (2) until applied in accordance with the provisions of this Resolution, all moneys, including investments thereof, in the funds and accounts established hereunder, except (A) as for the Rebate Fund, (B) to the extent moneys therein shall be required to pay the Operating Expenses of the System in accordance with the terms hereof, and (C) any moneys set aside in a particular subaccount of the Reserve Account if such moneys shall be pledged solely for the payment of a Series of Bonds for which it was established in accordance with the provisions hereof.

"Policy Costs" shall mean, collectively, the repayment of draws, reasonable expenses and interest related to a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit.

"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, (2) which are fully secured as to principal, redemption premium, if any, and interest by a fund held by a fiduciary consisting only of cash or Federal Securities, secured in substantially the manner set forth in Section 9.01 hereof, which fund may be applied only to the payment of such principal of, redemption premium, if any, and interest on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as the case may be, (3) as to which the principal of and interest on the Federal Securities, which have been deposited in such fund along with any cash on deposit in such fund are sufficient, as verified by an independent certified public accountant or other expert in such matters, 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 the irrevocable instructions referred to in clause (1) above and are not available to satisfy any other claims, including those against the fiduciary holding the same, and (4) which are rated in the highest rating category (without regard to gradations, such as "+" or "-" or "1, 2 or 3" of such categories) of one of the Rating Agencies.

"**Principal Account**" shall mean the separate account in the Sinking Fund established pursuant to Section 4.05(C) hereof.

"**Prior Lien Bonds**" shall mean (A) the Issuer's outstanding Water and Sewer Refunding Revenue Bonds, Series 2006, and (B) the Issuer's outstanding Water and Sewer Refunding Revenue Bonds, Series 2003, each of which have a first and prior lien on the Net Revenues.

"**Project**" shall mean any structure, property or facility for public use which the Issuer from time to time may determine to construct, acquire or equip as part of the System, together with all equipment, structures and other facilities necessary or appropriate in connection therewith which are financed in whole or in part with the indebtedness secured by this Resolution. This term is to be broadly construed as including any lawful undertaking which will accrue to the benefit of the System, including, without limitation, financing improvements to the Issuer's facilities, joint ventures and acquisition of partial interests or contractual rights, and including modification, disposal, replacement or cancellation of a Project previously authorized, should such modification, disposal, replacement or cancellation be permitted under this Resolution.

"Qualified Hedge Agreement" shall mean a Hedge Agreement with a Counterparty that at the time it enters into such Hedge Agreement is rated "A-" or better by Standard & Poor's and "A3" or better by Moody's.

"Rate Consultant" shall mean any accountant, engineer or consultant or firm of accountants, engineers or consultants chosen by the Issuer with reputation for skill and experience in reviewing and recommending rates, fees and charges for utility systems similar to the System.

"**Rate Stabilization Fund**" shall mean the "Rate Stabilization Fund" established pursuant to Section 4.05(H) hereof.

"Rating Agencies" means Fitch, Moody's and Standard & Poor's.

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

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

"Refunding Securities" shall mean Federal Securities and Prerefunded Obligations.

"**Registrar**" shall mean for each Series of Bonds, the bond registrar appointed by the Issuer for such Series of Bonds and its successor or assigns, if any.

"Reserve Account" shall mean the separate account in the Sinking Fund established pursuant to Section 4.05(C) hereof.

"Reserve Account Insurance Policy" shall mean the insurance policy deposited in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.06(B)(4).

"Reserve Account Letter of Credit" shall mean a letter of credit or line of credit or other credit facility (other than a Reserve Account Insurance Policy) deposited in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.06(B)(4) hereof.

"Reserve Account Requirement" shall mean, as of any date of calculation for the Reserve Account or any subaccount therein, an amount equal to the lesser of (1) Maximum Annual Debt Service for all Outstanding Bonds secured thereby, (2) 125% of the average Annual Debt Service for all Outstanding Bonds secured thereby, or (3) the maximum amount of Bond proceeds which may be deposited to the Reserve Account or subaccount without subjecting the same to yield restriction under the Code, or causing interest on any of the Bonds secured thereby (other than Taxable Bonds) to be included in gross income for purposes of federal income

taxation or otherwise violating applicable provisions of the Code; provided, however, the Issuer may establish by Supplemental Resolution a different Reserve Account Requirement with respect to any particular Series of Bonds pursuant to Section 4.06(B)(4) hereof, which Reserve Account Requirement may be \$0.00. In computing the Reserve Account Requirement in respect of a Series of Bonds that constitutes Variable Rate Bonds, the interest rate on such Bonds shall be assumed to be (A) if such Variable Rate Bonds have been Outstanding for at least 12 months prior to the date of calculation, the highest of (i) the actual rate of interest on the date of calculation, (ii) the average interest rate borne by such Variable Rate Bonds for the 12-month period immediately preceding each date of calculation, and (iii) the Bond Buyer Revenue Bond Index most recently published prior to the time of calculation, and (B) if such Variable Rate Bonds have not been Outstanding for at least 12 months prior to the date of calculation, the higher of (i) the actual rate of interest on the date of calculation, and (ii) the Bond Buyer Revenue Bond Index most recently published prior to the time of calculation, and (ii) the Bond Buyer Revenue Bond Index most recently published prior to the time of calculation, and (ii) the Bond Buyer Revenue Bond Index most recently published prior to the time of calculation. The Reserve Account Requirement shall be calculated as of April 1 of each year with respect to the next succeeding Fiscal Year.

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

"Revenue Fund" shall mean the fund created pursuant to Section 4.05(A) hereof.

"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 Section 2.01 hereof or a Supplemental Resolution authorizing the issuance by the Issuer of such Bonds as a separate Series, regardless of variations in maturity, interest rate, Sinking Fund Installments or other provisions.

"Sewer Connection Fees" shall mean the fees and charges, if any, which relate to acquiring, constructing, equipping or expanding the capacity of the sewer facilities of the System for the purpose of paying or reimbursing the equitable share of the capital cost relating to such acquisition, construction, expansion or equipping of capacity of the sewer facilities or expansion thereof in order to serve new users of the sewer facilities of the System, to the extent the same are lawfully levied, collected and pledged. "Sewer Connection Fees" include those fees and charges currently known under Florida law as "impact fees" but shall not include fees and charges imposed for the cost of physically hooking up or connecting to the System.

"Sinking Fund" shall mean the fund established pursuant to Section 4.05(C) hereof.

"Sinking Fund Installment" shall mean an amount designated as such by Supplemental Resolution of the Issuer and established with respect to the Term Bonds.

"Special Assessments" means any and all assessments against property benefited by the System or any part thereof, but special assessments shall be subject to the provisions and lien and pledge of this Resolution only if and to the extent provision for inclusion as part of the Gross Revenues has been made by Supplemental Resolution to be adopted by the Issuer.

"Special Assessments Fund" shall mean the fund created pursuant to Section 4.05(F) hereof.

"Special Assessments Proceeds" means the proceeds of Special Assessments pledged hereunder (principal and interest), whether paid at one time or in installments from time to time.

"Standard and Poor's" or "S&P" shall mean Standard and Poor's Ratings Services, and any assigns and successors thereto.

"State" shall mean the State of Florida.

"Subordinated Indebtedness" shall mean that indebtedness of the Issuer, subordinate and junior to the Bonds, issued in accordance with the provisions of Section 6.01 hereof or deemed subordinate and junior to the Bonds in accordance with the provisions hereof or in accordance with the provisions of such Subordinated Indebtedness.

"Supplemental Resolution" shall mean any resolution of the Issuer amending or supplementing this Resolution enacted and becoming effective in accordance with the terms of Sections 8.01, 8.02 and 8.03 hereof.

"System" shall mean any and all water production, transmission, treatment and distribution facilities, sewage collection, transmission, treatment and disposal facilities and reclaimed water (reuse) facilities now owned or hereafter owned by the Issuer, which System shall also include any and all improvements, extensions and additions thereto hereafter constructed or acquired either from the proceeds of Bonds or from any other sources, together with all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith, including all contractual rights, rights to capacity and obligations or undertakings associated therewith. "System" shall also include any other utility facilities if and to the extent the Issuer determines by Supplemental Resolution to include such utility or facilities within the System as described herein.

"Taxable Bonds" means any Bond, other than Federal Subsidy Bonds, 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. Except as otherwise provided herein, Taxable Bonds shall not include Federal Subsidy Bonds.

"Term Bonds" shall mean those Bonds which shall be designated as Term Bonds hereby or by Supplemental Resolution of the Issuer.

"Term Bonds Redemption Account" shall mean the separate account in the Sinking Fund established pursuant to Section 4.05(C) hereof.

"Utility Reserve Fund" shall mean the fund created pursuant to Section 4.05(H) hereof.

"Variable Rate Bonds" shall mean Bonds issued with a variable, adjustable, convertible or other similar rate which is not fixed in percentage for the entire term thereof at the date of issue.

"Water Connection Fees" shall mean the fees and charges, if any, which relate to acquiring, constructing, equipping or expanding the capacity of the water facilities of the System for the purpose of paying or reimbursing the equitable share of the capital cost relating to such acquisition, construction, expansion or equipping of capacity of the water facilities or expansion thereof in order to serve new users of the water facilities of the System, to the extent the same are lawfully levied, collected and pledged. "Water Connection Fees" include those fees and charges currently known under Florida law as "impact fees" but shall not include fees and charges imposed for the cost of physically hooking up or connecting to the System.

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

Words importing the masculine gender include every other gender.

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

SECTION 1.02. AUTHORITY FOR RESOLUTION. This Resolution is adopted pursuant to the provisions of the Act. The Issuer has ascertained and hereby determined that adoption of this Resolution is necessary to carry out the powers, purposes and duties expressly provided in the Act, that each and every matter and thing as to which provision is made herein is necessary in order to carry out and effectuate the purposes of the Issuer in accordance with the Act and to carry out and effectuate the plan and purpose of the Act, and that the powers of the Issuer herein exercised are in each case exercised in accordance with the provisions of the Act and in furtherance of the purposes of the Issuer.

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

SECTION 1.04. FINDINGS. It is hereby ascertained, determined and declared that:

(A) The Issuer has heretofore determined that it is necessary and in the best interests of the health, safety and welfare of the Issuer and its inhabitants that the Issuer own, operate, maintain, improve, manage and expand the System.

(B) It is necessary and desirable and in the best interests of the Issuer to borrow moneys from time to time to improve and expand the System and to refinance certain indebtedness related to the System.

(C) The Bonds issued hereunder shall be secured by the Pledged Funds as provided herein, and such Pledged Funds have not been pledged or encumbered except with respect to the Prior Lien Bonds and certain previously issued indebtedness which shall be refunded simultaneously with or prior to the first issuance of Bonds hereunder.

(D) The estimated Gross Revenues to be derived in each year hereafter from the operation of the System will be sufficient to pay all the Operating Expenses, the principal of and interest on the Prior Lien Bonds, the Bonds and Subordinated Indebtedness, as the same become due, and all other payments provided for in this Resolution.

(E) The principal of and interest on the Bonds and Subordinated Indebtedness and all other payments provided for in this Resolution will be paid solely from the Pledged Funds in accordance with the terms hereof; and the ad valorem taxing power of the Issuer will never be necessary or authorized to pay the principal of and interest on the Bonds and Subordinated Indebtedness, or to make any other payments provided for in this Resolution, and neither the Bonds nor any Subordinated Indebtedness shall constitute a lien upon the System or upon any other property whatsoever of or in the Issuer.

[Remainder of page intentionally left blank]

ARTICLE II AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS

SECTION 2.01. AUTHORIZATION OF BONDS. This Resolution creates an issue of Bonds of the Issuer to be designated as "City of Auburndale, Florida Water and Sewer System Revenue Bonds," which may be issued in one or more Series as hereinafter provided. The aggregate principal amount of the Bonds which may be executed and delivered under this Resolution is not limited except as is or may hereafter be provided in this Resolution or as limited by the Act.

The Bonds may, if and when authorized by the Issuer pursuant to this Resolution, be issued in one or more Series, with such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series as the Issuer may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

The Bonds shall be issued for such purpose or purposes; shall bear interest at such rate or rates not exceeding the maximum rate permitted by law; and shall be payable in lawful money of the United States of America on such dates; all as determined by Supplemental Resolution of the Issuer.

The Bonds shall be issued in such denominations and such form, whether coupon or registered; shall be dated such date; shall bear such numbers; shall be payable in such manner and at such place or places; shall contain such redemption provisions; shall have such Paying Agents and Registrars; shall mature in such years and amounts; shall bear interest at such rates, shall have such Interest Dates and the proceeds shall be used in such manner; all as determined or provided for by Supplemental Resolution of the Issuer. The Issuer may issue Bonds which may be secured by a Credit Facility or by a Bond Insurance Policy all as shall be determined by Supplemental Resolution of the Issuer. All other terms and provisions with respect to any Series of Bonds shall be determined in accordance with a Supplemental Resolution. The Governing Body may delegate approval of the terms, details and sale of a Series of Bonds to an Authorized Issuer Officer pursuant to a Supplemental Resolution.

SECTION 2.02. EXECUTION OF BONDS. The Bonds shall be executed in the name of the Issuer with the manual or facsimile signature of the Mayor, and the official seal of the Issuer shall be imprinted thereon, attested and countersigned with the manual or facsimile signature of the Clerk. In case any one or more of the officers who shall have signed or sealed any of the Bonds or whose facsimile signature shall appear thereon shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such Bond shall hold the proper office of the Issuer, although at the date of such Bond such person may not have held such office or may not have been so authorized. The Issuer may adopt and use for such purposes the facsimile signatures of any such persons who shall have held such offices at any time after the date of the adoption of this Resolution, notwithstanding that either or

both shall have ceased to hold such office at the time the Bonds shall be actually sold and delivered.

SECTION 2.03. AUTHENTICATION. No Bond of any Series shall be secured hereunder or entitled to the benefit hereof or shall be valid or obligatory for any purpose unless there shall be manually endorsed on such Bond a certificate of authentication by the Registrar or such other entity as may be approved by the Issuer for such purpose. Such certificate on any Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution. The form of such certificate shall be substantially in the form provided in Section 2.07 hereof.

SECTION 2.04. TEMPORARY BONDS. Until the definitive Bonds of any Series are prepared, the Issuer may execute, in the same manner as is provided in Section 2.02, and deliver, upon authentication by the Registrar pursuant to Section 2.03 hereof, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in denominations authorized by the Issuer by subsequent resolution and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Issuer, at its own expense, shall prepare and execute definitive Bonds, which shall be authenticated by the Registrar. Upon the surrender of such temporary Bonds for exchange, the Registrar, without charge to the Holder thereof, shall deliver in exchange therefor definitive Bonds, of the same aggregate principal amount and Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution. All temporary Bonds surrendered in exchange for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith cancelled by the Registrar.

SECTION 2.05. BONDS MUTILATED, DESTROYED, STOLEN OR LOST. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Issuer may, in its discretion, issue and deliver, and the Registrar shall authenticate, a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder furnishing the Issuer and the Registrar proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer and the Registrar may incur. All Bonds so surrendered shall be cancelled by the Registrar. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same or cause the Bond to be paid, upon being indemnified as aforesaid, and if such Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section 2.05 shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Bond be at any time found by anyone, and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien on the Pledged Funds to the same extent as all other Bonds issued hereunder.

SECTION 2.06. INTERCHANGEABILITY, NEGOTIABILITY AND TRANSFER. Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Bonds of the same Series and maturity of any other authorized denominations.

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

Each Bond shall be transferable only upon the books of the Issuer, at the office of the Registrar, under such reasonable regulations as the Issuer may prescribe, by the Holder thereof in person or by his 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 his duly authorized attorney. Upon the transfer of any such Bond, the Issuer shall issue, and cause to be authenticated, in the name of the transferee a new Bond or Bonds of the same aggregate principal amount and Series and maturity as the surrendered Bond. The Issuer, the Registrar and any Paying Agent or fiduciary of the Issuer may deem and treat the Person in whose name any Outstanding Bond shall be registered upon the books of the Issuer as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if applicable, and interest on such Bond and for all other purposes, and all such payments so made to any such Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid and neither the Issuer nor the Registrar nor any Paying Agent or other fiduciary of the Issuer shall be affected by any notice to the contrary.

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

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

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

SECTION 2.07. FORM OF BONDS. The text of the Bonds, except for Capital Appreciation Bonds and Variable Rate Bonds, the form of which shall be provided by Supplemental Resolution of the Issuer, shall be in substantially the following form with such omissions, insertions and variations as may be necessary and/or desirable and approved by the Mayor prior to the issuance thereof (which necessity and/or desirable and approval shall be presumed by such officer's execution of the Bonds and the Issuer's delivery of the Bonds to the purchaser or purchasers thereof):

[Remainder of page intentionally left blank]

UNITED STATES OF AMERICA STATE OF FLORIDA CITY OF AUBURNDALE, FLORIDA WATER AND SEWER SYSTEM REVENUE BOND, SERIES

Interest	Maturity	Date of	
Rate	Date	Original Issue	CUSIP

Registered Holder:

Principal Amount:

KNOW ALL MEN BY THESE PRESENTS, that the City of Auburndale, Florida, a municipal corporation and public body corporate and politic of the State of Florida (the "Issuer"), for value received, hereby promises to pay, solely from the Pledged Funds hereinafter described, to the Registered Holder identified above, or registered assigns as hereinafter provided, on the Maturity Date identified above, the Principal Amount identified above and to pay interest on such Principal Amount from the Date of Original Issue identified above or from the most recent interest payment date to which interest has been paid at the Interest Rate per annum identified above on ________ and ________ of each year commencing ________, until such Principal Amount shall have been paid, except as the provisions hereinafter set forth with respect to redemption prior to maturity may be or become applicable hereto.

Such Principal Amount and interest and the premium, if any, on this Bond are payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts. Such Principal Amount and the premium, if any, on this Bond, are payable at the designated corporate trust office of ______, _____, as Paying Agent. Payment of each installment of interest shall be made to the person in whose name this Bond shall be registered on the registration books of the Issuer maintained by ______, _____, as Registrar, at the close of business on the date which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding each interest payment date and shall be paid by a check of such Paying Agent mailed to such Registered Holder at the address appearing on such registration books or, at the request of such Registered Holder, by bank wire transfer for the account of such Holder. Interest shall be calculated on the basis of a 360-day year of twelve 30-day months.

\$

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of (the "Bonds") of like date, tenor and effect, except as to maturity date, interest rate, denomination and number, issued to finance _______, in and for the Issuer, under the authority of and in full compliance with the Constitution and laws of the State of Florida, particularly Chapter 166, Part II, Florida Statutes, and other applicable provisions of law (the "Act"), and Resolution No. 2016-07, adopted by the City of Auburndale City Commission on August 15, 2016, as the same may be amended and supplemented (collectively, the "Resolution"), and is subject to all the terms and conditions of the Resolution.

This Bond and the interest hereon are payable solely from and secured by a lien upon and a pledge of (1) the Net Revenues (as defined in the Resolution) to be derived from the operation of the Issuer's water and sewer utility system (the "System"), and (2) until applied in accordance with the provisions of the Resolution, all moneys, including investments thereof, in the funds and accounts established by the Resolution, except (A) as for the Rebate Fund, (B) to the extent moneys therein shall be required to pay the Operating Expenses (as defined in the Resolution) and (C) any moneys set aside in a particular subaccount of the Reserve Account, if such moneys shall be pledged solely for the payment of a different Series of Bonds for which it was established in accordance with the provisions of the Resolution, subject in each case to the application thereof for the purposes and on the conditions permitted by the Resolution (collectively, the "Pledged Funds"), subject to the lien on the Net Revenues of certain Prior Lien Bonds, as provided in the Resolution. It is expressly agreed by the Registered Holder of this Bond that the full faith and credit of the Issuer are not pledged to the payment of the principal of, premium, if any, and interest on this Bond and that such Holder shall never have the right to require or compel the exercise of any taxing power of the Issuer to the payment of such principal, premium, if any, and interest. This Bond and the obligation evidenced hereby shall not constitute a lien upon the System or any other property of the Issuer, but shall constitute a lien only on, and shall be payable solely from, the Pledged Funds in accordance with the terms of the Resolution.

IT IS EXPRESSLY AGREED BY THE REGISTERED HOLDER OF THIS BOND THAT THE FULL FAITH AND CREDIT OF THE ISSUER, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, ARE NOT PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THIS BOND AND THAT SUCH HOLDER SHALL NEVER HAVE THE RIGHT TO REQUIRE OR COMPEL THE EXERCISE OF ANY TAXING POWER OF THE ISSUER, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF, TO THE PAYMENT OF SUCH PRINCIPAL, PREMIUM, IF ANY, AND INTEREST. THIS BOND AND THE OBLIGATION EVIDENCED HEREBY SHALL NOT CONSTITUTE A LIEN UPON ANY PROPERTY OF THE ISSUER, BUT SHALL CONSTITUTE A LIEN ONLY ON, AND SHALL BE PAYABLE SOLELY FROM, THE PLEDGED FUNDS. THE ISSUER MAY ISSUE ADDITIONAL OBLIGATIONS ON PARITY WITH THE BONDS IN ACCORDANCE WITH THE TERMS OF THE RESOLUTION.

[The Issuer has established a book-entry system of registration for the Bonds. Except as specifically provided otherwise in the Resolution, an agent will hold this Bond on behalf of the beneficial owner thereof. By acceptance of a confirmation of purchase, delivery or transfer, the beneficial owner of this Bond shall be deemed to have agreed to such arrangement.] This Bond is transferable in accordance with the terms of the Resolution only upon the books of the Issuer kept for that purpose at the designated corporate trust office of the Registrar by the Registered Holder hereof in person or by his attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Holder or his attorney duly authorized in writing, and thereupon a new Bond or Bonds in the same aggregate principal amount shall be issued to the transferee in exchange therefor, and upon the payment of the charges, if any, therein prescribed. The Bonds are issuable in the form of fully registered Bonds in the denomination of [\$5,000 and any integral multiple thereof,] not exceeding the aggregate principal amount of the Bonds. The Issuer, the Registrar and any Paying Agent may treat the Registered Holder of this Bond as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and shall not be affected by any notice to the contrary. The Issuer shall not be obligated to make any exchange or transfer of the Bonds during the 15 days next preceding an interest payment date or, in the case of any proposed redemption of the Bonds, then, for the Bonds subject to such redemption, during the 15 days next preceding of notice of such redemption.

(INSERT REDEMPTION PROVISIONS)

Redemption of this Bond under the preceding paragraphs shall be made as provided in the Resolution upon notice given by first class mail sent at least 30 days prior to the redemption date to the Registered Holder hereof at the address shown on the registration books maintained by the Registrar; provided, however, that failure to mail notice to the Registered Holder hereof, or any defect therein, shall not affect the validity of the proceedings for redemption of other Bonds as to which no such failure or defect has occurred. In the event that less than the full principal amount hereof shall have been called for redemption, the Registered Holder hereof shall surrender this Bond in exchange for one or more Bonds in an aggregate principal amount equal to the unredeemed portion of principal, as provided in the Resolution.

[As long as the book-entry only system is used for determining beneficial ownership of the Bonds, notice of redemption will only be sent to Cede & Co. Cede & Co. will be responsible for notifying the DTC Participants, who will in turn be responsible for notifying the beneficial owners of the Bonds. Any failure of Cede & Co. to notify any DTC Participant, or of any DTC Participant to notify the beneficial owner of any such notice, will not affect the validity of the redemption of the Bonds.]

Reference to the Resolution and any and all resolutions supplemental thereto and modifications and amendments thereof and to the Act is made for a description of the pledge and covenants securing this Bond, the nature, manner and extent of enforcement of such pledge and covenants, and the rights, duties, immunities and obligations of the Issuer.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond, exist, have happened and have been performed, in regular and due form and time as required by the laws and Constitution of the State of Florida applicable thereto, and that the issuance of the Bonds does not violate any constitutional or statutory limitations or provisions. Neither the members of the City Commission of the Issuer nor any person executing this Bond shall be liable personally hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

[This Bond is one of a series of Bonds which were validated by judgment of the Circuit Court of the Tenth Judicial Circuit of Florida in and for Polk County, Florida, rendered on ______,___.]

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

IN WITNESS WHEREOF, the City of Auburndale, Florida has issued this Bond and has caused the same to be executed by the manual or facsimile signature of its Mayor and attested by the manual or facsimile signature of its City Clerk, and its corporate seal or a facsimile thereof to be affixed or reproduced hereon, all as of Date of Original Issue.

CITY OF AUBURNDALE, FLORIDA

(SEAL)

Mayor

ATTEST:

City Clerk

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the Issue described in the within-mentioned Resolution.

DATE OF AUTHENTICATION:

Registrar

By:_____ Authorized Officer

[Unless this certificate is presented by an authorized representative of The Depository Trust Company to the Issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by the authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.]

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

Insert Social Security or Other Identifying Number of Assignee

(Name and Address of Assignee)

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

Dated:

Signature guaranteed:

NOTICE: Signature must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program. **NOTICE:** The signature to this assignment must correspond with the name of the Registered Holder as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or other identifying number of such assignee must be supplied. The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common

TEN ENT as tenants b	by the entireties
----------------------	-------------------

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

UNIF TRANS MIN ACT --

(Cust.)

Custodian for _____

under Uniform Transfers to Minors Act of

(State)

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

ARTICLE III REDEMPTION OF BONDS

SECTION 3.01. PRIVILEGE OF REDEMPTION. The terms of this Article III shall apply to redemption of Bonds other than Capital Appreciation Bonds or Variable Rate Bonds. The terms and provisions relating to redemption of Capital Appreciation Bonds and Variable Rate Bonds shall be provided by Supplemental Resolution. The provisions of this Article III may also be modified pursuant to Supplemental Resolution to accommodate any redemption provisions with respect to Federal Subsidy Bonds.

SECTION 3.02. SELECTION OF BONDS TO BE REDEEMED. The Bonds shall be redeemed only in the principal amount of \$5,000 each and integral multiples thereof. The Issuer shall, at least 45 days prior to the redemption date (unless a shorter time period shall be satisfactory to the Registrar) notify the Registrar of such redemption date and of the principal amount of Bonds to be redeemed and, if less than all of the Outstanding Bonds are to be redeemed, the particular maturities and portions thereof 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 45 days and not less than 35 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 a Term Bond is to be redeemed the aggregate principal amount to be redeemed shall be allocated to the Sinking Fund Installments on a pro-rata basis unless the Issuer, in its discretion, designates a different allocation.

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

SECTION 3.03. NOTICE OF REDEMPTION. Notice of such redemption, which shall specify the Bond or Bonds (or portions thereof) to be redeemed and the date and place for redemption, shall be given by the Registrar on behalf of the Issuer, and (A) shall be filed with the Paying Agents of such Bonds, (B) shall be mailed first class, postage prepaid, not less than 30 days nor more than 45 days prior to the redemption date to all Holders of Bonds to be redeemed at their addresses as they appear on the registration books kept by the Registrar as of the date of mailing of such notice, and (C) shall be mailed, certified mail, postage prepaid, at least 35 days prior to the redemption date to the registered securities depositories and one or more nationally recognized municipal bond information services as hereinafter provided in this Section 3.03. Failure to mail such notice to such depositories or services or the Holders of the Bonds to be redeemed, or any defect therein, shall not affect the proceedings for redemption of Bonds as to which no such failure or defect has occurred. Such notice shall also be mailed to the Insurer or Credit Bank, if any, of such redeemed Bonds. Failure of any Holder to receive any notice mailed as herein provided shall not affect the proceedings for redemption of such Holder's

Bonds. Notice of optional redemption of Bonds may be sent if the Issuer reasonably determines it shall have sufficient funds available to pay the Redemption Price of and interest on the Bonds called for redemption on the redemption date, and may be conditioned upon receipt of such funds. Notwithstanding the foregoing, the Issuer may establish separate redemption provisions by a Supplemental Resolution in connection with any Series of Bonds.

Each notice of redemption shall state: (1) the CUSIP numbers and any other distinguishing number or letter of all Bonds being redeemed, (2) the original issue date of such Bonds, (3) the maturity date and rate of interest borne by each Bond being redeemed, (4) the redemption date, (5) the Redemption Price, (6) the date on which such notice is mailed, (7) if less than all Outstanding Bonds are to be redeemed, the certificate number (and, in the case of a partial redemption of any Bond, the principal amount) of each Bond to be redeemed, (8) that on such redemption date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable, (9) that the Bonds to be redeemed, whether as a whole or in part, are to surrendered for payment of the Redemption Price at the designated office of the Registrar at an address specified, (10) the name and telephone number of a person designated by the Registrar to be responsible for such redemption, (11) unless sufficient funds have been set aside by the Issuer for such purpose prior to the mailing of the notice of redemption, that such redemption is conditioned upon the deposit of sufficient funds for such purpose on or prior to the date set for redemption, and (12) any other conditions that must be satisfied prior to such redemption.

In addition to the mailing of the notice described above, each notice of redemption and payment of the Redemption Price shall meet the following requirements; provided, however, the failure to provide such further notice of redemption or to comply with the terms of this paragraph shall not in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above:

(A) Each further notice of redemption shall be sent by certified mail or overnight delivery service or telecopy to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds and to two or more national information services which disseminate notices of prepayment or redemption of obligations such as the Bonds.

(B) Each further notice of redemption shall be sent to such other Person, if any, as shall be required by applicable law or regulation.

The Issuer may provide that a redemption may be contingent upon the occurrence of certain condition(s) and that if such condition(s) do not occur the notice of redemption will be rescinded, provided notice of rescission shall be mailed in the manner described above to all affected Bondholders as soon as practicable.

SECTION 3.04. REDEMPTION OF PORTIONS OF BONDS. Any Bond which is to be redeemed only in part shall be surrendered at any place of payment specified in the notice of redemption (with due endorsement by, or written instrument of transfer in form

satisfactory to the Registrar duly executed by, the Holder thereof or his 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 any authorized denomination, as requested by such Holder in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bonds so surrendered.

SECTION 3.05. PAYMENT OF REDEEMED BONDS. Notice of redemption having been given substantially as aforesaid, the Bonds or portions of Bonds so 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. All Bonds which have been redeemed shall be cancelled and destroyed by the Registrar and shall not be reissued.

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ARTICLE IV SECURITY; FUNDS AND ACCOUNTS; APPLICATION OF GROSS REVENUES

SECTION 4.01. BONDS NOT TO BE INDEBTEDNESS OF ISSUER. The Bonds shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of any constitutional or statutory provision, but shall be special obligations of the Issuer, payable solely from and secured by a lien upon and pledge of the Pledged Funds, in the manner and to the extent provided in this Resolution. No Holder of any Bond shall ever have the right to compel the exercise of any ad valorem taxing power to pay such Bond, or be entitled to payment of such Bond from any moneys of the Issuer except from the Pledged Funds in the manner and to the extent provided herein. The Bonds and the obligations evidenced thereby shall not constitute a lien upon the System or any other property of the Issuer, but shall constitute a lien only on, and shall be payable solely from, the Pledged Funds.

SECTION 4.02. SECURITY FOR BONDS. The payment of the principal of or Redemption Price, if applicable, and interest on the Bonds shall be secured forthwith equally and ratably by a pledge of and lien upon the Pledged Funds; provided, however, a Series of Bonds may be further secured by a Credit Facility or Bond Insurance Policy in addition to the security provided herein; and provided further that a Series of Bonds may be secured independently of any other Series of Bonds by the establishment of a separate subaccount in the Reserve Account for such Series of Bonds or by not being secured in any manner by the Reserve Account as provided in a Supplemental Resolution. Issuers of a Reserve Account Insurance Policy or Reserve Account Letter of Credit shall be secured in accordance with the provisions hereof. In addition, the Issuer does hereby irrevocably pledge and grant a lien upon the Pledged Funds to the payment of the Policy Costs in accordance with the provisions hereof; provided, however, such pledge and lien shall be junior and subordinate in all respects to the pledge of and lien upon such Pledged Funds granted hereby to the Bondholders. The Issuer does hereby irrevocably pledge the Pledged Funds to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds in accordance with the provisions hereof. Except as otherwise provided by Supplemental Resolution, the obligation of the Issuer to make Hedge Payments to a Counterparty pursuant to a Qualified Hedge Agreement shall be on parity with the Bonds as to lien on and pledge of the Pledged Funds in accordance with the terms hereof (any other payments related to a Qualified Hedge Agreement, including fees, penalties, termination payments and the obligation to collateralize, shall be Subordinated Indebtedness of the Issuer).

The Pledged Funds shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer.

SECTION 4.03. SEPARATE ACCOUNTS. The moneys required to be accounted for in each of the funds, accounts and subaccounts established in this Resolution, particularly those described in this Article IV, may be deposited in a single bank account, and funds allocated to the various funds, accounts and subaccounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds, accounts and subaccounts as herein provided.

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

SECTION 4.04. CONSTRUCTION FUND. The Issuer covenants and agrees to establish a special fund to be known as the "City of Auburndale, Florida Water and Sewer System Construction Fund," which shall be used only for payment of the Cost of a Project. Moneys in the Construction Fund, until applied in payment of any item of the Cost of a Project in the manner hereinafter provided, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders.

There shall be paid into the Construction Fund the amounts required to be so paid by the provisions of this Resolution, and there may be paid into the Construction Fund, at the option of the Issuer, any moneys received for or in connection with a Project by the Issuer from any other source. The Issuer shall establish within the Construction Fund a separate account for each Project the Cost of which is to be paid in whole or in part out of the Construction Fund.

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

Any moneys received by the Issuer from the State or from the United States of America or any agencies thereof for the purpose of financing part of the Cost of a Project shall be deposited into the appropriate account of the Construction Fund and used in the same manner as other Bond proceeds are used therein; provided that separate accounts or subaccounts may be established in the Construction Fund for moneys received pursuant to the provisions of this paragraph whenever required by Federal or State law.

The Issuer covenants that the acquisition, construction and installation of each Project will be completed without delay and in accordance with sound engineering practices. The Issuer shall make disbursements or payments from the applicable account of the Construction Fund to pay Costs of the Project for which it was established, except as otherwise provided below. The Issuer shall keep records of such disbursements and payments and shall retain all such records for such period of time as required by applicable law. The Issuer shall make available the records at all reasonable times for inspection by any Holder of any of the Bonds or the agent or representative of any Holder of any of the Bonds.

Notwithstanding any of the other provisions of this Section 4.04, to the extent that other moneys are not available therefor, amounts in an account of the Construction Fund shall be applied to the payment of principal and interest on Bonds.

The date of completion of the acquisition, construction and equipping of a Project shall be documented by an Authorized Issuer Officer or the Clerk in the appropriate records of the Issuer. Promptly after the date of the completion of a Project, and after paying or making provision for the payment of all unpaid items of the Cost of such Project, the Issuer shall deposit in the following order of priority any balance of moneys remaining in an account in the Construction Fund in (A) another account of the Construction Fund for which an Authorized Issuer Officer has determined that there are insufficient moneys present to pay the Cost of the related Project, (B) the Reserve Account, to the extent of a deficiency therein, and (C) such other fund or account established hereunder as shall be determined by the Issuer or for any other lawful purpose, provided the Issuer has received the prior approval of Bond Counsel to the effect that such transfer shall not adversely affect the exclusion, if any, of interest on the Bonds (other than Taxable Bonds) from gross income for purposes of Federal Income taxation or shall not otherwise affect the status of any Outstanding Bonds issued as Federal Subsidy Bonds or the Issuer's receipt of Federal Subsidy Payments with respect to any Outstanding Federal Subsidy Bonds.

SECTION 4.05. CREATION OF FUNDS AND ACCOUNTS. The Issuer covenants and agrees to establish the following funds and accounts:

(A) The "City of Auburndale, Florida Water and Sewer System Revenue Fund."

(B) The "City of Auburndale, Florida Water and Sewer System Operation and Maintenance Fund."

(C) The "City of Auburndale, Florida Water and Sewer System Sinking Fund." The Issuer shall maintain four separate accounts in the Sinking Fund: the "Interest Account," the "Principal Account," the "Term Bonds Redemption Account" and the "Reserve Account."

(D) The "City of Auburndale, Florida Water and Sewer System Special Assessments Fund."

(E) Reserved.

(F) The "City of Auburndale, Florida Water and Sewer System Utility Reserve Fund."

(G) The "City of Auburndale, Florida Water and Sewer System Rebate Fund."

(H) The "City of Auburndale, Florida Water and Sewer System Rate Stabilization Fund."

Moneys in the aforementioned funds and accounts (except for moneys in the Rebate Fund), until applied in accordance with the provisions hereof, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders, to the extent provided herein.

The Issuer may at any time and from time to time appoint one or more depositaries to hold, for the benefit of the Bondholders, any one or more of the funds and accounts established hereby. Such depositary or depositaries shall perform at the direction of the Issuer the duties of the Issuer in depositing, transferring and disbursing moneys to and from each of such funds or accounts as herein set forth, and all records of such depositary in performing such duties shall be open at all reasonable times to inspection by the Issuer and its agents and employees. Any such depositary shall be a bank or trust company duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, and be qualified under applicable State law.

Notwithstanding the foregoing, none of the aforementioned funds and accounts are required to be established prior to the time any such fund or account is required to be funded or otherwise utilized hereunder.

SECTION 4.06. DISPOSITION OF GOVERNMENT GRANTS, GROSS REVENUES AND SPECIAL ASSESSMENTS. (A) (1) In the event the Issuer receives a Government Grant, the use and withdrawal of moneys from such Government Grant shall be governed by the terms of the Government Grant and applicable law.

(2) The Issuer shall deposit promptly, as received, after application with respect to the Prior Lien Bonds, all Gross Revenues (other than subsequently pledged Special Assessments Proceeds) into the Revenue Fund.

Moneys in the Revenue Fund shall first be used each month, once the Issuer's Series 2006 Bonds have been fully repaid, to deposit in the Operation and Maintenance Fund such sums as are necessary to pay Operating Expenses for the ensuing month; provided the Issuer may transfer moneys from the Revenue Fund to the Operation and Maintenance Fund at any time to pay Operating Expenses to the extent there is a deficiency in the Operation and Maintenance Fund for such purpose. Amounts in the Operation and Maintenance Fund shall be paid out from time to time by the Issuer for Operating Expenses, including any expenses relating to the purchase or redemption of Term Bonds as provided in Section 4.06(B)(3) hereof.

The remaining moneys in the Revenue Fund shall be applied in accordance with Section 4.06(B) hereof.

(3) To the extent Special Assessments Proceeds are made a component of the Gross Revenues, the Issuer shall deposit promptly, as received, all Special Assessments Proceeds into the Special Assessments Fund.

In the event the Issuer by Supplemental Resolution provides for all or a portion of any Special Assessments to secure the payment of all or a portion of a particular Series of Bonds, the Issuer may establish separate accounts or subaccounts for the deposit of such Special Assessments if necessary to provide for the earlier redemption of such Bonds from such Special Assessments.

Moneys in the Special Assessments Fund shall be applied in accordance with Section 4.06(B) hereof.

(B) Any deposits remaining in the Revenue Fund after the aforementioned transfers to the Operation and Maintenance Fund and all moneys at any time on deposit in the Special Assessments Fund (subject to the provisions above regarding earlier redemption of Bonds) shall be disposed of by the Issuer on or before the 25th day of each month, commencing in the month

immediately following the delivery of any of the Bonds to the purchasers thereof, or such later date as hereinafter provided, first from the Special Assessments Fund and then from the Revenue Fund in the following manner and in the following order of priority:

Interest Account. The Issuer shall deposit or credit to the Interest Account the (1)sum which, together with the balance in said Account, shall equal the interest on all Bonds Outstanding (except as to Capital Appreciation Bonds) accrued and unpaid and to accrue to the end of the then current calendar month. All Hedge Receipts and Federal Subsidy Payments shall be deposited directly to the Interest Account upon receipt. With respect to interest on Bonds which have corresponding Hedge Payments, interest on such Bonds during the term of the Qualified Hedge Agreement shall also be deemed to include the corresponding Hedge Payments. Moneys in the Interest Account shall be applied by the Issuer (a) for deposit with the Paying Agents to pay the interest on the Bonds on or prior to the date the same shall become due and (b) for Hedge Payments. Any Federal Subsidy Payments deposited to the Interest Account shall be deemed to have been applied to the payment of interest on the Federal Subsidy Bonds to which such Payments relate. The Issuer shall adjust the amount of the deposit to the Interest Account not later than a 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. No further deposit need be made to the Interest Account when the moneys therein are equal to the interest coming due on the Outstanding Bonds on the next succeeding Interest Date. With respect to debt service on any Bonds which are subject to a Qualified Hedge Agreement, any Hedge Payments due to the Counterparty to the Qualified Hedge Agreement relating to such Bonds shall be paid to such Counterparty on a parity basis with the aforesaid required payments into the Sinking Fund. In computing the interest on Variable Rate Bonds which shall accrue during a calendar month, the interest rate on such Variable Rate Bonds shall be assumed to be (A) if such Variable Rate Bonds have been Outstanding for at least 24 months prior to the commencement of such calendar month, the highest average interest rate borne by such Variable Rate Bonds for any 30-day period, and (B) if such Variable Rate Bonds have not been Outstanding for at least 24 months prior to the date of calculation, the Bond Buyer Revenue Bond Index most recently published prior to the commencement of such calendar month.

Principal Account. Commencing in the month which is one year prior to the first (2)principal payment date (or if the first principal payment is less than one year after the issuance of a Series of Bonds, the first month after such issuance), the Issuer shall next deposit into the Principal Account the sum which, together with the balance in said Account, shall equal the principal amounts on all Bonds Outstanding accrued and unpaid and that portion of the principal next due which would have accrued on such Bonds during the then current calendar month if such principal amounts were deemed to accrue monthly (assuming that a year consists of 12 equivalent calendar months having 30 days each) except for the Sinking Fund Installments to be deposited pursuant to Section 4.06(B)(3) hereof, in equal amounts from the next preceding principal payment due date, or, if there be no such preceding payment due date, from a date no later than one year preceding the due date of such principal amount. Moneys in the Principal Account shall be applied by the Issuer for deposit with the Paying Agents to pay the principal of the Bonds on or prior to the date the same shall mature, and for no other purpose. Serial Capital Appreciation Bonds shall be payable from the Principal Account in the years in which such Bonds mature and monthly payments into the Principal Account on account of such Bonds shall commence in the twelfth month immediately preceding the maturity date of such Bonds. The

Issuer shall adjust the amount of the deposit to the Principal Account not later than the month immediately preceding any principal payment date so as to provide sufficient moneys in the Principal Account to pay the principal on Bonds becoming due on such principal payment date. No further deposit need be made to the Principal Account when the moneys therein are equal to the principal coming due on the Outstanding Bonds on the next succeeding principal payment date.

Term Bonds Redemption Account. Commencing in the month which is one year (3)prior to the first Sinking Fund Installment due date, there shall be deposited to the Term Bonds Redemption Account the sum which, together with the balance in such Account, shall equal the Sinking Fund Installments on all Bonds Outstanding accrued and unpaid and that portion of the Sinking Fund Installments of all Bonds Outstanding next due which would have accrued on such Bonds during the then current calendar month if such Sinking Fund Installments were deemed to accrue monthly (assuming that a year consists of 12 equivalent calendar months having 30 days each) in equal amounts from the next preceding Sinking Fund Installment due date, or, if there is no such preceding Sinking Fund Installment due date, from a date not later than one year preceding the due date of such Sinking Fund Installment. Moneys in the Term Bonds Redemption Account shall be used to purchase or redeem Term Bonds in the manner herein provided, and for no other purpose. Term Capital Appreciation bonds shall be payable from the Term Bonds Redemption Account in the years in which such Bonds mature and monthly payments into the Terms Bonds Redemption Account on account of such Bonds shall commence in the twelfth month immediately preceding the due date of the related Sinking Fund Installments. The Issuer shall adjust the amount of the deposit to the Term Bonds Redemption Account in the month immediately preceding any Sinking Fund Installment Date so as to provide sufficient moneys in the Term Bonds Redemption Account to pay the Sinking Fund Installments becoming due on such date. Payments to the Term Bonds Redemption Account shall be on parity with payments to the Principal Account.

Amounts accumulated in the Term Bonds Redemption Account with respect to any Sinking Fund Installment (together with amounts accumulated in the Interest Account with respect to interest, if any, on the Term Bonds for which such Sinking Fund Installment was established) may be applied by the Issuer, on or prior to the 60th day preceding the due date of such Sinking Fund Installment, (a) to the purchase of Term Bonds of the Series and maturity for which such Sinking Fund Installment was established, or (b) to the redemption at the applicable Redemption Prices of such Term Bonds, if then redeemable by their terms. Amounts in the Term Bonds Redemption Account which are used to redeem Term Bonds shall be credited against the next succeeding Sinking Fund Installment which shall become due on 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 Term Bonds Redemption Account until such Sinking Fund Installment date, for the purposes of calculating the amount of such Account. As soon as practicable after the 60th day preceding the due date of any such Sinking Fund Installment, the Issuer shall proceed to call for redemption on such due date, by causing notice to be given as provided in Section 3.03 hereof, Term Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Term Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. The Issuer shall pay out of the Term Bonds Redemption Account and the Interest Account to the

appropriate 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 Operation and Maintenance Fund.

Reserve Account. There shall be deposited to the Reserve Account an amount (4) which would enable the Issuer to restore the funds on deposit in the Reserve Account to an amount equal to the Reserve Account Requirement applicable thereto. All deficiencies in the Reserve Account must be made up no later than 12 months from the date such deficiency first occurred, whether such shortfall was caused by an increase in the applicable Reserve Account Requirement, a decrease in the aggregate market value of the investments therein of more than 5% or withdrawal (whether from cash or a Reserve Account Insurance Policy or Reserve Account Letter of Credit). On or prior to each principal payment date and Interest Date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), 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 Term Bonds Redemption Account shall be insufficient for such purpose, but only to the extent the moneys transferred from the Utility Reserve Fund for such purposes pursuant to Section 4.06(B)(6) hereof shall be inadequate to fully provide for such insufficiency. Whenever there shall be surplus moneys in the Reserve Account by reason of a decrease in the Reserve Account Requirement or as a result of a deposit in the Reserve Account of a Reserve Account Letter of Credit or a Reserve Account Insurance Policy, such surplus moneys, to the extent practicable, shall be deposited by the Issuer into the Utility Reserve Fund. The Issuer shall promptly inform each Insurer and Credit Bank of any draw upon the Reserve Account for purposes of paying the principal of and interest on the Bonds.

Upon the issuance of any Series of Bonds under the terms, limitations and conditions as herein provided, the Issuer shall fund the Reserve Account in an amount at least equal to the applicable Reserve Account Requirement to the extent such Series of Bonds are to be secured by the Reserve Account or any subaccount therein; provided, however, nothing herein shall be construed to require the Issuer to fund the Reserve Account or any subaccount for any Series of Bonds. Upon the adoption of the Supplemental Resolution authorizing the issuance of a Series of Bonds, the Issuer shall determine whether such Series of Bonds shall be secured by the Reserve Account or any subaccount therein and, if the Issuer determines that the Series of Bonds will be secured by the Reserve Account or any subaccount therein, the Issuer shall also establish the Reserve Account Requirement applicable thereto. Such required amount, if any, shall be paid in full or in part from the proceeds of such Series of Bonds or may be accumulated in equal monthly payments to the Reserve Account over a period of months from the date of issuance of such Series of Bonds, which shall not exceed 36 months.

Notwithstanding the foregoing provisions, in lieu of or in substitution of any required deposits into the Reserve Account, the Issuer may cause to be deposited into the Reserve Account a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit for the benefit of the Bondholders 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. The Issuer may also substitute a Reserve Account Insurance Policy and/or Reserve Account

Letter of Credit for cash on deposit in the Reserve Account upon compliance with the terms of this Section 4.06(B)(4). Such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be payable to the Paying Agent (upon the giving of notice as required thereunder) on any Interest Date or redemption date on which a deficiency exists which cannot be cured by moneys in any other fund or account held pursuant to this Resolution and available for such purpose. Upon the initial deposit of any such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit, the provider thereof shall be either (a) an insurer whose municipal bond insurance policies insuring the payment, when due, or the principal of and interest on municipal bond issues results in such issues being rated in one of the three highest rating categories by at least one of the three Rating Agencies (without regard to gradations, such as "plus" or "minus" or "1," "2" or "3"), or (b) a commercial bank, insurance company or other financial institution which has been assigned a rating in one of the two highest rating categories by at least one of the three Rating Agencies (without regard to gradations, such as "plus" or "minus" or "1," "2" or "3"). Any Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall equally secure all Bonds secured by the Reserve Account or subaccount into which such Policy or Letter of Credit is deposited.

Each Reserve Account Insurance Policy and Reserve Account Letter of Credit shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the provider of the Reserve Account Insurance Policy or Reserve Account Letter of Credit to reimbursement will be further subordinated to cash replenishment of the Reserve Account to an amount equal to the difference between the full original amount available under the Reserve Account Insurance Policy or Reserve Account Letter of Credit and the amount then available for further draws or claims.

If the revolving reinstatement feature described in the preceding paragraph is suspended or terminated or if the Reserve Account Insurance Policy or Reserve Account Letter of Credit is no longer valid and enforceable, the Issuer shall either (i) deposit into the Reserve Account an amount sufficient to cause the cash or investments on deposit in the Reserve Account or applicable subaccount to equal the Reserve Account Requirement on all Outstanding Bonds then secured by such Reserve Account or subaccount, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (ii) replace such instrument with a Reserve Account Insurance Policy or a Reserve Account Letter of Credit meeting the requirements described herein within six months of such occurrence.

If three days prior to an interest or principal payment date, or such other period of time as shall be required by the terms of the Reserve Account Insurance Policy or Reserve Account Letter of Credit, the Issuer shall determine that a deficiency exists in the amount of moneys available to pay in accordance with the terms hereof interest and/or principal due on the 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 submit a demand for payment pursuant to the provisions of such Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit, (b) the Paying Agent, and (c) the Insurer or Credit Bank, if any, of the amount of such deficiency and the date on which such payment is due.

In the event the Reserve Account or any subaccount therein contains both a Reserve Account Insurance Policy or Reserve Account Letter of Credit and cash, the cash shall be drawn down completely prior to any draw on the Reserve Account Insurance Policy or Reserve Account Letter of Credit. In the event more than one Reserve Account Insurance Policy or Reserve Account Letter of Credit meeting the criteria set forth herein is on deposit in the Reserve Account, amounts required to be drawn thereon shall be done on a pro-rata basis. The Issuer agrees to pay all Policy Costs owing in regard to any Reserve Account Insurance Policy or Reserve Account Letter of Credit from the Pledged Funds. Pledged Funds shall be applied in accordance with this Section 4.06(B)(4), first, to reimburse the issuer of the Reserve Account Insurance Policy or Reserve Account Letter of Credit for amounts advanced under such instruments, second, to replenish any cash deficiencies in the Reserve Account, and, third, to pay the issuer of the Reserve Account Insurance Policy or Reserve Account Letter of Credit applicable expenses and interest on amounts advanced under such instruments. This Resolution shall not be discharged or defeased while any obligations are owing in regard to a Reserve Account Insurance Policy or Reserve Account Letter of Credit on deposit in the Reserve Account. The Issuer agrees not to optionally redeem Bonds unless all amounts owing in regard to a Reserve Account Insurance Policy or Reserve Account Letter of Credit on deposit in the Reserve Account have been paid in full.

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 or other evidence therefor; provided, however, any such note or evidence (a) 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 (b) shall be payable solely from the Pledged Funds in the manner provided herein. The obligation to reimburse the provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit for any Policy Costs shall be subordinate to the payment of debt service on the Bonds.

Any consent or approval of any Insurer described in this Section 4.06(B)(4) shall be required only so long as there are Outstanding Bonds secured by a Bond Insurance Policy issued by such Insurer which is in full force and effect and the commitments of which have been honored by such Insurer. The term "Paying Agent" as used in this Section 4.06(B)(4) may include one or more Paying Agents for the Outstanding Bonds.

Whenever the amount of cash in the Reserve Account, together with the other amounts in the Debt Service Fund, are sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable Redemption Price and interest thereon), the funds on deposit in the Reserve Account may be transferred to the other Accounts of the Sinking Fund for the payment of the Bonds.

The Issuer may also establish a separate subaccount in the Reserve Account for any Series of Bonds and provide a pledge of such subaccount to the payment of such Series of Bonds apart from the pledge provided herein. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Account, the Holders of such Bonds shall not be secured by any other moneys in the Reserve Account. Moneys in a separate subaccount of the Reserve Account shall be maintained at the Reserve Account Requirement applicable to such Series of Bonds secured by the subaccount; provided the Supplemental Resolution authorizing such Series of Bonds may establish the Reserve Account Requirement relating to such separate subaccount of the Reserve Account at such level as the Issuer deems appropriate. In the event the Issuer by Supplemental Resolution establishes the Reserve Account Requirement for a particular Series of Bonds to be zero (0.00) or it shall determine that such Series are not to be secured in any manner by the Reserve Account or a subaccount, then it shall not be required to establish a separate subaccount; provided, however, such Series of Bonds shall have no lien on or pledge of any moneys on deposit in the Reserve Account. Moneys used to replenish the Reserve Account shall be deposited in the separate subaccounts in the Reserve Account and in the Reserve Account on a pro-rata basis. In the event the Issuer shall maintain a Reserve Account Insurance Policy or Reserve Account Letter of Credit and moneys in any subaccount, the moneys shall be used prior to making any disbursements under such Reserve Account Insurance Policy or Reserve Account Letter of Credit.

(5) <u>Subordinated Indebtedness</u>. Gross Revenues in the Revenue Fund shall next be applied by the Issuer for the payment of any accrued debt service on Subordinated Indebtedness incurred by the Issuer in connection with the System and in accordance with the proceedings authorizing such Subordinated Indebtedness.

Utility Reserve Fund. The balance of any Gross Revenues remaining in said (6)Revenue Fund shall be deposited in the Utility Reserve Fund and applied to the payment, on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein shall be insufficient to pay the principal of and interest on the Bonds coming due. Moneys not required to meet such a deficiency shall be deposited to the Reserve Account to make up any deficiency therein, and thereafter to the Rebate Fund to the extent moneys are required to be deposited therein. Thereafter, moneys in the Utility Reserve Fund may be applied for any lawful purpose, including, but not limited to, purchase or redemption of Bonds, payment of Subordinated Indebtedness, payment of other obligations incurred with respect to the System, deposit to the Rate Stabilization Fund and improvements, renewals and replacements to the System; provided, however, that none of such revenues shall ever be used for the purposes provided in this Section 4.06(B)(6) unless all payments required in Sections 4.06(B)(1) through 4.06(B)(5) hereof, including any deficiencies for prior payments, have been made in full to the date of such use.

(C) Whenever moneys on deposit in the Sinking Fund are sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable Redemption Price and interest thereon), no further deposits to the Sinking Fund need be made. If on any payment date the Gross Revenues are insufficient to deposit the required amount in any of the funds or accounts or for any of the purposes provided above, the deficiency shall be made up on the subsequent payment dates.

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.

(D) In the event the Issuer shall issue a Series of Bonds secured by a Credit Facility, the Issuer may establish separate subaccounts in the Interest Account, the Principal Account and the Term Bonds Redemption Account to provide for payment of the principal of and interest on such Series; provided payment from the Pledged Funds of one Series of Bonds shall not have preference over payment of any other Series of Bonds. The Issuer may also deposit moneys in such subaccounts at such other times and in such other amounts from those provided in Section 4.06(B) as shall be necessary to pay the principal of and interest on such Bonds as the same shall become due, all as provided by the Supplemental Resolution authorizing such Bonds.

In the case of Bonds secured by a Credit Facility, amounts on deposit in the Sinking Fund 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, premium, if any, and interest on such Bonds or to pay the purchase price of any such Bonds which are tendered by the holders thereof for payment; provided such Credit Facility shall have no priority over Bondholders or an Insurer to amounts on deposit in the Sinking Fund. Other payments due to a Credit Bank in relation to obligations arising under its Credit Facility may be on parity with the Bonds as to source of and security for payment to the extent provided in the Supplemental Resolution relating thereto.

SECTION 4.07. REBATE FUND. Amounts on deposit in the Rebate Fund shall be held in trust by the Issuer and used solely to make required rebates to the United States (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. For any Series of Bonds for which the rebate requirements of Section 148(f) of the Code are applicable, the Issuer agrees to undertake all actions required of it in its arbitrage certificate relating to such Series of 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 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 such amounts as shall be required by the Code to be rebated to the United States Treasury; and

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

The provisions of the above-described arbitrage certificates may be amended without the consent of any Holder, Credit Bank or Insurer from time to time as shall be necessary, in the opinion of Bond Counsel, to comply with the provisions of the Code.

SECTION 4.08. RATE STABILIZATION FUND. The Issuer may transfer into the Rate Stabilization Fund such moneys which are on deposit in the Utility Reserve Fund as it deems appropriate. The Issuer may transfer such amount of moneys from the Rate Stabilization Fund to the Revenue Fund as it deems appropriate; provided, however, that on or prior to each

principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Rate Stabilization Fund shall be applied for the payment into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund for such purposes pursuant to Sections 4.06(B)(6), together with moneys available in the Reserve Account for such purpose pursuant to Section 4.06(B)(4) hereof, shall be inadequate to fully provide for such insufficiency.

SECTION 4.09. INVESTMENTS. Moneys on deposit in the Revenue Fund, the Construction Fund, the Sinking Fund, the Operation and Maintenance Fund, the Special Assessments Fund, the Utility Reserve Fund and the Rate Stabilization 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 Operation and Maintenance Fund, the Special Assessments Fund, the Principal Account, the Interest Account, the Term Bonds Redemption Account, the Rate Stabilization Fund shall be invested and reinvested by the Issuer in Authorized Investments, maturing not later than the dates on which such moneys will be needed for the purposes of such fund or account. Moneys on deposit in the Reserve Account shall be invested in Authorized Investments, maturing no later than ten years from the date of investment. All investments shall be valued at cost; provided, however, that the amounts on deposit in the Reserve Account shall be valued at the market price thereof. Investments in the Reserve Account shall be valued at the market price thereof.

Any and all income received from the investment of moneys in each separate account of the Revenue Fund, the Construction Fund, the Interest Account, the Principal Account, the Term Bonds Redemption Account, the Utility Reserve Fund, the Utility Reserve Fund, the Rate Stabilization Fund and the Reserve Account (to the extent such income and the other amounts in the Reserve Account does not exceed the Reserve Account Requirement), shall be retained in such respective Fund or Account.

Any and all income received from the investment of moneys in the Reserve Account exceeds the Reserve Account Requirement), shall be deposited upon receipt thereof in the Revenue Fund. Any and all income received from the investment of moneys in the Special Assessments Fund shall be deposited upon receipt thereof into the Interest Account.

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

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ARTICLE V COVENANTS

SECTION 5.01. GENERAL. The Issuer hereby makes the following covenants, in addition to all other covenants in this Resolution, with each and every successive Holder of any of the Bonds so long as any of said Bonds remain Outstanding.

SECTION 5.02. 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 may contract with a responsible Person which has experience in the operation of utility systems similar to the System for the operation and maintenance of the System.

SECTION 5.03. 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 aggregate amount provided for Operating Expenses in the Annual Budget until the Governing Body shall have approved the increased expenditures by resolution or ordinance.

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 year, if it be approved by the Consulting Engineers or Rate Consultant, or otherwise the Annual Budget for the preceding Fiscal Year, shall be deemed to be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year is adopted.

The Issuer shall mail copies of such Annual Budgets and amended Annual Budgets and all resolutions authorizing increased expenditures for operation and maintenance to any Credit Bank or Insurer of Bonds who shall file its address with an Authorized Issuer Officer or the Clerk and request in writing that copies of all such Annual Budgets and resolutions be furnished to it and shall make available all such Annual Budgets and resolutions and ordinances authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder or Holders of Bonds or to anyone acting for and on behalf of such Holder or Holders.

SECTION 5.04 RATES. The Issuer shall fix, establish, maintain and collect such rates, fees and charges for the product, services and facilities of the System, and revise the same from time to time, whenever necessary, so as always to provide in each Fiscal Year Net Revenues equal to at least 120% of the Annual Debt Service becoming due in such Fiscal Year, plus 100% of any amounts required by the terms hereof to be deposited in the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year to pay Policy Costs.

Such rates, fees or other charges shall not be so reduced so as to be insufficient to provide adequate Net Revenues for the purposes provided therefor by this Resolution.

If, in any Fiscal Year, the Issuer shall fail to comply with the requirements contained in this Section 5.04, it shall promptly cause the Rate Consultant to review its rates, fees, charges, income, Gross Revenues, Operating Expenses and methods of operation and to make written recommendations as to the methods by which the Issuer may seek to comply with the requirements set forth in this Section 5.04. The Issuer shall forthwith commence to implement such recommendations to the extent required so as to cause it to thereafter comply with said requirements. So long as the Issuer implements such recommendations within 120 days of the receipt thereof, the Issuer's failure to comply with this Section 5.04 shall not be considered an Event of Default under Section 7.01 hereof.

SECTION 5.05. BOOKS AND RECORDS. The Issuer shall keep books, records and accounts of the revenues and operations of the System, which shall be kept separate and apart from all other books, records and accounts of the Issuer, and the Holders 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.

SECTION 5.06. ANNUAL AUDIT. The Issuer shall, immediately after the close of each Fiscal Year, cause the books, records and accounts relating to the System 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. Each Annual Audit shall be in conformity with generally accepted accounting principles as applied to governmental entities. A copy of each Annual Audit shall regularly be furnished to any Credit Bank or Insurer who shall have furnished its address to the Clerk and requested in writing that the same be furnished to it.

SECTION 5.07. NO MORTGAGE OR SALE OF THE SYSTEM. The Issuer irrevocably covenants, binds and obligates itself not to sell, lease, encumber or in any manner dispose of the System as a whole or any substantial part thereof (except as provided below) until all of the Bonds and all interest thereon shall have been paid in full or provision for payment has been made in accordance with Section 9.01 hereof.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System in the following manner, if any one of the following conditions exist: (A) such property is not necessary for the operation of the System, (B) such property is not useful in the operation of the System, (C) such property is not profitable in the operation of the System, or (D) in the case of a lease of such property, such lease will be advantageous to the System and will not materially adversely affect the security for the Bondholders.

Prior to any such sale, lease or other disposition of said property: (1) if the amount to be received therefor is not in excess of five percent (5%) of the market value of the gross plant of the System, an Authorized Issuer Officer shall make a finding in writing determining that one or more of the conditions for sale, lease or disposition of property provided for in the second paragraph of this Section 5.07 have been met; or (2) if the amount to be received from such sale, lease or other disposition of said property shall be in excess of five percent (5%) of the market value of the gross plant of the System, (a) an Authorized Issuer Officer and the Consulting Engineers shall each first make a finding in writing determining that one or more of the

conditions for sale, lease or other disposition of property provided for in the second paragraph of this Section 5.07 have been met, (b) the Governing Body shall, by resolution, duly adopt, approve and concur in the finding of the Authorized Issuer Officer and the Consulting Engineers, and (c) the Issuer shall obtain an opinion of Bond Counsel to the effect that such sale, lease or other disposition is not in violation of the Act and will not adversely affect the federal tax exempt status of interest on the Bonds (other than Taxable Bonds) or shall not otherwise affect the status of any Outstanding Bonds issued as Federal Subsidy Bonds or the Issuer's receipt of Federal Subsidy Payments with respect to any Outstanding Federal Subsidy Bonds.

Except as otherwise required under applicable provisions of the Code, the proceeds from any such sale or other disposition shall be deposited into the Utility Reserve Fund. Proceeds from any lease of assets of the System shall constitute Gross Revenues and shall be deposited in the Revenue Fund.

The transfer of the System as a whole from the control of the Governing Body to some other board or authority which may hereafter be created for the purpose of owning, operating or controlling the System and which constitutes a governmental entity, interest on obligations issued by which are excluded from gross income for purposes of Federal income taxation (other than obligations similar to Taxable Bonds or Federal Subsidy Bonds), shall not be deemed prohibited by this Section 5.07 and such successor board or authority shall fall within the definition of "Issuer" in Section 1.01 hereof.

Notwithstanding the foregoing provisions of this Section 5.07, 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 disposed of in accordance with the provisions of the fourth paragraph of this Section 5.07.

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 and shall be deposited in the Revenue Fund.

SECTION 5.08. INSURANCE. The Issuer will carry such insurance as is ordinarily carried by private or public entities owning and operating utilities similar to the System with a reputable insurance carrier or carriers, in such amounts as the Issuer shall determine to be sufficient, and such other insurance against loss or damage by fire, explosion, hurricane, tornado or other hazards and risks, and said property loss or damage insurance shall at all times be in an amount or amounts equal to the fair appraisal value of the buildings, properties, furniture, fixtures and equipment of the System, or such other amount or amounts as the Consulting Engineers or 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, shall recommend or approve as sufficient.

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

The proceeds from property loss and casualty insurance shall be, together with other available funds of the Issuer, used to repair or replace the damaged portion of the System; provided, however, if the Issuer makes a determination in accordance with Section 5.07 hereof that such portion of the System is no longer necessary or useful in the operation of the System, such proceeds shall (1) if such proceeds equal or exceed \$500,000, (a) be applied to the redemption or purchase of Bonds or (b) be deposited in irrevocable trust for the payment of Bonds in the manner set forth in Section 9.01, provided the Issuer has received an opinion of Bond Counsel to the effect that such deposit shall not adversely affect the exclusion, if any, from gross income of interest on the Outstanding Bonds for purposes of federal income taxation (other than Taxable Bonds) and will not otherwise affect the status of any Outstanding Bonds issued as Federal Subsidy Bonds or (2) if such proceeds are less than \$500,000, be deposited in the Revenue Fund.

SECTION 5.09. NO FREE SERVICE. The Issuer will not render or cause to be rendered any free services of any nature by its System, nor will any preferential rates be established for users of the same class; provided, however, the foregoing clause shall not be construed to prevent the Issuer from establishing various classes of users based on any factors deemed necessary or desirable by the Issuer. Different rates may be established for different classes. Whenever the Issuer, including its departments, agencies and instrumentalities, shall avail itself of the product, facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged to the Issuer and any such department, agency or instrumentality. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds to the Revenue Fund sufficient sums to pay such charges. The revenues so received shall be deemed to be Gross Revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other Gross Revenues derived from such operation of the System.

SECTION 5.10. NO IMPAIRMENT OF RIGHTS; NO COMPETING SYSTEM. (A) The Issuer will not enter into any contract or contracts, nor take any action, the results of which might impair the rights of the Holders of the Bonds.

(B) To the extent permitted by law, the Issuer will not hereafter grant, or cause, consent to or allow the granting of any franchise or permit to any Person for the operation of any competing water or sewer service facilities or the furnishing of services similar to those provided by the System within the jurisdiction of the Issuer if such operations or services will have a material adverse effect on the Issuer's ability to meet its obligations hereunder.

SECTION 5.11. COMPULSORY CONNECTIONS. In order better to secure the prompt payment of principal and interest on the Bonds, as well as for the purpose of protecting the health and welfare of the inhabitants of the Issuer, and acting under authority of the general

laws of Florida, the Issuer, to the extent permitted by law, will require, where service by the System is available, the owner of every lot or parcel of land within the jurisdiction of the Issuer to connect to the facilities of the System. The Issuer may establish reasonable rules and regulations regarding such connections and may provide for reasonable exemptions from such connection policy.

SECTION 5.12. ENFORCEMENT OF CHARGES. The Issuer shall compel the prompt payment of rates, fees and charges imposed in connection with the System, and to that end will vigorously enforce all of the provisions of any ordinance or resolution of the Issuer having to do with System connections and charges, and all of the rights and remedies permitted the Issuer under law, including the requirement for the making of a reasonable deposit by each user, the requirement for lawful disconnection of services for all premises delinquent in the payment of any duly invoiced bill, and the securing of injunction against the disposition of sewage or industrial waste into the sewer facilities of the System by any premises delinquent in the payment of such charges.

SECTION 5.13. UNIT BILLS. In every instance in which a building or structure on a lot is connected to the sewer facilities of the System, which building or structure is also connected to the water facilities of the System and receives water therefrom, the Issuer shall submit to the owner or occupant of such lot a single bill for all water and sewer service and shall refuse to accept payment for any of the charge relating to a particular service of the System without payment of the charges for all other services of the System.

SECTION 5.14. COVENANTS WITH CREDIT BANKS AND INSURERS. The Issuer may make such covenants as it may in its sole discretion determine to be appropriate with any Insurer, Credit Bank or other financial institution that shall agree to insure or to provide for Bonds of any one or more Series credit or liquidity support that shall enhance the security or the value of such Bonds. Such covenants may be set forth in the applicable Supplemental Resolution or in an agreement approved by Supplemental Resolution and shall be binding on the Issuer, the Registrar, the Paying Agent and all the Holders of Bonds the same as if such covenants were set forth in full in this Resolution and shall not diminish the security for any of the Bonds Outstanding.

SECTION 5.15. COLLECTION OF SPECIAL ASSESSMENTS. To the extent the Gross Revenues include any Special Assessments Proceeds, the Issuer shall proceed diligently to perform legally and effectively all steps required in the imposition and collection of the Special Assessments. The Issuer shall diligently proceed to collect such Special Assessments and shall exercise all legally available remedies now or hereafter available under State law to enforce such collections.

SECTION 5.16. RE-ASSESSMENTS. To the extent the Gross Revenues include any Special Assessments Proceeds, if any Special Assessment shall be either in whole or in part annulled, vacated or set aside by the judgment of any court, or if the Governing Body shall be satisfied that any such Special Assessment is so irregular or defective that the same cannot be enforced or collected, or if the Governing Body shall have omitted to make such Special Assessment when it might have done so, the Governing Body shall take all necessary steps to cause a new Special Assessment to be made for the whole or any part of said improvement or against any property benefitted by said improvement, and in case such second Special Assessment shall be annulled, said Governing Body shall obtain and make other Special Assessments until a valid Special Assessment shall be made.

SECTION 5.17. CONSULTING ENGINEERS. The Issuer shall employ Consulting Engineers, whose duties shall be to make any certificates and perform any other acts required or permitted of the Consulting Engineers under this Resolution, and also to review the construction and operation of the System, to make an inspection of the System at least once every three years, and to submit to the Issuer a report with recommendations as to the proper maintenance, repair and operation of the System, including recommendations for expansion and additions to the System to meet anticipated service demands, and an estimate of the amount of money necessary for such purposes. The Consulting Engineers shall, from time to time, recommend the amount to be maintained for renewal and replacement of the System. Copies of such reports, recommendations and estimates made as hereinabove provided shall be filed with the Issuer for inspection by Bondholders, if such inspection is requested.

SECTION 5.18. FEDERAL INCOME TAXATION COVENANTS; TAXABLE BONDS. The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds and Federal Subsidy 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 included in gross income for purposes of federal income taxation.

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 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 the Code and neither the Issuer nor any other Person shall do any act or fail to do any act which would cause the interest on any Series of Bonds (other than Taxable Bonds and Federal Subsidy Bonds) to become subject to inclusion within gross income for purposes of federal income taxation.

The Issuer hereby covenants with the Holders of each Series of Bonds (other than Taxable Bonds and Federal Subsidy Bonds) that it will comply with all provisions of the Code necessary to maintain the exclusion from gross income of interest on the Bonds for purposes of federal income taxation, including, in particular, the payment of any amount required to be rebated to the U.S. Treasury pursuant to the Code.

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 interest on any other Bonds theretofore issued hereunder to be or become subject to federal income taxation. The other covenants set forth in this Section 5.18 shall not apply to any Taxable Bonds.

SECTION 5.19. COVENANTS RELATING TO FEDERAL SUBSIDY BONDS. The Issuer covenants with respect to any Bonds issued as Federal Subsidy Bonds that it will:

(A) File, on a timely basis, Internal Revenue Service Form 8038-CP or such other form or forms required by the United States Department of Treasury to receive Federal Subsidy Payments in connection with any Bonds issued as Federal Subsidy Bonds.

(B) Deposit promptly the Federal Subsidy Payments received from the United States Department of Treasury, if any, to the Interest Account of the Sinking Fund to pay interest on the Federal Subsidy Bonds.

(C) Comply with all provisions of the Code, all Treasury Regulations promulgated thereunder, and any applicable notice, ruling or other formal interpretation issued by the United States Department of Treasury or the Internal Revenue Service, in order for the Bonds issued as Federal Subsidy Bonds to be and to remain Federal Subsidy Bonds.

(D) Not take any action, or fail to take any action, if any such action or failure to take such action would adversely affect the Issuer's receipt of Federal Subsidy Payments or the status of the Bonds issued as Federal Subsidy Bonds, or any portion thereof, as Federal Subsidy Bonds. The Issuer covenants that it will not directly or indirectly use or permit the use of any proceeds of Bonds issued as Federal Subsidy Bonds or any other of its funds or take or omit to take any action that would cause the Bonds issued as Federal Subsidy Bonds to be or become "arbitrage bonds" within the meaning of Section 148(a) or to fail to meet any other applicable requirements of the Code.

SECTION 5.20. PRIOR LIEN BONDS. The Issuer covenants and agrees that it will not issue any additional indebtedness secured by the Net Revenues on a parity with the Prior Lien Bonds.

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ARTICLE VI SUBORDINATED INDEBTEDNESS AND ADDITIONAL BONDS

SUBORDINATED INDEBTEDNESS. The Issuer will not issue SECTION 6.01. any other obligations, except under the conditions and in the manner provided herein, payable from the Pledged Funds or the Gross Revenues 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 payable in whole or in part out of Pledged Funds and which may be secured by a pledge of Pledged Funds; provided, however, that such pledge shall be, and shall be expressed to be, subordinated in all respects to the pledge of the Pledged Funds created by this Resolution and provided further that the issuance of such Subordinated Indebtedness shall be subject to any provisions contained in financing documents securing outstanding Subordinated Indebtedness to the extent such provisions impact on the ability of the Issuer to issue other Subordinated Indebtedness. 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 under the provisions of Section 6.02 hereof. The Issuer agrees to pay promptly any Subordinated Indebtedness as the same shall become due.

SECTION 6.02. ISSUANCE OF ADDITIONAL BONDS. No Additional Bonds, payable on a parity with the Bonds then Outstanding pursuant to this Resolution, shall be issued except upon the conditions and in the manner herein provided. The Issuer may issue one or more Series of Additional Bonds for any one or more of the following purposes: (i) financing or refinancing the Cost of a Project, or the completion thereof, or (ii) refunding any or all Outstanding Bonds, any Subordinated Indebtedness of the Issuer, or any other indebtedness of the Issuer that it may lawfully refund with proceeds of Bonds.

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

(A) Except in the case of Additional Bonds issued for the purpose of refunding Outstanding Bonds, the Issuer shall certify that it is current in all deposits into the various funds and accounts established hereby and all payments theretofore required to have been deposited or made by it under the provisions of this Resolution, including a certification that all due and payable Policy Costs have been deposited or made, and the Issuer is in compliance with the covenants and agreements of this Resolution.

(B) An independent certified public accountant or the Rate Consultant shall certify to the Issuer that the amount of the Net Revenues (excluding Investment Earnings with respect to the Construction Fund) received by the Issuer during the immediately preceding Fiscal Year or any 12 consecutive months selected by the Issuer of the 24 months immediately preceding the issuance of said Additional Bonds, adjusted as hereinafter provided, were equal to at least (1) 120% of the Maximum Annual Debt Service of the Outstanding Bonds and the Additional Bonds then proposed to be issued, and (2) 100% of any amounts required by the terms hereof to be

deposited in the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy to pay any Policy Costs.

(C) For the purpose of determining the Debt Service under this Section 6.02, the interest rate on Additional Bonds that are proposed to be issued as Variable Rate Bonds shall be deemed to be the Bond Buyer Revenue Bond Index most recently published prior to the sale of such Additional Bonds.

(D) For the purpose of determining the Debt Service under this Section 6.02, the interest rate on Outstanding Variable Rate Bonds (not subject to a Qualified Hedge Agreement) shall be deemed to be (1) if such Variable Rate Bonds have been Outstanding for at least 12 months prior to the date of sale of such Additional Bonds, the highest of (a) the actual rate of interest borne by such Variable Rate Bonds on the date of sale, and (b) the average interest rate borne by such Variable Rate Bonds during the 12-month period preceding the date of sale, or (2) if such Variable Rate Bonds have not been Outstanding for at least 12 months prior to the date of sale, and (b) the average interest rate borne by such Variable Rate Bonds during the 12-month period preceding the date of sale, or (2) if such Variable Rate Bonds have not been Outstanding for at least 12 months prior to the date of sale of sale of sale, and (b) the Bond Buyer Revenue Bond Index most recently published prior to the sale of such Additional Bonds.

(E) For the purpose of this Section 6.02, the phrase "immediately preceding Fiscal Year or any 12 consecutive months selected by the Issuer of the 24 months immediately preceding the issuance of said Additional Bonds" shall be sometimes referred to as "12 consecutive months" or the "12-month period."

(F) The Net Revenues calculated pursuant to the foregoing Section 6.02(B) may be adjusted upon the written advice of the Rate Consultant, at the option of the Issuer, as follows:

(1) If the Issuer, prior to the issuance of the proposed Additional Bonds, shall have increased the rates, fees or other charges for the product, services or facilities of the System, the Net Revenues for the 12 consecutive months shall be adjusted to show the Net Revenues which would have been derived from the System in such 12 consecutive months as if such increased rates, fees or other charges for the product, services or facilities of the System had been in effect during all of such 12 consecutive months.

(2) If the Issuer shall have acquired or has contracted to acquire any privately or publicly owned existing utility system that will become part of the System, the cost of which shall be paid from all or part of the proceeds of the issuance of the proposed Additional Bonds, then the Net Revenues derived from the System during the 12 consecutive months shall be increased by adding to the Net Revenues for said 12 consecutive months the Net Revenues which would have been derived from said existing utility system as if such existing utility system had been a part of the System during such 12 consecutive months. For the purposes of this paragraph, the Net Revenues derived from said existing utility system during such 12 consecutive months shall be adjusted to determine such Net Revenues by deducting the cost of operation and maintenance of said existing utility system from the gross revenues of said system. Such Net Revenues shall take into account any increase in rates imposed on customers of such utility system on or prior to the acquisition thereof by the Issuer.

(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 utility system, then the Net Revenues of the System during the 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) If the Issuer covenants to levy Special Assessments against property to be benefited by the improvements, the cost of which shall be paid from the proceeds of the proposed Additional Bonds and the Issuer has included the corresponding Special Assessment Proceeds within the definition of Gross Revenues pursuant to Supplemental Resolution, then the Special Assessments Proceeds derived from the System during the 12 consecutive months shall be increased by an amount equal to the least amount which the Rate Consultant estimates will be received in any one year subsequent to completion of such improvements from the levy of said Special Assessments, said amount to be the total received, assuming no prepayments, from the installment payments on the Special Assessments plus the interest paid on the unpaid portion of the Special Assessments. The estimate of the Rate Consultant shall be based upon the preliminary assessment roll filed with the Issuer prior to the construction of such improvements.

(5) 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 for the 12 consecutive months may be adjusted by adding thereto 100% of the Net Revenues estimated by the Rate Consultant to be derived during the first 12 months of operation after completion of the construction or acquisition of said additions, extensions and improvements from the customers of the facilities to be financed by Additional Bonds together with other funds on hand or lawfully obtained for such purpose; provided such customers must represent existing occupied structures that will be added to the System upon completion of the proposed additions, extensions or improvements.

(6) If the Issuer shall add new customers subsequent to the commencement of the 12 consecutive months, the Rate Consultant may adjust the Net Revenues to reflect the Net Revenues that would have been received by the Issuer if such customers had been in place for the entire 12 consecutive months.

(7) The Net Revenues shall be adjusted for any period the System or any portion thereof was not owned by the Issuer to reflect government ownership of the System or such portion.

(G) Additional Bonds shall be deemed to have been issued pursuant to this Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to this Resolution. Except as provided in Sections 4.02 and 4.06 hereof, all Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Pledged Funds and their sources and security for payment therefrom without preference of any Bonds over any other.

(H) In the event any Additional Bonds are issued for the purpose of refunding any Bonds then Outstanding, the conditions of Section 6.02(B) shall not apply, provided that the issuance of such Additional Bonds shall not result in an increase in aggregate debt service in any future bond year. The conditions of Section 6.02(B) 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.

SECTION 6.03. BOND ANTICIPATION NOTES. The Issuer may issue notes in anticipation of the issuance of Bonds which shall have such terms and details and be secured in such manner, not inconsistent with this Resolution, as shall be provided by Supplemental Resolution of the Issuer.

SECTION 6.04. ACCESSION OF SUBORDINATED INDEBTEDNESS TO PARITY STATUS WITH BONDS. The Issuer may provide for the accession of Subordinated Indebtedness to the status of complete parity with the Bonds, if (A) the Issuer shall meet all the requirements imposed upon the issuance of Additional Bonds by Sections 6.02(A) and (B) hereof, assuming for purposes of said requirements, that such Subordinated Indebtedness shall be Additional Bonds, (B) and the facilities financed or refinanced by such Subordinated Indebtedness shall be, or become part of, the System. If the aforementioned conditions are satisfied, the Subordinated Indebtedness shall be deemed to have been issued pursuant to this Resolution the same as the Outstanding Bonds, and such Subordinated Indebtedness shall be considered Bonds for all purposes provided in this Resolution.

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ARTICLE VII DEFAULTS AND REMEDIES

SECTION 7.01. EVENTS OF DEFAULT. The following events shall each constitute an "Event of Default":

(A) Default shall be made in the payment of the principal of, Sinking Fund Installment, redemption premium or interest on any Bond when due. In determining whether a payment default has occurred, no effect shall be given to payment made under a Bond Insurance Policy.

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

(C) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Resolution on the part of the Issuer to be performed, and such default shall continue for a period of 90 days after written notice of such default shall have been received from the Holders of not less than 25% of the aggregate principal amount of Bonds Outstanding. Notwithstanding the foregoing, the Issuer shall not be deemed to be in default hereunder if such default can be cured within a reasonable period of time and if the Issuer in good faith institutes appropriate curative action and diligently pursues such action until default has been corrected.

SECTION 7.02. REMEDIES. Any Holder of Bonds issued under the provisions of this Resolution or any trustee or receiver acting for such Bondholders may either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights under the Laws of the State of Florida, or granted and contained in this Resolution, and may enforce and compel the performance of all duties required by this Resolution or by any applicable statutes to be performed by the Issuer or by any officer thereof; provided, however, that no Holder, trustee or receiver shall have the right to declare the Bonds immediately due and payable without the consent of any affected Insurers except to the extent the acceleration of any Variable Rate Bonds secured by a Credit Facility is provided for in a Supplemental Resolution or other documentation relating to such Credit Facility, the provisions of which are approved by the Insurers.

The Holder or Holders of Bonds in an aggregate principal amount of not less than 25% of the Bonds then Outstanding may by a duly executed certificate in writing appoint a trustee for Holders of Bonds issued pursuant to this Resolution with authority to represent such Bondholders in any legal proceedings for the enforcement and protection of the rights of such Bondholders and such certificate shall be executed by such Bondholders or their duly authorized

attorneys or representatives, and shall be filed in the office of the Clerk. Notice of such appointment, together with evidence of the requisite signatures of the Holders of not less than 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 such appointment shall be given to all Holders of Bonds in the same manner as notices of redemption are given hereunder. After the appointment of the first trustee hereunder, no further trustees may be appointed; however, the Holders of a majority in aggregate principal amount of all the Bonds then Outstanding may remove the trustee initially appointed and appoint a successor and subsequent successors at any time.

SECTION 7.03. DIRECTIONS TO TRUSTEE AS TO REMEDIAL PROCEEDINGS. The Holders of a majority in principal amount of the Bonds then Outstanding (or any Insurer insuring any then Outstanding Bonds) have the right, by an instrument or concurrent instruments in writing executed and delivered to the trustee, to direct the method and place of conducting all remedial proceedings to be taken by the trustee hereunder with respect to the Series of Bonds owned by such Holders or insured by such Insurer, provided that such direction shall not be otherwise than in accordance with law or the provisions hereof, and that the trustee shall have the right to decline to follow any direction which in the opinion of the trustee would be unjustly prejudicial to Holders of Bonds not parties to such direction.

SECTION 7.04. REMEDIES CUMULATIVE. No remedy herein conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

SECTION 7.05. WAIVER OF DEFAULT. No delay or omission of any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by Section 7.02 to the Bondholders may be exercised from time to time, and as often as may be deemed expedient.

SECTION 7.06. APPLICATION OF MONEYS AFTER DEFAULT. If an Event of Default shall happen and shall not have been remedied, the Issuer or a trustee or receiver appointed for the purpose shall apply all Pledged Funds (except as for amounts in the subaccounts of the Reserve Account which shall be applied to the payment of the Series of Bonds for which they were established) 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 and Registrar hereunder;

B. To the payment of the amounts required for reasonable and necessary Operating Expenses, and for the reasonable renewals, repairs and replacements of the System necessary to prevent loss of Gross Revenues, as certified by the Consulting Engineer;

C. To the payment of the interest (including Hedge Payments) 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 (including Hedge Payments) then due, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference;

SECOND: to the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of Section 9.01 of this Resolution), in the order of their due dates, with any accrued and unpaid 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 any accrued and unpaid interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the Persons entitled thereto without any discrimination or preference; and

THIRD: to the payment of the Redemption Price of any Bonds called for optional redemption pursuant to the provisions of this Resolution plus any accrued and unpaid interest.

(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 (including Hedge Payments) 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.

D. To the payment of all amounts owed to the Insurers and Credit Banks not covered by A, B or C above and all amounts owed to Counterparties not covered by A, B or C above on a pro rata basis.

SECTION 7.07. CONTROL BY INSURER. To the extent an Insurer makes any payment of principal of or interest on Bonds in accordance with its Bond Insurance Policy, such Insurer shall become subrogated to the rights of the recipients of such payments in accordance with the terms of its Bond Insurance Policy. Upon the occurrence and continuance of an Event of Default, an Insurer of a Series of Bonds, if such Insurer shall not be in payment default under its Bond Insurance Policy, shall be deemed to be the sole owner of such Bonds for purposes of (A) directing and controlling the enforcement of all rights and remedies with respect to such Series of Bonds, including any waiver of an Event of Default and removal of any trustee, and (B)

exercising any voting right or privilege or giving any consent or direction or taking any other action that the Holders of such Bonds are entitled to take pursuant to this Article VII hereof. No provision expressly recognizing or granting rights in or to an Insurer shall be modified without the consent of such Insurer. An Insurer's rights under this Section 7.07 shall be suspended during any period in which such Insurer is in default in its payment obligations under its Bond Insurance Policy (except to the extent of amounts previously paid by such Insurer and due and owing to such Insurer) and shall be of no force or effect if its Bond Insurance Policy is no longer in effect or if the Insurer asserts that its Bond Insurance Policy is not in effect or if the Insurer waives such rights in writing. The rights granted to an Insurer under this Section 7.07 are granted in consideration of such Insurer issuing its Bond Insurance Policy. The Issuer shall provide each Insurer immediate notice of any Event of Default described in Section 7.01(A) hereof and notice of any other Event of Default occurring hereunder within 30 days of the occurrence thereof. Each Insurer of any Bonds hereunder shall be considered a third-party beneficiary to the Resolution with respect to such Bonds.

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ARTICLE VIII SUPPLEMENTAL RESOLUTIONS

SECTION 8.01. SUPPLEMENTAL RESOLUTION WITHOUT BONDHOLDERS' CONSENT. The Issuer, from time to time and at any time, may adopt such Supplemental Resolutions without the consent of the Bondholders or the Insurers or the Credit Banks (which Supplemental Resolution shall thereafter form a part hereof) for any of the following purposes:

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

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

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

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

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

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

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

(H) To provide for the establishment of a separate subaccount or subaccounts in the Reserve Account which shall independently secure one or more Series of Bonds.

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

SECTION 8.02. SUPPLEMENTAL RESOLUTION WITH BONDHOLDERS' AND INSURER'S CONSENT. Subject to the terms and provisions contained in this Section 8.02 and Sections 8.01 and 8.03 hereof, the Holder or Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in this Resolution to the contrary notwithstanding, to consent to and approve the adoption of such Supplemental Resolutions hereto as shall be deemed necessary or desirable by the Issuer for the purpose of supplementing, modifying, altering, amending, adding

to or rescinding, in any particular, any of the terms or provisions contained in this Resolution; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series or maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section 8.02. Any Supplemental Resolution which is adopted in accordance with the provisions of this Section 8.02 shall also require the written consent of the Insurer of any Bonds which are Outstanding at the time such Supplemental Resolution shall take effect if such Insurer is not in payment default under its Bond Insurance Policy. No Supplemental Resolution may be approved or adopted which shall permit or require, without the consent of all affected Bondholders, (A) an extension of the maturity of the principal of or the payment of the interest on any Bond issued hereunder, (B) reduction in the principal amount of any Bond or the Redemption Price or the rate of interest thereon, (C) the creation of a lien upon or a pledge of the Pledged Funds other than the lien and pledge created by this Resolution or except as otherwise permitted or provided hereby which materially adversely affects any Bondholders, (D) a preference or priority of any Bond or Bonds over any other Bond or Bonds (except as to the establishment of separate subaccounts in the Reserve Account provided in Section 4.06(B)(4) hereof), or (E) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders or the Insurers or the Credit Banks of the adoption of any Supplemental Resolution as authorized in Section 8.01 hereof.

If at any time the Issuer shall determine that it is necessary or desirable to adopt any Supplemental Resolution pursuant to this Section 8.02, the Clerk shall cause the Registrar to give notice of the proposed adoption of such Supplemental Resolution and the form of consent to such adoption to be mailed, postage prepaid, to all Bondholders at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the offices of the Clerk and the Registrar for inspection by all Bondholders. The Issuer shall not, however, be subject to any liability to any Bondholder by reason of its failure to cause the notice required by this Section 8.02 to be mailed and any such failure shall not affect the validity of such Supplemental Resolution when consented to and approved as provided in this Section 8.02.

Whenever the Issuer shall deliver to the Clerk an instrument or instruments in writing purporting to be executed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Issuer may adopt such Supplemental Resolution in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

If the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the adoption of such Supplemental Resolution shall have consented to and approved the adoption thereof as herein provided, no Holder of any Bond shall have any right to object to the adoption of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Issuer from adopting the same or from taking any action pursuant to the provisions thereof.

Notwithstanding the foregoing, the initial purchasers of Additional Bonds shall be deemed to have consented in writing to any amendments to the Resolution that are to become effective on or after the issuance of such Additional Bonds in accordance with this Section 8.02 if the proposed amendments are reasonably disclosed in the offering documentation prepared and distributed in connection with the issuance of such Additional Bonds and the related Supplemental Resolution provides that such initial purchasers have so consented through their purchase.

Upon the adoption of any Supplemental Resolution pursuant to the provisions of this Section 8.02, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the Issuer and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of this Resolution as so modified and amended.

SECTION 8.03. AMENDMENT WITH CONSENT OF INSURER ONLY. For purposes of amending this Resolution pursuant to Section 8.02 hereof, an Insurer of Bonds shall be considered the Holder of such Bonds which it has insured. The consent of the Holders of such Bonds shall not be required if the Insurer of such Bonds shall consent to the amendment as provided by this Section 8.03. Prior to adoption of any amendment made pursuant to this Section 8.03, notice of such amendment shall be delivered to the rating agencies rating the Bonds. Upon filing with the Clerk of evidence of such consent the Insurer or Insurers 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 notices of an amendment under Section 8.02 hereof.

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ARTICLE IX DEFEASANCE

SECTION 9.01. DEFEASANCE. If (A) the Issuer shall pay or cause to be paid or there shall otherwise be paid to the Holders of any Series of Bonds the principal and interest or Redemption Price, plus accrued interest, due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, and (B) the Issuer shall pay all Policy Costs owing to any provider of a Reserve Account Letter of Credit or Reserve Account Insurance Policy and all amounts owing to the Insurers, then all covenants, agreements and other obligations of the Issuer to the holders of such Series of Bonds, 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 this Resolution which are not required for payment or redemption of any Series of Bonds not theretofore surrendered for such payment or redemption.

Any Bonds or interest installments appertaining thereto shall be deemed to have been paid within the meaning of this Section 9.01 if (i) 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 (ii) 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 Refunding Securities verified by an independent certified public accountant or nationally recognized company that provides verification services for municipal bonds to be in such amount that the principal of and the interest on or redemption price which when due will provide moneys which, together with the moneys, if any, deposited with such banking institution or trust company at the same time shall be sufficient, to pay the principal of and interest due and to become due on said Bonds on and prior to the maturity date thereof. Except as hereafter provided, neither the Refunding Securities nor any moneys so deposited with such banking institution 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 Refunding 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 of the Bonds for the payment of which they were deposited and the interest accruing thereon to the date of maturity; provided, however, the Issuer may substitute new Refunding Securities and moneys for the deposited Refunding Securities and moneys if the new Refunding Securities and moneys are sufficient to pay the principal of and interest on or redemption price of the refunded Bonds.

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 Refunding Securities and moneys, if any, in accordance with this Section 9.01, the interest to come due on such Variable Rate Bonds on or prior to the maturity or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than the Maximum Interest Rate for any period, the total amount of moneys and specified Refunding Securities on deposit for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Bonds in order to satisfy this Section 9.01, such excess shall be paid to the Issuer free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under this Resolution.

If Bonds are not to be redeemed or paid within 60 days after any such defeasance described in this Section 9.01, the Issuer shall cause the Registrar to mail a notice to the Holders of such Bonds that the deposit required by this Section 9.01 of moneys or Refunding Securities has been made and said Bonds are deemed to be paid in accordance with the provisions of this Section 9.01 and stating such maturity date upon which moneys are to be available for the payment of the principal of and interest on or redemption price of said Bonds. Failure to provide said notice shall not affect the Bonds being deemed to have been paid in accordance with the provisions of this Section 9.01.

Nothing herein shall be deemed to require the Issuer to call any of the Outstanding Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Issuer in determining whether to exercise any such option for early redemption.

Notwithstanding anything herein to the contrary, in the event that the principal of or interest due on the Bonds shall be paid by an Insurer or Insurers, such Bonds shall remain Outstanding, shall not be defeased or otherwise satisfied and shall not be considered paid by the Issuer, and the pledge of the Pledged Funds and all covenants, agreements and other obligations of the Issuer to the Bondholders shall continue to exist and such Insurer or Insurers shall be subrogated to the rights of such Bondholders.

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ARTICLE X MISCELLANEOUS

SECTION 10.01. CAPITAL APPRECIATION BONDS. For the purposes of (A) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (B) receiving payment of a Capital Appreciation Bond if the principal of all Bonds becomes due and payable under the provisions of this Resolution, or (C) computing the amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to the Issuer or any trustee or receiver appointed to represent the Bondholders any notice, consent, request or demand pursuant to this Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

SECTION 10.02. SALE OF BONDS. The Bonds shall be issued and sold at public or private sale at one time or in installments from time to time and at such price or prices as shall be consistent with the provisions of the Act, the requirements of this Resolution and other applicable provisions of law, all as provided in a Supplemental Resolution.

SECTION 10.03. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

SECTION 10.04. VALIDATION AUTHORIZED. To the extent deemed necessary by Bond Counsel or desirable by the City Attorney, Bond Counsel is authorized to institute appropriate proceedings for validation of a Series of Bonds herein authorized pursuant to Chapter 75, Florida Statutes.

SECTION 10.05. REPEAL OF INCONSISTENT RESOLUTIONS. All ordinances, resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

SECTION 10.06. EFFECTIVE DATE. This Resolution shall become effective immediately upon its adoption.

PASSED AND ADOPTED by the City of Auburndale City Commission, on August 15, 2016.

(SEAL)

ATTEST:

Mayor

City Clerk

CITY OF AUBURNDALE, FLORIDA

WATER AND SEWER SYSTEM REVENUE BOND SUPPLEMENTAL RESOLUTION

ADOPTED AUGUST 15, 2016

RESOLUTION NO. 2016-08

A RESOLUTION OF THE CITY OF AUBURNDALE, FLORIDA AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$32,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF ITS WATER AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2016 TO REFUND CERTAIN PRIOR INDEBTEDNESS ISSUED TO FINANCE IMPROVEMENTS TO THE CITY'S WATER AND SEWER SYSTEM; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SUCH BONDS; PROVIDING FOR THE TERMS AND DETAILS OF SUCH BONDS; AWARDING SAID BONDS; AND PROVIDING AN EFFECTIVE DATE.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COMMISSION OF THE CITY OF AUBURNDALE, FLORIDA (THE "ISSUER"), AS FOLLOWS:

SECTION 1. DEFINITIONS. All capitalized terms not otherwise defined herein shall have the meanings set forth in the Bond Resolution (as hereinbelow defined). When used in this Resolution, all capitalized terms shall have the meanings set forth below:

"Bond Resolution" shall mean Resolution No. 2016-07 adopted by the Issuer on August 15, 2016, as the same may be amended and supplemented in accordance with its terms.

"Escrow Agent" shall mean U.S. Bank National Association, as Escrow Agent under the Escrow Deposit Agreement.

"Escrow Deposit Agreement", means the Escrow Deposit Agreement between the Issuer and the Escrow Agent, as the same may be amended and supplemented in accordance with its terms.

"**Refunded Indebtedness**" shall mean the Issuer's Water and Sewer Revenue Bonds, Series 2007 and Water and Sewer Revenue Bonds, Series 2009.

"**Registrar and Paying Agent**" with respect to the Series 2016 Bonds shall mean U.S. Bank National Association, and such other persons as may be duly authorized to act on its behalf.

"Series 2016 Bonds" shall mean the Issuer's Water and Sewer System Revenue Refunding Bonds, Series 2016, to be issued pursuant to the Bond Resolution, as supplemented hereby.

"2016 Project" shall mean the acquisition and construction of capital improvements to the System consistent with the Issuer's capital improvement plan, as the same may be modified from time to time.

SECTION 2. AUTHORITY FOR RESOLUTION. This Resolution is adopted pursuant to Chapter 166, Part II, Florida Statutes, the Bond Resolution, and other applicable provisions of law.

SECTION 3. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the purchase and acceptance of any or all of the Series 2016 Bonds by those who shall hold the same from time to time, the provisions of this Resolution shall be a part of the contract of the Issuer with the Holders of the Series 2016 Bonds and shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Series 2016 Bonds. The pledge made in this Resolution and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of said Series 2016 Bonds. All of the Series 2016 Bonds shall be of equal rank without preference, priority or distinction of any of the Series 2016 Bonds over any other thereof except as expressly provided in or pursuant to this Resolution.

SECTION 4. FINDINGS. It is hereby ascertained, determined and declared:

(A) The Bond Resolution authorizes the issuance from time to time of revenue bonds of the Issuer for the purposes set forth therein.

(B) The Issuer intends to issue the Series 2016 Bonds for the purpose of refunding the Refunded Indebtedness and financing the cost of the 2016 Project.

(C) The principal of and interest on the Series 2016 Bonds will be secured solely by and payable from the Pledged Funds as provided in the Bond Resolution.

(D) Due to the present volatility of the market for tax-exempt obligations such as the Series 2016 Bonds, it is in the best interest of the Issuer to sell the Series 2016 Bonds by a negotiated sale, allowing the Issuer to enter the market at the most advantageous time, rather than at a specified advertised date, thereby permitting the Issuer to obtain the best possible price and interest rate for the Series 2016 Bonds. The Issuer acknowledges receipt of the information required by Section 218.385, Florida Statutes, in connection with the negotiated sale of the Series 2016 Bonds. A copy of the letter of the purchaser for said Series 2016 Bonds containing the aforementioned information is a precondition to the sale of the Series 2016 Bonds pursuant hereto.

SECTION 5. AUTHORIZATION OF SERIES 2016 BONDS. This Resolution creates an issue of Bonds of the Issuer in the aggregate principal amount of not exceeding \$32,000,000 to be designated as "City of Auburndale, Florida Water and Sewer System Revenue Refunding Bonds, Series 2016."

The Series 2016 Bonds shall be in registered form, in denominations of \$5,000 or any integral multiple thereof, shall be in the aggregate principal amount of not to exceed \$32,000,000, shall be dated their date of delivery and be payable as to principal on each December 1, commencing on the date set forth in the Purchase Contract, with the final payment due December 1, 2046, as set forth in the Purchase Contract. The Series 2016 Bonds shall bear interest from their date of delivery at the rates set forth in the Purchase Contract executed as authorized hereby; shall be issued as fully registered Bonds, numbered consecutively from one upward in order of maturity with the prefix "R"; and shall consist of such amounts of Serial Bonds and Term Bonds, maturing in such years and amounts and payable on such dates as set forth in said Purchase Contract; and shall contain such redemption provisions as set forth in said Purchase Contract. The Purchase Contract shall be in substantially the form attached hereto as Exhibit A, with such changes as shall be approved by the Mayor as set forth in Section 8 hereof.

The principal of, or redemption price, as applicable, or maturity amount, as applicable, of the Series 2016 Bonds, shall be payable at the corporate trust office of the Paying Agent for the Series 2016 Bonds appointed in Section 11 hereof, or its successor, upon presentation of the Series 2016 Bonds. Payment of interest on the Series 2016 Bonds shall be made to the owner thereof and shall be paid by check or draft of the Paying Agent to the Holder in whose name each Series 2016 Bond is registered at the close of business on the 15th day of the month (whether or not a business day) next preceding the interest payment date, or, unless otherwise provided by supplemental resolution, at the option of the Paying Agent, and at the request and expense of such Holder, by bank wire transfer for the account of such Holder. All payments shall be made in accordance with and pursuant to the terms of the Bond Resolution and the Series 2016 Bonds, and shall be payable in any coin and currency of the United States of America which, at the time of payment, is legal tender for the payment of public or private debts.

SECTION 6. APPLICATION OF SERIES 2016 BOND PROCEEDS. The proceeds derived from the sale of the Series 2016 Bonds shall be applied by the Issuer as follows:

(A) A sufficient amount of the Series 2016 Bond proceeds shall be applied to the payment of the costs and expenses relating to the issuance of the Series 2016 Bonds, including the premiums for a municipal bond insurance policy and debt service reserve surety bond.

(B) An amount of the Series 2016 Bond proceeds sufficient to redeem in full the Issuer's Series 2009 Bonds shall be applied to the payment of the Issuer's Series 2009 Bonds.

(C) An amount of Series 2016 Bond proceeds sufficient to defease the Issuer's 2007 Bonds will be applied pursuant to the Escrow Deposit Agreement for such purpose.

(D) The remaining Series 2016 Bond proceeds will be deposited into a Series 2016 Account of the Construction Fund established under the Bond Resolution and used to pay the Cost of the 2016 Project.

SECURITY FOR THE SERIES 2016 BONDS NOT TO BE INDEBTEDNESS OF ISSUER; SECURITY FOR THE SERIES 2016 BONDS. (A) The Series 2016 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 under and within the meaning of the Bond Resolution. No Holder of any Series 2016 Bond shall ever have the right to compel the exercise of any ad valorem taxing power to pay such Bond, or be entitled to payment of such Bond from any moneys of the Issuer except from the Pledged Funds in the manner provided in the Bond Resolution.

(B) The Series 2016 Bonds shall be issued as "Bonds" under the Bond Resolution and entitled to all benefits Bonds are afforded thereunder, including the lien on and pledge of the Pledged Funds as provided therein.

SECTION 8. SALE OF THE SERIES 2016 BONDS. Upon delivery to the City Manager of a Purchase Contract substantially in the form of Exhibit A attached hereto, evidencing:

(A) Series 2016 Bonds in an aggregate principal amount not exceeding \$32,000,000;

(B) A final maturity of such Series 2016 Bonds of not later than December 1, 2046;

(C) A true interest cost with respect to the Series 2016 Bonds of not greater than 4.50% per annum;

(D) Optional redemption of the Series 2016 Bonds beginning no later than December 1, 2026 at a price no greater than 100% of par; and

(E) An Underwriter's discount not in excess of \$7.50 per \$1,000 of Series 2016 Bonds,

the Series 2016 Bonds shall be sold to the Underwriter pursuant to the Purchase Contract at the purchase price provided therein (including any original issue discounts or original issue premiums); all terms and conditions set forth in said Purchase Contract being hereby approved. Upon compliance with the foregoing, the City Manager is hereby authorized and directed to execute said Purchase Contract and to deliver the same to the Underwriter.

SECTION 9. OFFICIAL STATEMENT; CONTINUING DISCLOSURE CERTIFICATE.

(A) The form, terms and provisions of the Official Statement, dated the date of execution of the Purchase Contract, in substantially the form attached hereto as Exhibit B, which shall include the terms and provisions set forth in the executed version of the Purchase Contract, relating to the Series 2016 Bonds, be and the same hereby are approved with respect to the information therein contained.

The Mayor and the City Manager, upon execution of the Purchase Contract described above, are hereby authorized and directed to execute and deliver said Official Statement in the name and on

behalf of the Issuer, and thereupon to cause such Official Statement to be delivered to the Underwriter with such changes, amendments, omissions and additions as may be approved by the Mayor. The use of the Preliminary Official Statement, in the form attached hereto as Exhibit B in the marketing of the Series 2016 Bonds is hereby authorized and the Official Statement, including any such changes, amendments, modifications, omissions and additions as approved by the Mayor, and the information contained therein are hereby authorized to be used in connection with the sale of the Series 2016 Bonds to the public. Execution by the Mayor and the City Manager of the Official Statement, modifications, omissions and additions. The Mayor and City Manager are hereby authorized to deem the Preliminary Official Statement "final," within the meaning of Securities and Exchange Commission Rule 15c2-12, except for permitted omissions as described therein.

(B) In order to enable the Underwriter to comply with the provisions of SEC Rule 15c2-12 relating to secondary market disclosure, the Mayor is hereby authorized and directed to execute and deliver the Continuing Disclosure Certificate in the name and on behalf of the Issuer substantially in the form attached hereto as Exhibit C, with such changes, amendments, omissions and additions as shall be approved by the Mayor, his execution and delivery thereof being conclusive evidence of such approval.

SECTION 10. RESERVE ACCOUNT. The Reserve Account Requirement for the Series 2016 Bonds shall be the amount set forth in the Bond Resolution under the definition of "Reserve Account Requirement" in Section 1.01 thereof, and no different or lesser amount is established hereby.

SECTION 11. APPOINTMENT OF PAYING AGENT, REGISTRAR AND ESCROW AGENT. U.S. Bank National Association is hereby designated Registrar, Paying Agent and Escrow Agent for the Series 2016 Bonds.

SECTION 12. AUTHORIZATION TO PURCHASE INSURANCE; INSURANCE AGREEMENT. The Issuer expects to make application for the purchase of a policy of municipal bond insurance and debt service reserve account surety policy from a national bond insurance firm (an "Insurer"), and the Issuer hereby delegates to the Mayor and City Manager the authority to select such Insurer. The Issuer authorizes the execution and delivery of an Insurance Agreement with the Insurer in substantially the form set forth in Exhibit D attached hereto, with such changes and modifications thereto as approved by the Mayor, his approval to be presumed by his execution thereof.

SECTION 13. DTC BOOK-ENTRY. The Series 2016 Bonds shall be initially issued in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), as registered owner of the Series 2016 Bonds, and held in the custody of DTC. A single certificate will be issued and delivered to DTC for each maturity of the Series 2016 Bonds. The actual purchasers of the Series 2016 Bonds (the "Beneficial Owners") will not receive physical delivery of Series 2016 Bond certificates except as provided herein. Beneficial Owners are expected to receive a written confirmation of their purchase from the direct participants providing details of each Series 2016

Bond acquired. For so long as DTC shall continue to serve as securities depository for the Series 2016 Bonds as provided herein, all transfers of beneficial ownership interests will be made by bookentry only, the provisions of this Section shall supersede those of Section 2.06 of the Bond Resolution to the extent of any conflict therewith, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of the Series 2016 Bonds is to receive, hold or deliver any Series 2016 Bond certificate.

If at any time DTC ceases to hold the Series 2016 Bonds, all references herein to DTC shall be of no further force or effect.

SECTION 14. GENERAL AUTHORITY. The members of the governing board of the Issuer and the officers, attorneys and other agents or employees of the Issuer are hereby authorized to do all acts and things required of them by this Resolution or the Bond Resolution, or desirable or consistent with the requirements hereof, including the execution and delivery of any escrow agreement and the purchase of securities necessary in connection with the refunding of the Refunded Indebtedness for the full, punctual and complete performance of all the terms, covenants and agreements contained herein or in the Series 2016 Bonds, and each member, employee, attorney and officer of the Issuer is hereby authorized and directed to execute and deliver any and all papers and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated hereunder.

SECTION 15. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Series 2016 Bonds issued hereunder.

SECTION 16. REPEAL OF INCONSISTENT RESOLUTIONS. Except for the Bond Resolution, all resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict. The terms and provisions of the Bond Resolution are hereby expressly ratified and confirmed.

SECTION 17. EFFECTIVE DATE. This Resolution shall take effect immediately upon its adoption.

DULY ADOPTED this 15th day of August, 2016.

CITY OF AUBURNDALE, FLORIDA

Mayor

ATTEST:

City Clerk

EXHIBIT A

FORM OF PURCHASE CONTRACT

EXHIBIT B

PRELIMINARY OFFICIAL STATEMENT

EXHIBIT C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

EXHIBIT D

FORM OF INSURANCE AGREEMENT

APPENDIX D

FINANCIAL FEASIBILITY EVALUATION REPORT

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CITY OF AUBURNDALE, FLORIDA

Financial Feasibility Evaluation of Proposed Water and Sewer Revenue Bonds, Series 2016



June 28, 2016

EVALUATION BY FINANCIAL FEASIBILITY CONSULTANTS

City of Auburndale, Florida Water and Sewer System Revenue Bonds, Series 2016

We have prepared the accompanying Projected Statement of Debt Service Coverage for the Water and Sewer System for the City of Auburndale, FL ("City") for the six fiscal years ending September 30, 2016 through September 30, 2021 (the "Forecast Period"). Our evaluation was conducted in accordance with guidelines for the water and wastewater industry and reflects reasonable assumptions based on recent trends specific to the City and other factors specific to publicly owned utilities in Florida.

Those assumptions that we believe are most significant include:

- Growth in customers and demand for water and sewer services during the Forecast Period, and the resulting impact on forecast revenues;
- Increase in operating costs for providing water and sewer services due to inflation trends, regulatory requirements, and increase in demand;
- Future transfers from the Water and Sewer System to other City funds based on indirect cost trends and implementation of budget transfer policies;
- Funding of planned capital improvements; and
- Projected water and sewer rates during the Forecast Period.

The accompanying Forecast Statement is presented on an accrual basis, and is then adjusted to be consistent with the City's budgeting process and the specific requirements of the coverage tests identified within Resolution No. 02-12, as subsequently amended, supplemented and restated (collectively, the "Resolution"). The Forecast Statement, together with the Summary of Significant Forecast Assumptions, which is included as an integral part of the forecast, constitutes the "Feasibility Evaluation" for the proposed capital projects and bond financing.

In our opinion, the accompanying Forecast Statement is presented in conformity with industry guidelines for presentation of a forecast, and the underlying assumptions provide a reasonable basis for the City's forecast. Based upon the assumptions in our report, the projected Gross Revenues (as defined in the Resolution) provide adequate funds to maintain the debt service coverage ratios required by the Resolution during the Forecast Period for the issuance of the City's proposed Utility System Refunding Revenue Bonds, Series 2016 ("Series 2016 Bonds"). However, there will usually be differences between the forecast and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Raftelis Financial Consultants, Inc.

Tony Hautor

By: Tony D. Hairston Senior Manager

Casselberry, Florida June 2016

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	For the Fiscal Years Ended September 30,						
	2011	2012	2013	2014	2015		
Gross Water and Sewer Revenues	\$9,402,265	\$8,973,068	\$8,901,579	\$9,704,423	\$10,502,555		
Net Operating Expenses	4,761,936	4,626,136	4,770,810	4,715,688	4,840,962		
Net Revenues	\$4,640,329	\$4,346,932	\$4,130,769	\$4,988,735	\$5,661,593		
Total Debt Service	\$2,948,511	\$2,954,549	\$2,699,038	\$2,688,729	\$2,691,612		
Debt Service Coverage:							
Excluding Transfers	1.57	1.47	1.53	1,86	2.10		
Including Transfers	1.05	0.81	0.61	0.99	0,56		
Including Transfers and Impact							
Fees	1.15	0.98	0.93	1.31	0.95		
Plus: Impact Fee Revenues	\$316,600	\$494,864	\$861,500	\$843,061	\$1,034,277		
Less: Interfund Transfers	\$1,557,381	\$1,945,882	\$2,494,636	\$2,313,573	\$4,149,127		
Amount Available for Capital and Other Lawful Purposes	\$451,037	(\$58,635)	(\$201,405)	\$829,494	(\$144,869)		

Exhibit 1 – Historical Statement of Debt Service Coverage for Water and Sewer

	Projected for the Fiscal Years Ended September 30,					
	2016	2017	2018	2019	2020	2021
Total Water and Sewer Revenue from Rates [1] Miscellaneous Revenues	\$10,152,400 635,700 3,100	\$10,606,600 789,700 2,900	\$10,952,100 789,700 2,900	\$11,307,100 7 8 9,700 3,000	\$11,671,600 789,700 3,000	\$12,049,000 789,700 3,000
Interest Barnings		\$11,399,200	\$11,744,700	\$12,099,800	\$12,464,300	\$12,841,700
Total Gross Revenues	\$10,791,200	\$11,399,200	511,744,700	\$12,099,800	\$12,404,500	.012,041,700
Operating Expenses	\$4,667,600	\$4,969,300	\$5,037,200	\$5,224,000	\$5,417,300	\$5,618,900
Net Revenue for Debt Service Coverage	\$6,123,600	\$6,429,900	\$6,707,500	\$6,875,800	\$7,047,000	\$7,222,800
Debt Service [2]						
Series 2003 [3]	\$158,833	\$6,067	S 0	\$0	\$0	\$0
Series 2006	1,177,500	1,180,488	1,181,375	1,180,163	1,181,850	1,181,175
Series 2007 [4]	474,762	0	0	0	0	0
Series 2009 [4]	57,740	0	0	0	0	0
Series 2016 [5]	358,767	1,427,850	1,433,950	1,434,600	1,429,850	1,429,950
Total Debt Service	\$2,227,602	\$2,614,404	\$2,615,325	\$2,614,763	\$2,611,700	\$2,611,125
Debt Service Coverage: Excluding Transfers (Required => 1.25x)	2.75	2.46	2.56	2.63	2.70	2.77
Including Transfers	2.75	2.40	2,00	2.05	2.70	2.77
(Target => 1.15x)	1.11	1.22	1.21	1.28	1.31	1.35
Including Transfers and Impact Fees	1.56	1.51	1.52	1.59	1.62	1.66
Other Sources of Funds:						
Impact Fees Applied to Debt Service	\$988,100	\$776,400	\$796,800	\$796,800	\$796,800	\$809,400
Reimbursement from FPU [6]	0	0	150,000	150,000	150,000	150,000
Total Other Sources of Funds	\$988,100	\$776,400	\$946,800	\$946,800	\$946,800	\$959,400
Other Expenditures:						
Transfer to General Fund	\$3,146,000	\$2,751,200	\$3,033,100	\$3,025,000	\$3,116,000	\$3,210,000
Contribution-General Fund	500,000	500,000	500,000	500,000	500,000	500,000
Capital Funded from Rates	460,500	910,000	1,010,000	1,015,000	850,000	990,000
Required Transfer to R&R Fund [7]	0	0	0	0	0	0
Total Other Expenditures	\$4,106,500	\$4,161,200	\$4,543,100	\$4,540,000	\$4,466,000	\$4,700,000
Amount Available for Capital and Other Lawful Purposes	\$777,598	\$430,696	\$495,875	\$667,838	\$916,100	\$871,075

Exhibit 2 - Forecast Statement of Debt Service Coverage for Water and Sewer

Footnotes:

(1) Water and Sewer Revenue from Rates include monthly minimum charge revenue and usage revenues from the sale of water and sewer.
(1) Water and Sewer Revenue from Rates include monthly minimum charge revenue and usage revenues from the sale of water and sewer.
Revenues reflect the following rate adjustments: FY 2017; 3.0%, FY 2018; 2.0%; FY 2019; 2.0%; FY 2020; 2.0%; FY 2021; 2.0%.
(2) Principal and interest debt service payments are made on December 1 of each year. Assumed payment amount is budgeted and transferred into the sinking fund over fiscal year.
(3) Series 2003 bonds mature on December 1, 2016, \$775,000 is outstanding based on City's Fiscal Year 2015 Audit.
(4) Debt service reflects only the 6/1/16 interest payments since the 12/1/16 principal and interest payments will be funded from the escrew account to be established with the issuance 2016 Bonds.

issuance of the Series 2016 Bonds.

[5] Debt service reflects accrual of two months projected 12/1/16 debt service payment to Fiscal Year 2016.

[6] Amount recognizes five year reimbursement of Reuse line and tank capital costs of \$150,000 per year over a live year period (\$750,000 total).

[7] City has a minimum Renewal and Replacement fund balance requirement of \$250,000 as specified in the Resolution. No transfers are needed as minimum level has been reached.

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CITY OF AUBURNDALE, FLORIDA SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS

FOR THE SIX FISCAL YEARS ENDING SEPTEMBER 30, 2016 THROUGH SEPTEMBER 30, 2021

1. Basis of Presentation

Raftelis Financial Consultants, Inc. ("RFC") has been engaged by the City of Auburndale, FL ("City") to evaluate the financial feasibility of proposed financing for its water and sewer utility systems (the "System"). The opinion letter to the City is based upon the Forecast Statement of Debt Service Coverage for Water and Sewer and the Summary of Significant Forecast Assumptions (taken together, the "Feasibility Evaluation") which presents, based upon available information, the expected revenue, expenses, debt service, and debt service coverage for the System during the Forecast Period.

All schedules in the Feasibility Evaluation have been presented in accordance with the City's annual accounting cycle, based upon its fiscal year beginning October 1 and ending September 30 ("Fiscal Year" or "FY"). Accordingly, the forecast reflects expected financial conditions during each of the six fiscal years September 30, 2016 through September 30, 2021.

The Fcasibility Evaluation is intended to be included in the Official Statement for the City's Water and Sewer Revenue Bonds, Series 2016 ("Series 2016 Bonds"), which are to be issued under Resolution 02-12, as amended, supplemented and restated (the "Resolution"). This Feasibility Evaluation focuses on evaluating the impact of the Series 2016 Bonds, the proceeds of which will be used to refund the existing Series 2007 and Series 2009 bonds, plus \$4.0 million of additional proceeds which will be used to refund the CenterState Bank Revolving Line of Credit used to finance certain projects.

The Fcasibility Evaluation has been based upon cost, operating, demographic and other relevant information such as detailed customer billing data provided by the City and the debt service schedules derived in consultation with the City's managing underwriter. The Feasibility Evaluation is presented in conformity with the methodology for calculating debt service coverage for the Bond Service Requirement set forth in the Resolution. (The definitions of capitalized terms, not specifically provided in this document, are provided in the Resolution.)

The Resolution sets forth a required debt service coverage test in Section 5.02 – Rate Covenant. The Rate Covenant states that the City will fix, establish and maintain such rates and will collect such fees, rentals and other charges for the use of the products, services and facilities of the System and revise the same from time to time, whenever necessary, as will always provide Gross Revenues in each Bond Year sufficient to pay 100% of all Cost of Operation and Maintenance, 125% of the current Debt Service Requirement, and 100% of all reserve and renewal replacement payments. Such rates, fees, rentals or other charges shall not be reduced so as to be insufficient to provide Gross Revenues for such purposes.

Forecasts of revenues and expenses are prepared on an accrual basis, and are then adjusted to be consistent with the City's budgeting process for the System and the specific requirements of the coverage tests identified in the Resolution.

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Compliance with the Rate Covenant is demonstrated on the Historical Statement of Debt Service Coverage for Water and Sewer by taking the amount of Gross Revenues and reducing this amount by the sum of the Cost of Operation and Maintenance, plus all required payments to reserves or other payments required under the Resolution in order to arrive at Net Revenues. Net Revenues are then divided by the Bond Service Requirement and must exceed 125% in order to meet the Rate Covenant.

The assumptions disclosed herein are those that the City believes are significant to the forecast. There will usually be differences between forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

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2. Background and Scope of Operations

The City of Auburndale is located in Polk County in central Florida. The City is part of the Lakeland metropolitan area, roughly halfway between the larger city centers of Tampa and Orlando. According to the University of Florida Bureau of Economic and Business Research, as of April 2015 the population of the City of Auburndale and Polk County are 14,832 and 633,052, respectively. The City is bordered by Lakeland to the west, Lake Alfred to the cast, Polk City to the north, and Winter Haven to the southeast. The following provides an overview of the System governance, operations and water and scwer service area.

Governance

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The City was incorporated in 1911 and is governed by a Mayor and a four member City Commission who are elected at large to serve staggered four-year terms. Administration of the operations of the City is carried out by a City Manager who is appointed by the Commissioners and who is an employee of the City. The System is operated as a combined enterprise fund and all revenues generated from the provision of water treatment and delivery and sewer collection and treatment services are included in the Gross Revenues available to meet debt service obligations, as defined in the Resolution.

Overview of the System

The City provides water and sewer service to the residents within the City limits and also serves residents in surrounding communities within Polk County. During FY 2015 the City served an average of 11,395 water customers and 7,899 sewer customers and has experienced modest customer growth since FY 2011 as discussed in Explanatory Note 4.

The System includes seven deep production wells, three water production/treatment facilities, two wastewater treatment facilities, and a network of piping ranging in size from 2 inches to 16 inches in diameter. The City has a potable water consumptive use permit (Permit Number 7119 issued 8/1/2014 and expires 4/3/2034) with the Southwest Florida Water Management District to withdraw up to 7,036,300 gallons per day (average daily use) and a peak day withdrawal of 8,162,100 gallons per day. The City also participates in the Polk County Water Cooperative pursuant to an interlocal agreement established in 2016. While the City may participate in future water supplies and related projects to the Polk County Water Cooperative in the future, the City reports that there are no Cooperative projects that involve the City within the five year planning horizon of this financial feasibility study.

The City's two water reclamation facilities are permitted by the Florida Department of Environment and Protection ("FDEP"). The two facilities are:

- Allred Wastewater Treatment Plant (Facility ID: FL0021466)
- Regional Wastewater Treatment Facility (Facility ID: FLA016559)

The Allred and Regional facilities have a permitted capacity of 1.400 and 1.600 MGD, respectively.

3. Demand for Services

The City currently provides potable water service to residential and commercial establishments within the City's limits and certain portions of unincorporated Polk County. During FY 2015 the City provided potable water service to 11,395 customers. Approximately 91.25% of the City's water customers are classified as residential and the remaining 8.75% as commercial/non-residential. Since FY 2011 the customer base has grown at 1.36% per year. The City expects customer growth to continue at a similar pace to its recent experience.

	Average Annual	Percent of	Average Annual	Percent of
Customer Class	Customers	Total	ERUs	Total
Residential-Inside City	5,651	49.59%	5,673	48.42%
Residential-Outside City	4,747	41.66%	4,857	41,45%
Commercial-Inside City	599	5.26%	754	6.44%
Commercial-Outside City	264	2.32%	299	2.55%
City-Inside City	114	1.00%	114	0.97%
City-Outside City	20	0.18%	20	0.17%
Totals	11,395	100.00%	11,717	100.00%

Exhibit 3 – Water Accounts by	Customer Class	s for Fiscal Year 2015
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Water customer growth is based on recent trends which are expected to continue at the same relative pace. Projected water sales are based on historical average use per customer multiplied by the total number of projected customers. During the past year (FY 2015) the average use per customer was 10.68 thousand gallons per month, which followed a pattern of lower average usage each year prior to FY 2015. The forecast reflects no further increase in average consumption. Therefore the total consumption is projected to increase at the same rate as customer growth.

The water customer and sales projections summarized below do not anticipate any significant changes to the City's service area and represent a continuation of recent moderate trends as discussed above:

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	Billed Accounts		Billed Usage		
Fiscal Year	Accounts	ERUs [1]	Total	Average per ERU	
			(MG/Year)	(1,000s Gal/Month)	
Historical:					
2011	10,795	11,017	1,545	11.69	
2012	10,869	11,092	1,512	11.36	
2013	10,746	11,070	1,438	10.83	
2014	11,147	11,469	1,482	10.77	
2015	11,395	11,717	1,502	10.68	
Average					
Annual					
Growth	1.36%	1.55%	-0.70%	-2.23%	
Projected:					
2016	11,551	11,896	1,513	10.60	
2017	11,734	12,079	1,535	10.59	
2018	11,917	12,262	1,556	10.58	
2019	12,100	1 2,4 45	1,578	10.56	
2020	12,283	12,628	1,599	10.55	
2021	12,466	12,821	1,622	10.54	
Average					
Annual Growth	1.54%	1.51%	1.39%	-0.11%	

Exhibit 4 – Water Account and Billed Usage History and Projection

Footnote:

 $\left[1\right]$ ERU is an "Equivalent Residential Unit", which reflects the total number of units served by the System.

Regarding the sewer system customer base, approximately 93.94% of the sewer customers are classified as residential and the remaining 6.06% as commercial/non-residential. While a large portion of customers are residential, a significant portion of sewer revenue derives from industrial customers as discussed further below. The following provides a summary of sewer accounts by class billed by the City during FY 2015:

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	Average	n (Average	Ď
	Annual	Percent	Annual	Percent
Customer Class	Customers	of Total	ERUs	of Total
Residential-Inside City	5,010	63.43%	5,166	63.47%
Residential-Outside City	2,410	30.51%	2,466	30.30%
Commercial-Inside City	398	5.04%	403	4.95%
Commercial-Outside City	48	0.61%	71	0.87%
City-Inside City	21	0.27%	21	0.26%
City-Outside City	2	0.03%	2	0.02%
Industrial & Reuse-Inside City	6	0.08%	6	0.07%
Industrial-Outside City	4	0.05%	4	0.05%
Totals	7,899	100.00%	8,139	100.00%

Exhibit 5 -- Sewer Accounts by Customer Class for Fiscal Year 2015

Since FY 2011 the non-industrial sewer customer base has grown at a slightly faster pace than water at 1.59% per year. The projection recognizes sewer continuing to grow at a slightly faster pace than water, at 1.58% annually.

Exhibit 6 - Non-Industrial Sewer Account and Billed Usage History and Projection

	Billed A	ccounts	Bill	Billed Usage	
	Accounts			Average per ERU	
Fiscal Year	[1]	ERUs [2]	Total [3]	[3]	
				(1,000s	
			(MG/Year)	Gal/Month)	
Historical:					
2011	7,407	7,544	82	10.81	
2012	7,471	7,612	86	11.31	
2013	7,542	7,781	82	10.53	
2014	7,684	7,923	91	11.44	
2015	7,889	8,129	92	11.30	
Average					
Annual					
Growth	1.59%	1.88%	3.02%	1.12%	
Projected					
2016	8,009	8,257	91	11.02	
2017	8,132	8,390	91	10.87	
2018	8,255	8,533	91	10.71	
2019	8,388	8,676	92	10.56	
2020	8,521	8,819	92	10.40	
2021	8,664	8,962	92	10.25	
Average	-				
Annual					
Growth	1.58%	1.65%	0.20%	-1.43%	

Footnotes:

[1] Table does not include industrial sewer accounts.
 [2] ERU is an "Equivalent Residential Unit", which reflects the total number of units served by the System.
 [3]Residential sewer customers are charged a flat rate; usage is from commercial customers only, and excludes sales to industrial customers. Average usage statistics exclude residential and industrial accounts.

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The City's sewer system includes 9 industrial customers and 1 reuse customer. These 10 customers provide the City with over \$1 million in annual revenue. Due to their large proportion to the revenues of the sewer System, the historical usage for the industrial and reuse customers is broken out in Exhibit 7.

	Fiscal Year							
	2	012	2	013	2014		2015	
	Usage (1,000s of	Sewer Revenue	Usage (1,000s of	Sewer Revenue	Usage (1,000s of	Sewcr Revenue [1]	Usage (1,000s of gallons)	Sewer Revenuc [1]
Account Name Inside City	gallons)	[1]	gallons)	[1]	gallons)	<u> </u>	ganons)	[1]
Coca-Cola Domestic Meter	1,139	\$6,116	1,005	\$5,560	1,124	\$6,529	883	\$5,331
Bynum Transport	6,490	\$34,904	6,873	\$38,341	6,861	\$40,220	6,444	\$39,578
Florida Brewery	984	\$5,278	984	\$5,527	984	\$5,710	984	\$5,919
KIK Florida/Sewell Products Coca-Cola	1,236 134,951	\$11,586 \$923,416	754 153,313	\$10,620 \$858,912	724 171,443	\$11,152 \$998,513	3,804 134,28 8	\$26,535 \$813,316
Outside City			,				,	
All Temp Storage Board of County	3,814	\$27,674	3,306	\$24,723	2,902	\$22,764	3,687	\$29,981
Commission	18,677	\$133,208	20,384	\$150,027	18,409	\$141,940	24,827	\$199,371
Givaudan Roure	7,694	\$206,023	7,475	\$174,210	7,278	\$261,058	10,284	\$335,351
Packaging Corp of America <u>Rcuse</u>	5,514	\$100,328	2,173	\$32,369	3,895	\$46,096	4,076	\$38,921
Calpine	241,676	\$85,226	224,182	\$79,974	145,622	\$54,026	162,561	\$59,740
Totals	422,175	\$1,533,757	420,449	\$1,380,263	359,242	\$1,588,008	351,838	\$1,554,042

Exhibit 7 – Historical Usage and Revenues from Industrial Sewer and Reuse Customers

Footnote:

[1] Total sewer revenues include charges for service, industrial pretreatment factor, additional analysis, and fines.

The City's ten largest water and sewer customers account for approximately 24.3% of annual gross revenue for the System. Exhibit 8 lists the City's principal water customers, and their annual consumption and revenues during calendar year 2015:

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-	Water Sales in	Annual Revenue [1]				
Customer Name	MGY	Water	Sewer	Total		
Coca Cola	312	\$779,169	\$818,647	\$1,597,816		
Givaudan Roure	0	0	335,351	\$335,351		
Board of County Commission	0	0	199,371	\$199,371		
Sewell Products	28	71,215	26,535	\$97,750		
Love's Travel Stops	9	24,796	60,706	\$85,502		
Calpine Corporation	0	0	59,740	\$59,740		
The Florida Brewery	19	48,383	5,919	\$54,302		
Briarhill Nursing Center	5	13,977	34,211	\$48,1 88		
Bynum Transport	0	0	39,578	\$39,578		
Packaging Corp of America	0	0	38,921	\$38,921		
Total	373	\$937,540	\$1,618,978	\$2,556,518		

Exhibit 8 – Principal Water and Sewer Customers for FY 2015

Footnote: [1] Amounts shown may reflect calendar year 2015 amounts for certain customers based on the data provided by the City.

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4. Capital Improvement Plan

The Capital Improvement Program ("CIP") for the City consists of a variety of water and sewer projects that are identified for funding consideration over the six-year Forecast Period. The schedule of CIP projects is summarized below in Exhibit 9. There are no Polk County Water Cooperative alternative water projects with City participation planned within this timeframe. Funding sources for those projects planned within the Forecast Period are discussed below. The following summarizes the projects included in the six year CIP expenditures:

	5	(In thouse	mds of dollars)				
Description	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	<u> </u>
Water Lines	\$580	\$0	\$0	\$550	\$0	\$200	\$1,330
Radio Read Water Meter							
Replacement	8.5	100	0	100	0	100	\$308.5
Water Plant	31	50	50	20	150	0	\$301
Wastewater Collection	300	0	0	0	0	0	\$300
Allred WTTP [1]	3,576	160	300	25	0	300	\$4,361
Regional WWTP	340	300	460	0	300	0	\$1,400
Lift Station Upgrades	60	60	60	70	70	80	\$400
Equipment	0	25	10	0	0	60	\$95
Vehicles	65	15	80	0	80	0	\$240
Additional Improvements	0	200	50	250	250	250	\$1,000
Total	\$4,960.5	\$910	\$1,010	\$1,015	\$850	\$990	\$9,735.5

Exhibit 9 – CIP Summary

Footnote: [1] Includes Reuse Tank and Reuse Line Projects to Water Management District and Florida Poly University.

A summary of the planned funding sources for the above capital projects is detailed in Exhibit 10 below:

Exhibit 10 - Summary of CIP Funding

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Funding Source	FY 2016	<u>FY 2017</u>	FY 2018	FY 2019	FY 2020	FY 2021	Total
Rate Revenue	\$1,060,500	\$910,000	\$1,010,000	\$1,015,000	\$850,000	\$990,000	\$5,835,500
Line of Credit/Series 2016 Bonds WMD Reimbursement Total	2,400,000 1,500,000 \$4,960,500	0 0 \$910,000	0 0 \$1,010,000	0 0 \$1,015,000	0 0 \$850,000	0 0 \$990,000	2,400,000 1,500,000 \$9,735,500

As shown above, with the exception of the projects funded from a portion of the Series 2016 project funds (\$2,400,000), the capital improvements are planned to be funded from rate revenue (i.e., pay-go) or direct reimbursement from grant partners.

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5. Financing Plan

The assumptions provided by the City's underwriter with respect to the issuance of the Series 2016 Bonds include the following:

Exhibit 11 - Sources & Uses

Sources of Funds:	Series 2007 &		
	2009 Refunding	New Money	Total
Par Amount of Bonds	\$21,840,000.00	\$3,535,000.00	\$25,375,000.00
Reoffering Premium	3,281,671.35	534,768.85	3,816,440.20
Total Sources	\$25,121,671.35	\$4,069,768.85	\$29,191,440.20
Use <u>s of Funds</u> :			
<u></u>	Series 2007 &		
	2009 Refunding	New Money	Total
Total Underwriter's Discount	\$152,880.00	\$24,745.00	\$177,625.00
Costs of Issuance	90,000.00	20,000.00	110,000.00
Gross Bond Insurance Premium	90,203.20	16,704.40	106,907.60
DSR Surety	50,513.75	5,341.75	55,855.50
Deposit [1]	24,733,387.79	4,000,000.00	28,733,387.79
Rounding Amount	4,686.61	2,977.70	7,664.31
Total Uses	\$25,121,671.35	\$4,069,768.85	\$29,191,440.20
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Footnote: [1] The \$24.7 million of the Series 2007 & 2009 Refunding will be deposited into the Net Cash Escrow Fund and the \$4 million of new money will be deposited into the Project Construction Fund.

The \$4,000,000 deposited into the Project Construction Fund for the new money consists of approximately \$1,600,000 for reimbursement of authorized capital expenditures prior to the issuance of the Series 2016 Bonds and \$2,400,000 to fund projects within the CIP described herein. Based on information provided by the City's underwriter it is assumed that the Series 2016 Bonds would be dated on or about August 1, 2016 and have an all-in true interest cost of 3.88% for the refunding portion and 3.49% for the new money portion. The new money portion is expected to be amortized with level debt service over 30 years. The Series 2016 Bonds are assumed to be issued as Additional Parity Bonds pursuant to the Resolution. The City anticipates issuing a debt service reserve surety policy to meet the Reserve Account requirement. No additional debt for the System is anticipated during the Forecast Period.

The following summarizes the System annual debt service requirements for the Forecast Period including the Series 2016 Bonds based on the debt service schedule provided by the City's underwriter:

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	2016	2017	2018	2019	2020	2021
Senior Lien Debt Service						
Series 2003	\$158,833	\$6,067	\$0	\$0	\$0	\$0
Series 2006	1,177,500	1,180,488	1,181,375	1,180,163	1,181,850	1,181,175
Series 2007	474,762	0	0	0	0	0
Series 2009	57,740	0	0	0	0	0
Series 2016	358,767	1,427,850	1,433,950	1,434,600	1,429,850	1,429,950
Total Senior Debt Service	\$2,227,602	\$2,614,404	\$2,615,325	\$2,614,763	\$2,611,700	\$2,611,125

Exhibit 12 -Long-Term Debt Service

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6. Operating and Other Non-Operating Expenses

Expenditures are categorized as operating expenses, non-operating expenses, or other budgeted expenditures and transfers. Operating expenses represent normal recurring expenses incurred during the City's annual accounting cycle based upon its fiscal year ending September 30. Planned operating expenses are budgeted by the City through FY 2018, while the remaining years in the Forecast Period were projected out using a variety of escalation factors. Specific operating costs during the Forecast Period were escalated as follows:

Description	2019	2020	2021
Inflation/CPI	2.40%	2.40%	2.40%
Personnel Services	3.00%	3.00%	3.00%
Maintenance	5.00%	5.00%	5.00%
Gas, Oil & Diesel	5.00%	5.00%	5.00%
Utilities	3.00%	3.00%	3.00%
General Fund Services	5.00%	5.00%	5.00%

The projected operating expenses by water and sewer division during the Forecast Period are summarized below in Exhibit 13:

	For the Fiscal Year Ending September 30,					
-	2016	2017	2018	2019	2020	2021
Public Utilities Administration	\$167,000	\$170,700	\$170,800	\$176,100	\$181,500	\$187,000
Water Distribution	563,000	615,700	621,900	642,800	664,300	686,700
Utility Billing	324,100	347,600	348,600	358,800	369,200	379,900
Water Treatment Plants	565,300	576,300	576,400	593,900	611,700	630,200
Alfred WWTP	1,083,300	1,209,000	1,210,100	1,250,700	1,292,600	1,336,300
Regional WWTP	737,000	748,300	750,000	774,300	799,200	825,100
General Fund Services	1,227,900	1,301,700	1,359,400	1,427,400	1,498,800	1,573,700
Total	\$4,667,600	\$4,969,300	\$5,037,200	\$5,224,000	\$5,417,300	\$5,618,900

The operating expenses above include General Fund Services, consisting of utility employee taxes, insurance, pension obligations, and similar employee related costs and other indirect costs from other City funds. In addition to the operating expenses shown above, the City has other non-operating expenses and transfer requirements. Non-operating expenses include interest for existing and proposed debt service payments, as described earlier. The City also has two other budget line items for transfers to the City's General Fund that are not considered operating expenses as described below.

The City makes an annual transfer from the Water and Sewer Fund to the General Fund under the budget line item "Contribution-General Fund" and "General Fund Transfer." The Contribution-General Fund amount transferred has increased during the last few years but has recently decreased during FY 2016.

	Contribution-	General Fund	Total
Fiscal Year	General Fund	Transfers	Transfers
Historical:			
2011	\$0	\$1,557,381	\$1,557,381
2012	\$0	\$1,945,882	\$1,945,882
2013	\$500,000	\$1,994,636	\$2,494,636
2014	\$500,000	\$1,813,573	\$2,313,573
2015	\$1,000,000	\$3,149,127	\$4,149,127
Projected:			
2016 (Budgeted)	\$500,000	\$3,146,000	\$3,646,000
2017 (Budgeted) Proposed	\$500,000	\$2,751,200	\$3,251,200
2018 (Budgeted) Proposed	\$500,000	\$3,033,100	\$3,533,100
2019	\$500,000	\$3,025,000	\$3,525,000
2020	\$500,000	\$3,116,000	\$3,616,000
2021	\$500,000	\$3,210,000	\$3,710,000

Exhibit 14 – General Fund Transfers

Since FY 2013 the City has transferred \$500,000 for Contribution-General Fund with the exception of a \$1,000,000 transfer in FY 2015. This level of contribution is expected to continue throughout the Forecast Period. Unlike the Contributions-General Fund, the General Fund Transfers have varied from year to year. The highest transfer year was \$3,149,127 which occurred in FY 2015. This transfer has since decreased and is budgeted to be \$3,033,100 in FY 2018. The level of transfers in recent years is between 24% and 29% of Gross Revenue. Projected future General Fund Transfers are projected to be 25% of Gross Revenues based on recent trends and discussions with the City with regard to future funding requirements.

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7. Rates and Charges

The City establishes rates and fees to recover the cost of providing water and sewer service and bills its customers monthly. The City reviews rates periodically with the last rate study completed by RFC in 2012. As a result of the study, the City adopted annual rate increases of 4.0% for four years. Important considerations in the annual rate adjustments are maintaining adequate debt service coverage, providing adequate resources to fund capital improvements, and maintaining rate stability. Moving forward, the City is budgeting for an annual increase of 3.0% in FY 2017 followed by an annual increase of 2.0% for the next few fiscal years.

The existing water and sewer rates became effective October 1, 2015 pursuant to Section 23-47 of the City's Code of Ordinances. The City charges a 35% surcharge for water and sewer customers outside of the City's limits. The rates for the City's service area include fixed monthly base charges and usage charges for water and sewer service.

A minimum of 4,000 gallons is included in the base charge for water service with three usage blocks with corresponding rates for residential customers opposed to just one usage rate per 1,000 gallons for commercial customers. Meter sizes does not play a factor in the base charge for water service, but the base charge and minimum gallons allowed escalate up with meter sizes for sewer service. Residential sewer customers are charged a flat rate regardless of usage levels, where commercial customers are charged a usage rate per 1,000 over their allotted minimum gallons.

The current water and sewer rates for the City are found in Exhibit 15 below:

Exhibit 15 - Current Water and Sewer Rates

Water Rates Effective	October 1, 2015		
	Inside City	Outside City	
Minimum Charge (includes 4,000 gallons):	\$10.36	\$13.98	
Residential Usage Charge per 1,000 gallons:			
4,001~12,000 gallons	\$1.87	\$2.52	
12,001-35,000 gallons	\$2.81	\$3.79	
35,001 gallons and above	\$3.74	\$5.05	
Commercial Usage Charge per 1,000 gallons:			
4,001 gallons and above	\$2.57	\$3.47	

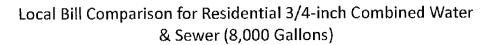
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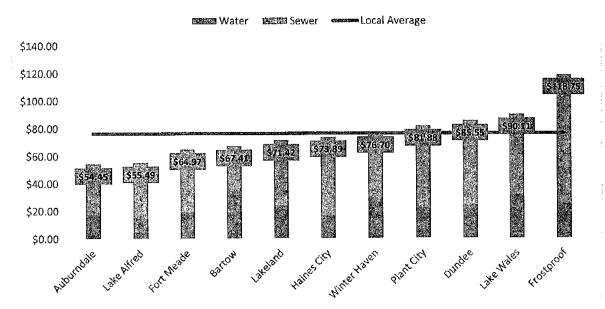
Minimum Charge by Meter Size:	Minimum Gallons	Inside City	Outside City
3/4"	6,000	\$36.61	\$49.43
1"	10,000	\$61.77	\$83.38
1.5"	20,000	\$124.66	\$168.29
2"	40,000	\$250,45	\$338.10
3"	80,000	\$502.03	\$677.74
4"	160,000	\$1,005.18	\$1,356.99
6"	320,000	\$2,011.50	\$2,715.52
8"	640,000	\$4,024.12	\$5,432.56
10"	1,280,000	\$8,049.37	\$10,866.65
Usage Charge per 1,000 gallons over minimum			
(for commercial customers only)		\$6.29	\$8.49

Residential Rate Comparisons

The monthly combined water and sewer bill for a typical residential customer inside the City's limit is \$54.45. A comparison of a typical City residential customer bill with nearby utilities is summarized below:

Exhibit 16 – Comparison of Residential Bills with Other Communities (8,000 Gallons)





Note: Amounts shown are based on available rate information as of June 2016.



As shown, the combined water and sewer bill for a residential customer using 8,000 gallons per month is \$54.45, or \$653.40 per year. The City has an average overall median household income ("MHI") of \$40,851¹. The ratio of annual water and sewer costs for the City to MHI is approximately 1.6%. This figure falls within the combined affordability guideline of 4% as identified by the EPA's Financial Capability Assessment publication.²

² Combined Sewer Overflows: Guidance for Financial Capability Assessment and Schedule Development (Environmental Protection Agency, March 1997) page 19.



¹ Based on data from U.S. Census, 2010 – 2014 average.

8. Revenues

In order to meet the financial obligations of the outstanding and proposed debt service and other water and sewer expenses, water and sewer revenue requirements must be recovered exclusively from revenues associated with the water and sewer systems. Gross Revenues, as defined in the Resolution, include operating revenues (charges for services and other operating revenues) and miscellaneous revenues as identified in this Feasibility Evaluation.

Exhibit 17 shows the projection of operating and miscellaneous revenues during the Forecast Period. Revenues from user rates and charges consist of revenues from minimum and volumetric rates for retail customers. Some notable miscellaneous revenues are water connection fees, service fees, sewer pretreatment factor (extra treatment for industrial customers), and late charges (which the City plans to double starting in FY 2017). Miscellaneous revenues are assumed to stay at the same levels as planned in the FY 2017 budget through the rest of the Forecast Period.

Overall, Gross Revenues are forecasted to increase at an average compound rate of 3.4% per year over the Forecast Period, which is driven by water and sewer rate increases and expectations for moderate growth in customers and demand. The rate increases assumed during the Forecast Period are summarized below:

Fiscal Year	Water	Sewer
2017	3.00%	3.00%
2018	2.00%	2.00%
2019	2.00%	2.00%
2020	2.00%	2.00%
2021	2.00%	2.00%

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	2016	2017	2018	2019	2020	2021
Water and Sewer User Charges	\$10,152,400	\$10,606,600	\$10,952,100	\$11,307,100	\$11,671,600	\$12,049,000
Miscellaneous Revenue						
Water Connection Fees	\$50,000	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000
Service Fees	135,000	60,000	60,000	60,000	60,000	60,000
Pretreatment Factor Sewer	200,000	250,000	250,000	250,000	250,000	250,000
Late Charges	82,000	160,000	160,000	160,000	160,000	160,000
Other Miscellaneous Revenue	168,700	259,700	259,700	259,700	259,700	259,700
Subtotal Miscellaneous Revenue	\$635,700	\$789,700	\$789,700	\$789,700	\$789,700	\$789,700
Non-Operating Revenue						
Interest Earnings	\$3,100	\$2,900	\$2,900	\$3,000	\$3,000	\$3,000
Total System Gross Revenue	\$10,791,200	\$11,399,200	\$11,744,700	\$12,099,800	\$12,464,300	\$12,841,700

Exhibit 17 - Estimated Annual Revenues

In addition to the Gross Revenues summarized above, the City budgets \$750,000 in annual revenues from water and sewer impact fee. Based on projected growth, approximately that amount is projected to be collected in impact fees during the Forecast Period. However, as highlighted in the Resolution, these funds do not count toward the debt service coverage calculation. Additionally, the City is projected to receive \$150,000 per year for five years starting in FY 2018, in reimbursements from Florida Polytechnic University for their share of costs for the Water Reuse Line to their facility.

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9. Fund Balances

As of September 30, 2015 the City reported an unrestricted System cash balance of \$2,018,116 which equates to approximately 82 days of operating expenses. Based on the assumptions set forth within this report, the System reserve balances are projected for each year during the Foreeast Period. This forecast designates certain purposes for the projected System reserves including minimum Renewal, Replacement, and Improvement Fund balances required by the Bond Resolution (\$250,000) and certain designations of funds reserved for System capital improvements by the City. Also any impact fees are designated separately as required per Florida Statute.

The forecast indicates that the City expects to continue to generate revenues greater than total cash needs during the Forecast Period such that the amount of this cash balance is projected to increase as additional revenue surpluses and interest revenues are accrued. Based on industry trends and rating agency publications, it is recommended that the City establish a minimum target for System reserves of 90 days of operating expenses. This minimum target excludes impact fees or other restricted funds. This minimum reserve provides ample liquidity for unforescen events and provides the ability to continue capital improvements despite annual fluctuations in revenue that might occur from time to time. This minimum level of reserves is based on a review of recent rating agency criteria

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Exhibit 18 – Fund Balances – Operating Funds, Impact Fees, Capital Improvement Program, and
R&R Fund
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	For the Fiscal Year Ending September 30,					
	2016	2017	2018	2019	2020	2021
Water & Sewer Operating Fund						
Beginning Balance	\$350,164	\$1,127,762	\$1,558,458	\$2,054,333	\$2,722,170	\$3,638,270
Transfers In	777,598	430,696	495,875	667,838	916,100	871,075
Transfers Out:						
To CIP	0	0	0	0	0	0
Ending Balance	\$1,127,762	\$1,558,458	\$2,054,333	\$2,722,170	\$3,638,270	\$4,509,345
Water Impact Fccs						
Beginning Balance	\$0	\$0	\$0	\$0	\$0	\$0
Transfers In	386,100	272,200	272,200	272,200	272,200	284,800
Transfers Out:						
Debt Service	386,100	272,200	272,200	272,200	272,200	284,800
Ending Balance	\$0	\$0	\$0	\$0	\$0	\$0
Sewer Impact Fees						
Beginning Balance	\$0	\$0	\$0	\$0	\$0	\$0
Transfers In	602,000	504,200	524,600	524,600	524,600	524,600
Transfers Out:						
Debt Service	602,000	504,200	524,600	524,600	524,600	524,600
Ending Balance	\$0	\$0	\$0	\$0	\$0	\$0
Capital Improvement Program				_		
Beginning Balance	\$725,150	\$125,150	\$125,150	\$125,150	\$125,150	\$125,150
Transfers In	0	0	0	0	0	0
Transfers Out:						0
CIP	600,000	0	0	0	0	0
Ending Balance	\$125,150	\$125,150	\$125,150	\$125,150	\$125,150	\$125,150
R&R Fund						
Beginning Balance	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Transfers In	0	0	0	0	0	0
Transfers Out	0	0	0	0	0	0
Ending Balance	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
All Funds:						0.1 00.1.10.7
Subtotal – Ending Balance	\$1,502,912	\$1,933,608	\$2,429,483	\$3,097,320	\$4,013,420	\$4,884,495
Less: Impact Fees	0	0	0	0	0	0
Balance Available w/out Impact Fees	\$1,502,912	\$1,933,608	\$2,429,483	\$3,097,320	\$4,013,420	\$4,884,495
Days of Cash on Hand	118	142	176	216	270	317

APPENDIX E

FORM OF BOND COUNSEL OPINION

Upon delivery of the Series 2016 Bonds in definitive form, Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, proposes to render its opinion with respect to the Series 2016 Bonds in substantially the following form:

[Date of Closing]

City Commission of the City of Auburndale, Florida Auburndale, Florida

Commission Members:

We have examined a record of proceedings relating to the issuance of \$29,695,000 City of Auburndale, Florida Water and Sewer Revenue Refunding Bonds, Series 2016 (the "Bonds"). The Bonds are issued under the authority of the Laws of the State of Florida, including Chapter 166, Part II of Florida Statutes, and other applicable provisions of law, and pursuant to Resolution No. 2016-07 adopted by the City Commission of the City of Auburndale, Florida (the "City") on August 15, 2016, as amended and supplemented from time to time, and particularly as supplemented by Resolution No. 2016-08 adopted by the City Commission of the City on August 16, 2016 (collectively, the "Resolution").

The Bonds are dated and shall bear interest from September 1, 2016, except as otherwise provided in the Resolution. The Bonds will mature on the dates and in the principal amounts, and will bear interest at the respective rates per annum, as provided in the Resolution and set forth in the Official Statement executed in connection with the sale of the Bonds (the "Official Statement"). Interest on the Bonds shall be payable on each June 1 and December 1, commencing on December 1, 2016. The Bonds are subject to redemption prior to maturity in accordance with the Resolution and as set forth in the final Official Statement.

The Bonds are issued for the principal purpose of providing funds which will be sufficient to (i) refund the City's Water and Sewer Revenue Bonds, Series 2007 and its Water and Sewer Revenue Bonds, Series 2009, (ii) acquire and construct, or reimburse itself for the cost of, additions, extensions and improvements to the City's combined water and sewer system, and (iii) pay certain expenses related to the issuance and sale of the Series 2016 Bonds, including the purchase of a municipal bond insurance policy and a debt service reserve surety policy for the Reserve Fund for the Series 2016 Bonds as described in the Resolution. Certain proceeds of the Bonds, together with other moneys of the City, shall be deposited into an escrow deposit trust fund (the "Escrow Fund") established pursuant to the Escrow Deposit Agreement, dated as of September 1, 2016, between the County and U.S. Bank National Association, Jacksonville, Florida and invested in direct obligations

of the United States of America (the "Escrow Securities") such that principal of and interest on said Escrow Securities shall be sufficient to pay the principal of, redemption premium, if any, and interest on the Refunded Bonds as the same become due or are redeemed prior to maturity.

As to questions of fact material to our opinion, we have relied upon the representations of the City contained in the Resolution, and in the certified proceedings relating thereto and to the issuance of the Bonds and other certifications of public officials furnished to us in connection therewith, without undertaking to verify the same by independent investigation. Furthermore, we have assumed continuing compliance with the covenants and agreements contained in the Resolution. We have not undertaken an independent audit, examination, investigation or inspection of the matters described or contained in any agreements, documents, certificates, representations and opinions relating to the Bonds, and have relied solely on the facts, estimates and circumstances described and set forth therein. In our examination of the foregoing, we have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

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

1. The City is a duly created and validly existing municipal corporation and public body corporate and politic of the State of Florida.

2. The City has the right and power under the Constitution and Laws of the State of Florida to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the City, is in full force and effect in accordance with its terms and is valid and binding upon the City and enforceable in accordance with its terms and no other authorization for the Resolution is required. The Resolution creates the valid pledge which it purports to create of the Pledged Funds (as such term is defined in the Resolution), subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

3. The City is duly authorized and entitled to issue the Bonds and the Bonds have been duly and validly authorized and issued by the City in accordance with the Constitution and Laws of the State of Florida and the Resolution. The Bonds constitute valid and binding obligations of the City as provided in the Resolution and are enforceable in accordance with their terms and the terms of the Resolution and are entitled to the benefits of the Resolution and the laws pursuant to which they are issued. The Bonds shall be issued on a parity under the Resolution, to the extent and except as provided in the Resolution. The Bonds do not constitute a general indebtedness of the City or the State of Florida or any agency, department or political subdivision thereof, or a pledge of the faith and credit of such entities, but are solely payable from the Pledged Funds in the manner and to the extent provided in the Resolution. No holder of the Bonds shall ever have the right to compel the exercise of any ad valorem taxing power of the City or the State of Florida or any political subdivision, agency or department thereof to pay the Bonds.

4. Under existing statutes, regulations, rulings and court decisions, the 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 imposed on individuals and corporations; however, it should be noted that with respect to certain corporations, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax. The opinions set forth in this paragraph are subject to the condition that the

City 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 continues 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 City has covenanted in the Resolution to comply with all such requirements. Ownership of the Bonds may result in collateral federal tax consequences to certain taxpayers. We express no opinion regarding such federal tax consequences arising with respect to the Bonds.

In rendering the opinions set forth above, we are relying upon (a) the arithmetical accuracy of certain computations included in schedules provided by Harbor Financial Services, LLC relating to the computations of projected receipts of the Escrow Securities and any other amounts deposited in the Escrow Fund, of the adequacy of such projected receipts and other sums to pay the principal of, redemption premium, if any, and interest on the Refunded Bonds, and of the yield on the Bonds and the Escrow Securities, and (b) the verifications of the arithmetical accuracy of such computations by Terminus Analytics, LLC.

It should be noted that, except as may expressly be set forth in an opinion delivered by us to the underwriter and the City (on which opinion only they may rely) for the Bonds on the date hereof, we have not been engaged or undertaken to review (1) the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and we express no opinion relating thereto, or (2) the compliance with any federal or state law with regard to the sale or distribution of the Bonds and we express no opinion relating thereto.

The opinions expressed in paragraphs 2 and 3 hereof are qualified to the extent that the enforceability of the Resolution and the Bonds may be limited by any applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity.

The opinions set forth herein are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the United States of America. The only opinions rendered hereby shall be those expressly stated as such herein, and no opinion shall be implied or inferred as a result of anything contained herein or omitted herefrom.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We have examined the form of the Bonds and, in our opinion, the form of the Bonds is regular and proper.

Respectfully submitted,

APPENDIX F

SPECIMEN BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of



ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owner's night to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owner's shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on 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 unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which recovered from has been such Owner pursuant to the

Page 2 of 2 Policy No. -N

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.



ASSURED GUARANTY MUNICIPAL CORP.

By _

Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc. 1633 Broadway, New York, N.Y. 10019 (212) 974-0100

Form 500NY (5/90)

APPENDIX G

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Auburndale, Florida (the "Issuer") in connection with the issuance of its \$29,695,000 Water and Sewer System Revenue Refunding Bonds, Series 2016 (the "Bonds"). The Bonds are being issued pursuant to Resolution No. 2016-07 adopted by the City Commission of the City of Auburndale, Florida on August 15, 2016 (collectively, the "Resolution").

SECTION 1. PURPOSE OF THE DISCLOSURE CERTIFICATE. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holder and Beneficial Owner of the Bonds and in order to assist the Participating Underwriters in complying with the continuing disclosure requirements of Securities and Exchange Commission Rule 15c2-12.

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Resolution which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation. The initial Dissemination Agent is Digital Assurance Certification, LLC.

"Event of Bankruptcy" shall be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"Obligated Person" shall mean any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

"Participating Underwriters" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each entity authorized and approved by the Securities and Exchange Commission from time to time to act as a repository for purposes of complying with the Rule. The Repositories currently approved by the Securities and Exchange Commission may be found by visiting the Securities and Exchange Commission's website at http:/fwww.sec.gov/info/municipal/nrmsir.htm. As of the date hereof, the Repository recognized by the Securities and Exchange Commission for such purpose is the Municipal Securities Rulemaking Board, which currently accepts continuing disclosure submissions through its Electronic Municipal Market Access ("EMMA") web portal at "http://emma.msrb.org."

"Rule" shall mean the continuing disclosure requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Florida.

SECTION 3. PROVISION OF ANNUAL REPORTS.

(a) The Issuer shall, or shall cause the Dissemination Agent to, by not later than June 30th following the end of the prior fiscal year, beginning with the fiscal year ending September 30, 2016 with respect to the report for the 2015-2016 fiscal year, provide to any Repository in electronic format as prescribed by such Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date; provided, further, in such event unaudited financial statements are required to be delivered as part of the Annual Report in accordance with Section 4(a) below. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) business days prior to the date set forth in (a) above, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to any Repository an Annual Report as required in subsection (a), the Issuer shall send a notice to the Repository in electronic format as prescribed by such Repository, in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of any Repository;

(ii) if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing any Repository to which it was provided; and

(iii) if the Dissemination Agent is other than the Issuer, the Dissemination Agent shall send a notice to any Repository, in electronic format as prescribed by such Repository, in substantially the form attached as Exhibit A if the Issuer is unable to provide an Annual Report to any Repository as required in subsection (a).

SECTION 4. CONTENT OF ANNUAL REPORTS. The Issuer's Annual Report shall contain or include by reference the following:

(a) the audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement dated September 12, 2016 (the "Official Statement"), and the audited financial statements shall be filed in the same manner as the Annual Report when they become available; and

(b) updates of the historical financial and operating data set forth in the Official Statement under the captions:

- (i) Water Accounts by Customer Class;
- (ii) Water Accounts and Billed Usage;
- (iii) Sewer Accounts by Customer Class;
- (iv) Non-Industrial Sewer Accounts and Billing Usage;

(v) Historical Usage and Revenues from Industrial Sewer and Reuse Customers;

- (vi) Water and Sewer Rates; and
- (vii) Historical Revenues, Expenses and Debt Service Coverage.

The information provided under Section 4(b) may be included by specific reference to documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the Repository's Internet Web site or filed with the Securities and Exchange Commission.

The Issuer reserves the right to modify from time to time the specific types of information provided in its Annual Report or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.

SECTION 5. REPORTING OF SIGNIFICANT EVENTS.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds. Such notice shall be given in a timely manner not in excess of ten (10) business days after the occurrence of the event, with the exception of the event described in number 15 below, which notice shall be given in a timely manner:

- 1. principal and interest payment delinquencies;
- 2. non-payment related defaults, if material;
- 3. unscheduled draws on debt service reserves reflecting financial difficulties;
- 4. unscheduled draws on credit enhancements reflecting financial difficulties;
- 5. substitution of credit or liquidity providers, or their failure to perform;

6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

- 7. modifications to rights of the holders of the Bonds, if material;
- 8. Bond calls, if material, and tender offers;
- 9. defeasances;

10. release, substitution, or sale of property securing repayment of the Bonds, if material;

- 11. ratings changes;
- 12. an Event of Bankruptcy or similar event of an Obligated Person;

13. the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, or the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. appointment of a successor or additional Paying Agent or the change of name of a Paying Agent, if material; and

15. notice of any failure on the part of the Issuer to meet the requirements of Section 3 hereof.

(b) The notice required to be given in paragraph 5(a) above shall be filed with any Repository, in electronic format as prescribed by such Repository.

SECTION 6. IDENTIFYING INFORMATION. In accordance with the Rule, all disclosure filings submitted in pursuant to this Disclosure Certificate to any Repository must be accompanied by identifying information as prescribed by the Repository. Such information may include, but not be limited to:

(a) the category of information being provided;

(b) the period covered by any annual financial information, financial statement or other financial information or operation data;

(c) the issues or specific securities to which such documents are related (including CUSIPs, issuer name, state, issue description/securities name, dated date, maturity date, and/or coupon rate);

- (d) the name of any Obligated Person other than the Issuer;
- (e) the name and date of the document being submitted; and
- (f) contact information for the submitter.

SECTION 7. TERMINATION OF REPORTING OBLIGATION. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds, or if the Rule is repealed or no longer in effect. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 8. DISSEMINATION AGENT. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate.

SECTION 9. AMENDMENT; WAIVER. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in

legal requirements, change in law, or change in the identity, nature or status of the Issuer, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders or Beneficial Owners of the Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of holders or Beneficial Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Bonds.

Notwithstanding the foregoing, the Issuer shall have the right to adopt amendments to this Disclosure Certificate necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. ADDITIONAL INFORMATION. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. DEFAULT. The continuing disclosure obligations of the Issuer set forth herein constitute a contract with the holders of the Bonds. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate; provided, however, the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with the provisions of this Disclosure Certificate shall be an action to compel performance. A default under this Disclosure Certificate shall not be deemed a default under the Resolution.

SECTION 12. DUTIES, IMMUNITIES AND LIABILITIES OF DISSEMINATION AGENT. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees, to the extent permitted by law, and solely from the Pledged Funds, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

[Remainder of page intentionally left blank]

SECTION 13. BENEFICIARIES. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriters and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated as September 27, 2016

(SEAL)

CITY OF AUBURNDALE, FLORIDA

By:_____ Mayor

ATTEST:

By:___

Clerk

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	City of Auburndale, Florida
Name of Bond Issue:	Water and Sewer System Revenue Refunding Bonds, Series 2016
Date of Issuance:	September 27, 2016

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 and 4(b) of the Continuing Disclosure Certificate dated as of September 27, 2016. The Issuer anticipates that the Annual Report will be filed by ______.

Dated:

CITY OF AUBURNDALE, FLORIDA

By:	
Name:	
Title:	



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