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September 19, 2003

Ms. Blanca Bayo, Director  
Commission Clerk and Administrative Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee, FL 32399-0850

*030931-WS*

HAND DELIVERED

COMMISSION  
CLERK

SEP 24 PM 3:35

RECEIVED FPSC

Re: In re: Joint Application for Acknowledgment of Sale of Florida Water Services Corporation Land and Facilities Located in Charlotte County to the Florida Governmental Utility Authority and Cancellation of Certificates

Dear Ms. Bayo:

Enclosed for filing on behalf of Florida Water Services Corporation ("Florida Water") is an original and five copies of Florida Water's Joint Application for Acknowledgment of Sale of Florida Water Services Corporation Land and Facilities Located in Charlotte County to the Florida Governmental Utility Authority and Cancellation of Certificates.

A copy of the certificate issued by the Commission is included as Exhibit A to the Application. The original certificates are enclosed with this letter for the Commission's use in this docket.

Please acknowledge receipt of these documents by stamping the extra copy of this letter "filed" and returning the copy to me.

Thank you for your assistance with this filing.

Sincerely,  
*J. Stephen Menton*  
J. Stephen Menton

JSM/knb  
Enclosures  
Flawater\Bayo.charlotte

*Original Certificates forwarded to BCR.*

RECEIVED & FILED  
*R.V.N.*  
FPSC-BUREAU OF RECORDS

DOCUMENT NUMBER-DATE  
09166 SEP 24 03  
FPSC-COMMISSION CLERK

**BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION**

In re: Application by Florida Water Services )  
Corporation and the Florida Governmental )  
Utility Authority for acknowledgment of )  
sale of land and facilities located in Charlotte )  
County, Florida to the Florida Governmental )  
Utility Authority and cancellation of certificates. )  
\_\_\_\_\_ )

Docket No. 030931-WS

Filed: September 23, 2003

**JOINT APPLICATION FOR ACKNOWLEDGMENT OF SALE OF  
FLORIDA WATER SERVICES CORPORATION LAND AND  
FACILITIES LOCATED IN CHARLOTTE COUNTY, FLORIDA  
TO THE FLORIDA GOVERNMENTAL UTILITY AUTHORITY  
AND CANCELLATION OF CERTIFICATES**

Florida Water Services Corporation ("Florida Water"), files this Application pursuant to Section 367.071(4), Florida Statutes, for acknowledgment of the proposed sale of its water and wastewater land and facilities in Charlotte County to the Florida Governmental Utility Authority (the "FGUA") and, upon closing of the sale, for cancellation of the certificates issued to Florida Water by the Florida Public Service Commission (the "Commission").

Section 367.071(4)(a), Florida Statutes, provides that the sale of utility assets to a governmental utility shall be approved as a matter of right. Thus, Florida Water contends that the Commission is compelled by statute to approve the proposed sale to the FGUA and has no fact-finding or review authority with respect to the sale. Nonetheless, as discussed below, in order to facilitate prompt action on this Application, Florida Water has submitted all of the information typically required in connection with a sale to a private entity. Florida Water will also provide notice to customers of the filing of the application after consultation with Commission staff. This Application is submitted without waiving any legal position or claims that Florida Water and the FGUA may have regarding the standards and criteria to be utilized by the Commission in processing this Application.

DOCUMENT NUMBER DATE

19166 SEP 24 8

FROM COMMISSION CLERK

## THE APPLICATION

1. Rule 25-30.037, Florida Administrative Code, sets forth the matters that must be included in an application submitted to the Commission regarding the sale of utility assets. The requirements of subsection (2) of the Rule are only applicable to a transfer to a "non-governmental entity." Because the FGUA is a governmental entity, none of the requirements in subsection (2) should be applicable to this Application and only subsection (4) of the Rule should be applicable in determining the requirements for the present Application.

2. Subsection (6) of the Rule provides as follows:

Upon its receipt of items required in (4)(a), (b), (c), (d), (e) and (f), the Commission will issue an order acknowledging that the facilities or any portion thereof have been acquired by the governmental authority.

Thus, the Commission's Rules do not provide any basis for a hearing on the Application or any review to be conducted with respect to the transfer.

3. Without waiving its position as to the applicable filing requirements and standards for review of the Application, Florida Water has included in this Application information that is responsive to the criteria in subsection (2) of the Rule. Because this Application is filed in connection with a sale to a governmental authority, notice is not required to be provided. See Rule 25-30.030(9), Fla. Admin. Code. However, after consultation with staff, Florida Water will provide notice of the filing of this Application to each of the customers of the Charlotte system.

4. The name and address of the Utility is:

Florida Water Services Corporation  
Post Office Box 609520  
Orlando, FL 32860-9520

5. The names and addresses of Florida Water's authorized representatives for purpose of this Application are:

KENNETH A. HOFFMAN, ESQ.  
J. STEPHEN MENTON, ESQ.  
Rutledge, Ecenia, Purnell & Hoffman, P.A.  
P. O. Box 551  
Tallahassee, Florida 32302  
(850) 681-6788 (Telephone)  
(850) 681-6515 (Telecopier)

- - and - -

CARLYN KOWALSKY, ESQ.  
Vice President and General Counsel  
Florida Water Services Corporation  
P. O. Box 609520  
Orlando, Florida 32860-9520  
(407) 598-4297 (Telephone)  
(407) 589-4241 (Telecopier)

6. The name and address of the governmental authority purchasing the utility assets is:

Florida Governmental Utility Authority  
c/o Government Services Group, Inc.  
1500 Mahan Drive, Suite 250  
Tallahassee, FL 32308  
Attn: Robert Sheets

7. The names and addresses of the FGUA's authorized representatives are:

Robert Nabors, Esq.  
Brian Armstrong, Esq.  
Nabors, Giblin and Nickerson, P.A.  
1500 Mahan Drive, Suite 200  
Tallahassee, FL 32308

8. Attached hereto as composite Exhibit A are copies of the relevant Certificates issued to Florida Water by the Commission. Those Certificates relate to Florida Water's water and wastewater operations in Charlotte County (the "Charlotte System"). In addition to its utility

operations regulated by the Commission, Florida Water owns numerous other water and wastewater utility assets throughout the state that operate pursuant to certificates issued by various county regulatory authorities.

9. The FGUA is a governmental authority exempt from regulation by the Commission pursuant to Sections 367.022(2) and 163.01(7)(g)(1), Florida Statutes. As discussed below, the FGUA was created by Interlocal Agreement pursuant to Chapter 163, Florida Statutes.

### **THE PURCHASE AGREEMENT**

10. The FGUA, with the acquiescence and consent of the Board of County Commissioners of Charlotte County, had been negotiating with Florida Water toward the acquisition of Florida Water's Charlotte System since September of 2001.

11. On July 24, 2003, Florida Water signed and delivered to the FGUA a Utility System Asset Acquisition Agreement ("Agreement") which contemplates the sale of certain of Florida Water's utility assets in the state to various local governments including the City of Palm Coast, the City of Marco Island, Hernando County, Osceola County and the FGUA.

12. The Agreement has been amended and restated to include the City of Deltona as an additional buyer of certain of Florida Water utility assets. A copy of the signed Agreement, as amended and restated, is attached hereto and incorporated herein as Exhibit B.

13. At a public hearing conducted on August 21, 2003, the FGUA found the proposed acquisition of the Charlotte System to be in the public interest. A copy of the resolution adopted by the FGUA Board confirming its determination that the acquisition of the Charlotte System is in the public interest is attached hereto as Exhibit C.

14. The FGUA is an interlocal entity created pursuant to Chapter 163, Florida Statutes. The FGUA members include Citrus County, Osceola County, Polk County and Nassau County. The names and addresses of the FGUA directors are attached hereto as Exhibit D.

15. The FGUA was created as of February 1, 1999 pursuant to an Interlocal Agreement which was subsequently amended and restated on December 1, 2000 ("Interlocal Agreement").

16. The names and locations of all other public water and wastewater utilities owned by the FGUA are set forth in the attached Exhibit E.

17. A statement as to the intended financing for the transfer is set forth on the attached Exhibit F.

18. A statement demonstrating that the proposed transfer is in the public interest, including a summary of the transferee's experience in water/sewer utility operation, is attached as Exhibit G.

19. The transferee's financial ability to provide the service is demonstrated in the 2002 Comprehensive Annual Financial Report provided with this Application as Exhibit H.

20. The acquisition of the Charlotte System will be financed through a 2003 revenue bond issue. The FGUA is in the process of securing such bond financing. The Charlotte System will be financed, owned, managed and operated by the FGUA as an independent utility system. Florida Water and the FGUA are working cooperatively towards a prompt closing and request the Commission to act expeditiously on this Application in order to facilitate the favorable financing arrangements currently available. Recent interest rates have been at or near all-time lows and the several local government buyers of Florida Water systems are working cooperatively to expedite each buyer's purchase of Florida Water's various systems.

21. The FGUA has engaged in extensive engineering, operations and financial due diligence concerning the Charlotte System. The FGUA's efforts have confirmed that, absent unforeseen circumstances, the FGUA will be able to acquire the Charlotte System, operate the System and make required capital improvements to the System on a financially viable basis without the need to increase rates, other than by cost indexing, for the first five years after acquisition.

22. The capital improvement plan ("CIP") for the next five years for the Charlotte System being acquired by the FGUA was presented and considered by the FGUA Board at the meeting on August 21, 2003. This CIP was prepared by the FGUA's consulting engineering firm, Post Buckley Schuh and Jernigan, and addresses the anticipated capital needs of the System. A summary report of the CIP is included in Exhibit C. The financing plan for the FGUA transaction will accommodate completion of the CIP during the first five (5) years of FGUA ownership.

23. The FGUA has obtained the most recent income and expense statement, balance sheet, statement of rate base for regulatory purposes, and contributions-in-aid-of-construction applicable to the facilities to be sold, consistent with Section 367.071(4)(a), Florida Statutes.

24. Pursuant to the Agreement, Florida Water has provided the FGUA with access to the books and records for the System and these books and records for the System will be transferred to the FGUA upon closing.

25. Florida Water will assign the customer deposits on hand for the Charlotte System and all accumulated interest to the FGUA at closing and the FGUA will thereupon assume liability for same.

26. Pursuant to the Agreement, the FGUA will assume the liabilities and obligations of Florida Water's outstanding developer agreements.

## GOVERNMENTAL AUTHORITY

27. The FGUA is a governmental authority created by an interlocal agreement between political subdivisions of the State. As such, the concept of rate base is not applicable. Attached hereto as Exhibit I is a statement confirming that no change in rate base and no acquisition adjustment is contemplated as a result of this transaction. A copy of the FGUA's Interlocal Agreement is attached hereto as Exhibit J.

28. Section 163.01(9)(c), Florida Statutes, confirms that an entity such as the FGUA is entitled to all of the privileges and exemptions from laws and ordinances that apply to the local government or governments that created it. Political subdivisions of the State, such as the County members of the FGUA, are governmental authorities and thus are exempt from Commission jurisdiction. Moreover, Section 163.01(7)(g)(1) specifically recognizes that an entity created under Chapter 163 is "not subject to Commission jurisdiction." Section 367.022(2), Florida Statutes, further exempts systems owned, operated, managed or controlled by governmental authorities from Commission jurisdiction. In view of these statutory provisions, the FGUA, like its constituent county members, must be treated as a governmental authority for purposes of Chapter 367.

29. The Commission has previously determined the FGUA is a governmental authority for purposes of Section 367.071(4), Florida Statutes.<sup>1</sup> In Docket No. 990489-WS, the Commission

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<sup>1</sup> Dating back to at least 1989, the Commission has treated a sale of facilities to an interlocal utility authority as a sale to a governmental authority that must be approved as a matter of right. In Order No. 21045 issued April 19, 1989, the Commission treated the sale of the facilities of Seacoast Utilities to the Seacoast Utility Authority (which consisted of Palm Beach County and four municipalities within Palm Beach County) as a sale to a governmental authority entitled to approval as a matter of right. Recently, the Commission acknowledged the Jacksonville Electric Authority or JEA as a governmental authority exempt from Commission regulation pursuant to Section 367.022(2), Florida Statutes, and issued JEA a post-closing "approval as a matter of right." Order No. PSC-02-0280-FOF-WS (issued March 4, 2002) (the PSC acknowledged JEA's exemption under



approved the transfer of the facilities of Florida Cities Water Company and Poinciana Utilities ("PUI") to the Florida Governmental Utility Authority ("FGUA") "as a matter of right." See Order No. PSC-00-2351-FOF-WS issued December 7, 2000 (the "FGUA Order"). The Commission specifically held:

[W]e find that the application as amended is in compliance with Section 367.071(4), Florida Statutes and Rule 25-30.037(4), Florida Administrative Code. Pursuant to Section 367.071(4)(a), Florida Statutes, the sale or transfer of facilities *to a governmental authority* is approved as a matter of right. Accordingly, we hereby approve the transfer of facilities from FCWS and PUI to the GUA.

See Order No. PSC-00-2351-FOF-WS at pg. 3 (emphasis added).

30. Since the issuance of the FGUA Order, there have been no relevant changes to the statutory language in Chapters 163, 166 or 367. The Commission's prior determination that the FGUA is to be treated as a "governmental authority" for purposes of Section 367.071(4)(a) is controlling. See Southern States Utilities v. Florida Public Service Commission, 714 So. 2d 1046 (Fla. 1<sup>st</sup> DCA 1998); Palm Coast Utility Corporation v. Florida Public Service Commission, 742 So. 2d 482 (Fla. 1<sup>st</sup> DCA 1999); Martin Memorial Hospital Association v. Dept. of Health and Rehabilitative Services, 584 So. 2d 39, 40 (Fla. 4<sup>th</sup> DCA 1991). The transfer identified in this Application should be approved by the Commission "as a matter of right."

#### **PUBLIC INTEREST**

31. While the Commission is authorized to make a determination whether the sale of utility assets from one investor owned utility to another investor owned utility is in the public interest, the statutes do not provide the Commission with any authority to make such a determination

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Section 367.022(2) pertaining to systems "owned, operated, managed or controlled by governmental authorities.").

with respect to a sale to a governmental entity. The Florida Statutes recognize that an entity created under Chapter 163 is empowered to make its own determination whether to acquire utility assets and such a determination is presumptively in the public interest. Under subsection (4)(b) of 367.071, when the sale of facilities is not to a governmental entity, the Commission must amend the selling utility's certificate of authorization to reflect the change resulting from the sale. Subsection (5) authorizes the Commission to establish the rate base for the purchasing utility except when the sale is to a governmental entity. These statutes clearly contemplate that a sale under Section 367.071(1) involves continuing Commission jurisdiction over the purchaser. In the present case, which involves a sale to a governmental authority created pursuant to Chapter 163, Florida Statutes, the Commission will not have jurisdiction over the FGUA following closing. Section 163.01(7)(g)(1) clearly states that notwithstanding Section 367.171(7), any entity created under Chapter 163 is not subject to Commission jurisdiction. The FGUA will assume the responsibilities assigned to it by the legislature and convert privately-owned utility assets to public ownership. In the present case, the FGUA Board has made a determination that the purchase of Florida Water's Charlotte System is in the public interest as reflected in Section 3 of Resolution No. 2003-6, attached to this Application as Exhibit C. There is no basis for the Commission to second guess the FGUA determination, particularly in light of the acquiescence and consent of Charlotte County.

#### **MATTERS REQUIRED BY RULE**

32. Florida Water is current with respect to payment of all regulatory assessment fees. Regulatory assessment fees for 2003 will be paid by Florida Water when due.
33. There are no regulatory fines or refunds owed.

34. Undersigned counsel for Florida Water has conferred with counsel for the FGUA and is authorized to represent that the FGUA concurs with and joins in this Application.

WHEREFORE, Florida Water requests that the Commission:

1. Acknowledge the sale of Florida Water's water and wastewater facilities as set forth in this Application to the FGUA; and
2. After closing of the sale to the FGUA, cancel the Certificates listed on the attached Exhibit A.

Respectfully submitted,



KENNETH A. HOFFMAN, ESQ.  
J. STEPHEN MENTON, ESQ.  
Rutledge, Ecenia, Purnell & Hoffman, P.A.  
P. O. Box 551  
Tallahassee, Florida 32302  
(850) 681-6788 (Telephone)  
(850) 681-6515 (Telecopier)

- - and - -

CARLYN KOWALSKY, ESQ.  
Vice President and General Counsel  
Florida Water Services Corporation  
P. O. Box 609520  
Orlando, Florida 32860-9520  
(407) 598-4297 (Telephone)  
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Attorneys for Florida Water Services Corporation



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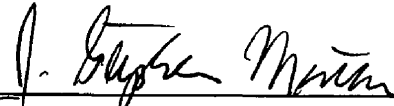
Attorneys for Florida Governmental Utility Authority

**CERTIFICATE OF SERVICE**

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by Hand Delivery(\*) and U.S. Mail this 24<sup>th</sup> day of September, 2003 to:

Harold McLean(\*)  
General Counsel  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Room 301J  
Tallahassee, Florida 32399-0850

Lorena Holley, Esquire (\*)  
Division of Legal Services  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Room 370  
Tallahassee, Florida 32399-0850

  
\_\_\_\_\_  
J. STEPHEN MENTON

**EXHIBIT A**  
**CERTIFICATES**

**FLORIDA PUBLIC SERVICE COMMISSION**

**Certificate Number  
496 - S**

**Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:**

**FLORIDA WATER SERVICES CORPORATION**

**Whose principal address is:**

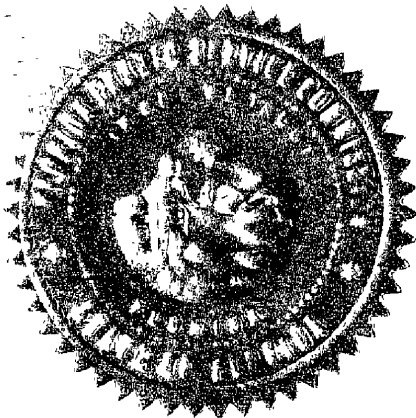
**1000 Color Place  
Apopka, FL 32703 (Charlotte County)**

**to provide wastewater service in accordance with the provision of Chapter 367,  
Florida Statutes, the Rules, Regulations and Orders of this Commission in the  
territory described by the Orders of this Commission.**

**This Certificate shall remain in force and effect until suspended, cancelled or  
revoked by Orders of this Commission.**

<b>ORDER</b>	<b>PSC-95-1164-FOF-WS</b>	<b>DOCKET 941301-WS</b>
<b>ORDER</b>	<b>PSC-97-0427-FOF-WS</b>	<b>DOCKET 970028-WS</b>
<b>ORDER</b>		<b>DOCKET</b>
<b>ORDER</b>		<b>DOCKET</b>
<b>ORDER</b>		<b>DOCKET</b>

**BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION**



*Blanca S. Bayo*  
**Director**  
**Division of Records and Reporting**

**FLORIDA PUBLIC SERVICE COMMISSION**

**Certificate Number  
570 - W**

**Upon consideration of the record it is hereby ORDERED  
that authority be and is hereby granted to:**

**FLORIDA WATER SERVICES CORPORATION**

**Whose principal address is:**

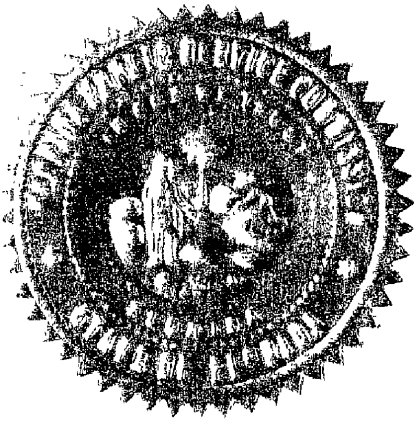
**1000 Color Place  
Apopka, FL 32703 (Charlotte County)**

**to provide water service in accordance with the provision of Chapter 367,  
Florida Statutes, the Rules, Regulations and Orders of this Commission in the  
territory described by the Orders of this Commission.**

**This Certificate shall remain in force and effect until suspended, cancelled or  
revoked by Orders of this Commission.**

<b>ORDER</b>	<b>PSC-95-1164-FOF-WS</b>	<b>DOCKET 941301-WS</b>
<b>ORDER</b>	<b>PSC-97-0427-FOF-WS</b>	<b>DOCKET 970028-WS</b>
<b>ORDER</b>		<b>DOCKET</b>
<b>ORDER</b>		<b>DOCKET</b>
<b>ORDER</b>		<b>DOCKET</b>

**BY ORDER OF THE  
FLORIDA PUBLIC SERVICE COMMISSION**



*Blanca S. Bayo*  
**Director**  
**Division of Records and Reporting**



FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number

255 - S

Upon consideration of the record it is hereby ORDERED that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

1000 Color Place  
Apopka, FL 32703  
(Lee & Charlotte Counties)

to provide wastewater service in accordance with the provision of Chapter 367, Florida Statutes, the Rules, Regulations and Orders of this Commission in the territory described by the Orders of this Commission.

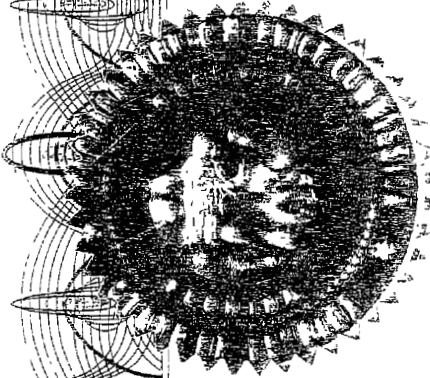
This Certificate shall remain in force and effect until suspended, cancelled or revoked by Orders of this Commission.

ORDER	8334	DOCKET	770392-S
ORDER	21632	DOCKET	881340-WS
ORDER	24411	DOCKET	900969-WS
ORDER	PSC-93-0500-FOF-WS	DOCKET	930086-WS
ORDER	PSC-97-0932-S-WS	DOCKET	960907-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER	PSC-00-0279-FOF-WS	DOCKET	990945-WS

FLORIDA PUBLIC SERVICE COMMISSION



Director  
Division of Records and Reporting



FLORIDA PUBLIC SERVICE COMMISSION

Certificate Number

306 - W

Upon consideration of the record it is hereby ORDERED that authority be and is hereby granted to:

FLORIDA WATER SERVICES CORPORATION

Whose principal address is:

1000 Color Place  
Apopka, FL 32703  
(Lee & Charlotte Counties)

to provide water service in accordance with the provision of Chapter 367, Florida Statutes, the Rules, Regulations and Orders of this Commission in the territory described by the Orders of this Commission.

This Certificate shall remain in force and effect until suspended, cancelled or revoked by Orders of this Commission.

ORDER	8334	DOCKET	770391-W
ORDER	21632	DOCKET	881340-WS
ORDER	24411	DOCKET	900969-WS
ORDER	PSC-93-0500-FOF-WS	DOCKET	930086-WS
ORDER	PSC-97-0932-S-WS	DOCKET	960907-WS
ORDER	PSC-97-0427-FOF-WS	DOCKET	970028-WS
ORDER	PSC-00-0279-FOF-WS	DOCKET	990945-WS

FLORIDA PUBLIC SERVICE COMMISSION



Director  
Division of Records and Reporting



**EXHIBIT B**

**FIRST AMENDED AND RESTATED UTILITY SYSTEM  
ASSET ACQUISITION AGREEMENT  
BY AND AMONG  
HERNANDO COUNTY,  
THE CITY OF MARCO ISLAND,  
THE CITY OF PALM COAST,  
OSCEOLA COUNTY,  
FLORIDA GOVERNMENTAL UTILITY AUTHORITY,  
THE CITY OF DELTONA  
AND  
FLORIDA WATER SERVICES CORPORATION**

---

FIRST AMENDED AND RESTATED  
UTILITY SYSTEM  
ASSET ACQUISITION AGREEMENT

By and Among

HERNANDO COUNTY,  
THE CITY OF MARCO ISLAND,  
THE CITY OF PALM COAST,  
OSCEOLA COUNTY,  
FLORIDA GOVERNMENTAL UTILITY AUTHORITY,  
THE CITY OF DELTONA

and

FLORIDA WATER SERVICES CORPORATION

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**FIRST AMENDED AND RESTATED  
UTILITY SYSTEM  
ASSET ACQUISITION AGREEMENT**

**THIS FIRST AMENDED AND RESTATED UTILITY SYSTEM ASSET ACQUISITION AGREEMENT** (the “Agreement”) is made and entered into as of the 25th day of August, 2003, by and among, Hernando County, a political subdivision of the State of Florida (“Hernando”); the City of Marco Island, Florida, a municipal corporation organized under the laws of the State of Florida (“Marco Island”); the City of Palm Coast, a municipal corporation organized under the laws of the State of Florida (“Palm Coast”); Osceola County (“Osceola”); and the Florida Governmental Utility Authority (the “GUA”), a legal entity and public body created by Interlocal Agreement pursuant to section 163.01(7)(g), Florida Statutes; the City of Deltona, Florida, a municipal corporation organized under the laws of the State of Florida (“Deltona”) (Hernando, Marco Island, Palm Coast, Osceola, GUA, and Deltona collectively referred to as the “Buyers”) and Florida Water Services Corporation (“Florida Water”), a Florida corporation.

**WITNESSETH:**

**WHEREAS**, Florida Water owns utility assets which consist generally of potable water supply, treatment, storage, and distribution systems and wastewater collection, transmission, treatment, disposal and reuse systems which provide services to the service areas identified on **Appendix A** to this Agreement; and

**WHEREAS**, Florida Water had no intention of selling its utility assets, but received the threat of condemnation or was served with lawsuits initiating condemnation actions against certain of its utility assets by various local governments throughout Florida with eminent domain



power, which threats and lawsuits Florida Water determined were inadvisable to resist and would result in unreasonable and extensive time and expense to defend; and

**WHEREAS**, in lieu of condemnation, Florida Water has agreed to negotiate an amicable resolution of the condemnation threats and lawsuits with respect to certain of its utility systems by entering into this Agreement; and

**WHEREAS**, Buyers each agree that the Purchase Price set forth in this Agreement is intended to fulfill the requirement under Article X, Section 6, Eminent Domain, of the Florida Constitution to pay full compensation to Florida Water for the Facilities being acquired by the Buyers under the terms of this Agreement in lieu of the Buyers and members of GUA filing formal eminent domain proceedings, and accordingly each Buyer agrees (1) that Florida Water is entitled to retain all of the Purchase Price and all of the gain to Florida Water arising out of or resulting from the sale of the Purchased Assets, customers and customer revenue streams without sharing, allocation or refund of such gain to any third party , including but not limited to, the past, present or future customers of the Florida Water Facilities being transferred to Buyers under this Agreement and the past, present or future customers of the Florida Water Facilities retained by Florida Water (collectively “Florida Water Customers”), (2) with the principle that the Florida Water Customers have no claims to the Purchase Price and that no party, other than Florida Water, has any rights with respect to the Purchase Price and (3) that the Buyers would have to pay a higher Purchase Price if provisions related to Gain On Sale (defined herein) were not included in this Agreement; and

**WHEREAS**, Florida Water is entering into this Agreement expressly and solely in reliance upon the Buyers’ agreement and representations set forth in the preceding WHEREAS

clause, absent which, Florida Water would not have agreed to the amount of the Purchase Price set forth in this Agreement; and

**WHEREAS**, Hernando desires to acquire the Facilities located in the service area identified on **Appendix A-1** (the “Hernando System”); Marco Island desires to acquire the Facilities located in the service area identified on **Appendix A-2** (the “Marco Island System”); Palm Coast desires to acquire the Facilities located in the service area identified on **Appendix A-3** (the “Palm Coast System”); Osceola desires to acquire the Facilities located in the service area identified on **Appendix A-4** (the “Osceola System”); the GUA desires to acquire the Facilities located in the service areas identified on **Appendix A-5** (the “GUA Systems”); and Deltona desires to acquire the Facilities located in the service areas identified on **Appendix A-6** (the “Deltona System”); and Florida Water has consented to sell those Facilities to the Buyers in lieu of condemnation of such assets.

**NOW, THEREFORE**, in consideration of the foregoing recitals and the benefits to be derived from mutual promises, covenants, representations and agreements contained herein, and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties to this Agreement do undertake, promise and agree for themselves, their permitted successors and assigns as follows:

## **ARTICLE I**

### **DEFINITIONS AND CONSTRUCTION**

**SECTION 1.01. DEFINITIONS.** As used in this Agreement, the following terms shall have the meanings as defined herein unless the context requires otherwise:

“**Affiliate**” means (a) any Person that directly or indirectly controls, is directly or indirectly controlled by or is directly or indirectly under common control with Florida Water; or

(b) any Person that holds a material interest in, or serves as a director, officer, partner, executor or trustee of Florida Water.

**“Agreement”** means this Utility System Asset Acquisition Agreement, including any amendments, supplements and appendices hereto executed and delivered in accordance with the terms hereof.

**“Appurtenances”** means all privileges, rights, easements, hereditaments, and appurtenances owned by Florida Water for the benefit of the Fee Parcels, including all easements appurtenant to and for the benefit of any Fee Parcel (a “Dominant Parcel”) for, and as the primary means of access between, the Dominant Parcel and a public way, or for any other use upon which lawful use of the Dominant Parcel for the purposes for which it is presently being used is dependent, and all rights existing in and to any streets, alleys, passages and other rights-of-way included thereon or adjacent thereto (before or after vacation thereof) and vaults beneath any such streets.

**“Assumed Liabilities”** means those obligations assumed by Buyers or Buyers’ Contractors at Closing and upon taking ownership of the Purchased Assets as set forth in Section 2.06 of this Agreement.

**“Best Efforts”** means the efforts that a prudent Person desirous of achieving a result would use in similar circumstances to achieve that result as expeditiously as possible, provided, however, that a Person required to use Best Efforts under this Agreement will not be thereby required to take actions that would result in a material adverse change in the benefits to such Person of this Agreement and the Contemplated Transactions or to dispose of or make any change to its business, expend any material funds or incur any other material burden.

**“Bonds”** has the meaning set forth in Section 4.01 of this Agreement.

“**Business Day**” means any day other than a Saturday, Sunday, or a day on which banking institutions in the State of Florida are authorized or obligated by law to close.

“**Closing**” or “**Closing Date**” has the meaning set forth in Section 9.01 of this Agreement. Where the context requires, Closing and Closing Date shall include Early Closing Date(s).

“**Connection Charges**” means the funds collected from new customers of the Utility System at or prior to initial connection as authorized by the Florida Water Tariffs to defray the cost of making utility services available. Connection Charges include capacity, main extension, allowance for funds prudently invested, guaranteed revenues or other charges paid for the availability of utility services.

“**Contemplated Transactions**” means all of the transactions contemplated by this Agreement.

“**Easements**” means the easements listed on **Appendix B-1** for the Hernando System; **Appendix B-2** for the Marco Island System; **Appendix B-3** for the Palm Coast System; **Appendix B-4** for the Osceola System; **Appendix B-5** for the GUA Systems; and **Appendix B-6** for the Deltona System.

“**Effective Time**” means 12:01 am. on the Closing Date.

“**Encumbrance**” means any charge, claim, condition, equitable interest, lien, option, pledge, security interest, mortgage, right of way, easement, encroachment, servitude, right of first option, right of first refusal or similar restriction, including any restriction on use, voting (in the case of any security or equity interest), transfer, receipt of income or exercise of any other attribute of ownership.

**“Excluded Assets”** means those Florida Water assets, properties and rights, both tangible and intangible, real and personal, which are not sold, conveyed or transferred to Buyers pursuant to this Agreement, including, but not limited to the Florida Water headquarters in Apopka, Florida and all billing systems, customer service systems, engineering systems, operations and maintenance systems, computer and other information systems located at the Apopka headquarters. The Excluded Assets shall also include the proceeds from any condemnation action filed against Florida Water prior to Closing. The Excluded Assets are listed on **Appendix C**.

**“Facilities”** means (1) the Fee Parcels, (2) the Easements and Appurtenances, and (3) the Personal Property, but excluding the Excluded Assets.

**“Fiscal Year”** means a fiscal year which begins on October 1 and ends on September 30.

**“Fee Parcels”** means those parcels of real property more particularly described in **Appendix D-1** for the Hernando System; **Appendix D-2** for the Marco Island System; **Appendix D-3** for the Palm Coast System; **Appendix D-4** for the Osceola System; **Appendix D-5** for the GUA Systems; and **Appendix D-6** for the Deltona System.

**“Florida Water Contract”** means any contract, promise, or undertaking with respect to the Utility System that is capable of being segregated to each or any of the Buyers: (a) under which Florida Water has or may acquire any rights or benefits; (b) under which Florida Water has or may become subject to any obligation or liability; or (c) by which Florida Water or any of the assets owned or used by Florida Water is or may become bound or are encumbered.

**“Florida Water Tariffs”** means all water and wastewater tariffs filed by Florida Water and approved by the Florida Public Service Commission or by a county regulatory authority and in effect on the Closing Date.

**“Gain on Sale”** means the sharing, allocation or refund of Florida Water’s economic gain on any utility system transfer.

**“Governing Documents”** means the articles or certificate of incorporation and the bylaws of Florida Water.

**“Governmental Authorization”** means any consent, license, certificate of authorization, registration or permit issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement.

**“Governmental Body”** means any:

- (a) federal, state, local, municipal, or other government;
- (b) governmental authority of any nature (including any agency, branch, department, board, commission, court, tribunal or other entity exercising governmental powers ); or
- (c) body exercising any administrative, executive, judicial, quasi-judicial, legislative, police, regulatory or taxing authority or power.

**“GUA System”** means the systems included in the Utility Systems as shown on **Appendix A-5** to include the Lee County System, Citrus County System and Charlotte County System. This term may be used to refer to these systems individually or collectively in this Agreement.

**“Knowledge”** means (1) as to Florida Water, the actual knowledge of Florida Water’s directors and officers, without the requirement of diligent inquiry and subsequent investigation, or (2) as to Buyers, the actual knowledge of Buyers’ individual governing board members, administrative heads and contractors, engineers and advisors, without the requirement of diligent inquiry and subsequent investigation.

“**Legal Requirement**” means any federal, state, local, municipal, or other constitution, law, ordinance, principle of common law, code, regulation, or statute.

“**Order**” means any order, injunction, judgment, decree, ruling, assessment or arbitration award of any Governmental Body or arbitrator.

“**Ordinary Course of Business**” means an action taken by a Person will be deemed to have been taken in the Ordinary Course of Business only if that action is consistent in nature, scope and magnitude with the past practices of such Person and is taken in the ordinary course of the normal, day-to-day operations of such Person.

“**Permitted Real Estate Encumbrances**” has its meaning defined in Section 3.06 in this Agreement.

“**Person**” means an individual, a statutorily authorized customer(s) representative, partnership, corporation, business trust, limited liability company, limited liability partnership, joint stock company, trust, unincorporated association, joint venture or other entity or a Governmental Body.

“**Personal Property**” means the personal property assets that are both (1) owned and used by Florida Water in the operation of the Utility System, and (2) located within the service areas identified in **Appendix A**.

“**Proceeding**” means any action, arbitration, audit, hearing, investigation, litigation or suit (whether civil, criminal, administrative, judicial or investigative, whether formal or informal, whether public or private) commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental Body or arbitrator.

“**PSC**” means the Florida Public Service Commission.

**“Purchased Assets”** means the asset being acquired by Buyers as defined in Section 2.02 below.

**“Purchase Price”** means the payment to be made at Closing by Buyers to Florida Water for the Purchased Assets.

**“Real Property”** means the Fee Parcels.

**“Signature Date”** means July 24, 2003.

**“Third Party”** means a Person that is not a party to this Agreement.

**“Title Commitment”** means one or more title insurance commitments with respect to the Fee Parcels in the aggregate amount not to exceed the Purchase Price, as provided herein, issued by Florida Water’s attorney committing the Title Company to issue and deliver the Title Policies to Buyers upon compliance with the requirements stated in Schedule B, Section 1 thereof, subject to the terms and conditions contained therein.

**“Title Company”** means Commonwealth Land Title Insurance Company, a Pennsylvania corporation.

**“Title Policy” or “Title Policies”** means one or more ALTA owner’s policies of title insurance (10/17/92) (with Florida modifications) as provided in this Agreement, issued by the Title Company in accordance with the Title Commitment and which meets the requirements of Section 3.06 of this Agreement.

**“Transaction Costs”** means the costs, fees and expenses incurred by the Buyers in connection with this transaction.

**“Transfer Documents”** has the meaning set forth in Section 9.08 of this Agreement.

**“Utility System”** means the Facilities located in the service areas identified on **Appendix A**, other than Excluded Assets.



**SECTION 1.02. CONSTRUCTION AND INTERPRETATION.**

(A) Words that indicate a singular number shall include the plural in each case and vice versa, and words that import a person shall include legal entities, firms and corporations.

(B) The terms “herein,” “hereunder,” “hereby,” “hereof,” and any similar terms, shall refer to this Agreement; the term “heretofore” shall mean before the Signature Date; and the term “hereafter” shall mean on or after the Signature Date.

(C) Words that reference only one gender shall include all genders.

(D) This Agreement shall be construed as resulting from joint negotiation and authorship. No part of this Agreement shall be construed as the product of any one of the parties hereto.

**SECTION 1.03. INCORPORATION.** Each party represents that the recitals set forth in this Agreement are true and correct as they pertain to each party and are incorporated herein and made a part of this Agreement. The Appendices hereto and each of the documents referred to therein are incorporated and made a part hereof in their entirety.

**SECTION 1.04. SECTION HEADINGS.** Any headings preceding the texts of the several Articles, Sections or Appendices in this Agreement and any table of contents or marginal notes appended to copies hereof, shall be solely for the convenience of reference and shall neither constitute a part of this Agreement nor affect its meaning, construction or effect.

**SECTION 1.05 APPENDICES.** Florida Water shall provide copies of Appendices to Buyers within twenty (20) days after the Signature Date. Within fifteen (15) days of Buyers’ receipt of the Exhibits, Buyers shall each provide Florida Water with written notice of objection to an Exhibit, or part thereof. In the event of a timely objection by a Buyer, the parties shall have five (5) days to resolve the objection of that Buyer or, the Buyer giving

timely notice may elect to terminate its participation in the Agreement, and the Agreement shall terminate as to that Buyer, or at the option of Florida Water, Florida Water may terminate the Agreement in its entirety. Upon a termination per the above, Florida Water and the affected Buyer(s) shall have no liability and no further obligation to each other under this Agreement. In the event that no timely objection is received, the Appendices delivered to Buyers shall be deemed to have been accepted by the parties as the Appendices to this Agreement.

## **ARTICLE II**

### **PURCHASE AND SALE OF ASSETS**

**SECTION 2.01. PURCHASE AND SALE COVENANT.** At Closing, each of the Buyers shall purchase from Florida Water and Florida Water shall sell and convey to each of the Buyers the part of the Utility System being acquired by such Buyer upon the terms and subject to the conditions set forth in this Agreement.

#### **SECTION 2.02. PURCHASED ASSETS.**

The Purchased Assets consist of any ownership interest which Florida Water has on the Signature Date or hereafter acquires until the Closing Date in the Utility Systems subject to the Closing, but do not include the Excluded Assets. Purchased Assets include, but are not limited to, any of the following that are part of the Utility System subject to the Closing:

(1) All water and wastewater treatment plants, including reuse and reclaimed water wells, water supplies, wells, collection, transmission, and distribution system piping, pumping, and effluent and disposal facilities of every kind and description whatsoever including without limitation, all trade fixtures, leasehold improvements, licenses, lift stations, pumps, generators, controls, tanks, distribution, collection or transmission pipes or facilities, valves, meters, service connections, and all other physical facilities, appurtenances and property

installations used in the operation of the Utility System, together with an assignment of all existing and assignable options to purchase real property and third party warranties that relate to completed or in progress construction, all as described in the Appendices hereto.

(2) The Fee Parcels.

(3) The Easements, together with any other easement rights possessed by Florida Water at Closing, whether identified prior to or after Closing.

(4) The Governmental Authorizations.

(5) The equipment, parts, tools, chemicals, office buildings, computer hardware and associated SCADA software located at the Fee Parcels (to the extent transferable without cost), office fixtures and other personal property owned by Florida Water and used exclusively in connection with the operation of the Utility System.

(6) Customer deposits and interest earned thereon received by Florida Water up to and including the Closing Date.

(7) Utility service fees due and payable on and subsequent to the Closing Date pursuant to lot installment sales contracts payable by third parties for the benefit of Florida Water.

Florida Water will provide Buyers copies of current customer records, as-built surveys and water and wastewater plans, plats, engineering and other drawings, designs, blueprints, plans and specifications, maintenance and operating manuals, engineering reports, calculations, studies, non-corporate accounting, and non-corporate business records, in each case, controlled by or in the possession of Florida Water that relate exclusively to the description and operation of the Utility System.

**SECTION 2.03. EXCLUDED ASSETS.** Notwithstanding any other provision of this Agreement, Purchased Assets do not include the Excluded Assets.

**SECTION 2.04. PURCHASE PRICE.**

The Purchase Price for the Purchased Assets comprises the aggregate of the following individual purchase prices for each identified utility system:

1.	Palm Coast System	\$82,772,934
2.	Marco Island System	\$85,313,143
3.	Osceola System	\$38,070,835
4.	Hernando System	\$35,574,025
5.	GUA Systems	
	a. Citrus System	\$16,058,337
	b. Lee System	\$34,503,538
	c. Charlotte System	\$3,753,122
6.	Deltona System	<u>\$59,478,752</u>

The Purchase Price shall be due and payable by the respective Buyers to Florida Water in immediately available funds at Closing by wire transfer pursuant to wire instructions to be provided by Florida Water at or prior to Closing.

**SECTION 2.05. This Section intentionally left blank.**

**SECTION 2.06. ASSUMED LIABILITIES.**

(A) On the Closing Date, but effective as of the Effective Time, each of the Buyers shall assume and agree to discharge only the following liabilities of Florida Water related to such part of the Utility System being acquired by such Buyer (the "Assumed Liabilities"):

(1) any liability to Florida Water's customers (other than (a) accounts payable and (b) any liability arising out of or relating to a breach of contract that occurred prior to the Effective Time) incurred by Florida Water in the Ordinary Course of Business;

(2) any liability arising after the Effective Time under the Florida Water Contracts (other than any liability arising out of or relating to a breach that occurred prior to the Effective Time); any liability of Florida Water arising after the Effective Time under any Florida Water Contract that is entered into by Florida Water after the Signature Date in the Ordinary Course of Business (or, as to any Florida Water Affiliate, subject to Buyer approval, which approval shall not be unreasonably withheld,) or in accordance with the provisions of this Agreement (other than any liability (excluding the liabilities referenced in Section 8.04 hereof) arising out of or relating to a breach that occurred prior to the Effective Time). Florida Water represents that, to the best of its Knowledge, **Appendix "E"** is an accurate and complete listing of material Florida Water Contracts with its Affiliates;

(3) any liability of Buyers under this Agreement or any other document executed in connection with the Contemplated Transactions;

(4) any liability of Buyers based upon Buyers' acts or omissions occurring after the Effective Time; and

(5) any liability arising from or related to the operation of the Utility System after the Closing (other than any liability arising out of or relating to a breach of this Agreement that occurred prior to the Effective Time), whether entered into prior to the Closing Date by Florida Water or after the Closing Date by Buyers.

Notwithstanding the foregoing, even if included in the foregoing, the following shall not constitute Liabilities assumed by Buyers and, therefore, not be included in the term

“Assumed Liabilities”: (1) any liability arising out of or relating to any employee grievance whether or not the affected employees are hired by Buyers based on actual or alleged acts or omissions of Florida Water prior to the Effective Time, (2) any liability of Florida Water arising out of or resulting from any Proceeding pending as of the Effective Time that is not required to be dismissed under Section 4.04, (3) any liability of Florida Water arising out of any Proceeding commenced after the Effective Time and arising out of or relating to any occurrence or event happening prior to the Effective Time to the extent that the such Proceeding relates to Florida Water’s actions or inactions prior thereto, (4) any liability for Florida Water’s performance of its obligations hereunder, (5) any liability of Florida Water based upon Florida Water’s acts or omissions occurring after the Effective Time, and (6) (i) liabilities under system-wide contracts the obligations of which cannot be allocated to the separated Utility Systems (Stranded Contracts) sold hereunder as set forth in **Appendix F**, (ii) any refundable advances between Florida Water and Florida Water Affiliates; and (iii) any refundable advances with third parties which accelerate and are due upon a sale of any Utility System.

(B) By assuming any agreement or liability hereunder, the Buyers do not waive rights of sovereign immunity, the right to exercise its police powers in the operation of each Utility System, the right to adjust rates and charges, including Connection Charges, in such amounts as may from time to time be established by the Buyers, and the Buyers’ obligations to apply ordinances, policies and practices in a non-discriminatory manner for each Utility System.

#### **SECTION 2.07. VOLUSIA COUNTY CONTINGENCY.**

In the event Volusia County breaches the so-called “stand-down” Agreement dated August 18, 2003 between Volusia County and Florida Water (“Stand-Down Agreement”), Florida Water may elect to terminate this Agreement with regard to the Deltona System only. In

that event, Deltona and Florida Water shall have no liabilities and no further obligations to each other under this Agreement.

**SECTION 2.08. LEASED VEHICLES.** The Buyers acknowledge that certain rolling stock utilized by Florida Water in the operation of the Utility System are leased from entities that will not consent to assignment of such leases to the Buyers, and that such rolling stock is therefore not included in the Purchased Assets. Accordingly, the Buyers shall have thirty (30) days after the Signature Date to identify which, if any, of such leased vehicles the Buyers requests be acquired by Florida Water from the leasing entities and transferred to the Buyers at Closing. For each such leased vehicle so identified by the Buyers, Florida Water will provide Buyers with a buy-out cost from the leasing entities for approval by the Buyers. For each leased vehicle buy-out approved by the Buyers, such leased vehicle shall be acquired by Florida Water at Closing and transferred to the Buyers. The Buyers shall reimburse Florida Water at Closing for the acquisition cost of each leased vehicle approved by the Buyers.

**SECTION 2.09. AS IS PURCHASE**

Except as expressly provided herein, the purchase of assets under this Agreement is “AS IS” and there are no representations, covenants, warranties or retention and assumption of liabilities other than those specifically set forth in this Agreement, including but not limited to, any representations, covenants, warranties or retention and assumption of liabilities in respect to environment matters.

## ARTICLE III

### DUE DILIGENCE ISSUES

#### SECTION 3.01. PROVISION OF INFORMATION BY FLORIDA WATER.

(A) Florida Water has provided or will provide to the Buyers within thirty (30) days of the Signature Date (1) an inventory updated through at least March 1, 2003, of equipment, parts, computer equipment and other personal property used by Florida Water in connection with the operation of the Utility System to be conveyed to the Buyers; and (2) copies of current tariffs applicable to the Utility System setting forth the most current schedule of rates, fees and charges that Florida Water is authorized to impose by appropriate regulatory authorities.

(B) Florida Water shall cooperate with the Buyers in providing updated information and access to the Utility System to Buyers' Contractors, engineers and advisors as necessary to complete financial, engineering, environmental and legal due diligence.

(C) Florida Water shall make any existing plats, surveys, plans or specifications for the Utility System in Florida Water's possession available to the Buyers, or its representatives, for inspection during normal business hours upon reasonable notice.

(D) Florida Water shall cooperate with the Buyers' Contractors, engineers and advisors in providing information requested which is reasonably necessary to issue and sell the Bonds, including any information required by applicable securities laws.

**SECTION 3.02. FINANCIAL DUE DILIGENCE.** The Buyers are relying upon their own financial due diligence investigation in entering into this Agreement.

**SECTION 3.03. ENGINEERING AND ENVIRONMENTAL DUE DILIGENCE.** Buyers are relying upon their own engineering and environmental compliance due diligence investigation in entering into this Agreement.



**SECTION 3.04. LEGAL DUE DILIGENCE.** Buyers are relying upon their own legal due diligence investigation in entering into this Agreement.

**SECTION 3.05. DUE DILIGENCE DETERMINATIONS.**

(A) Based upon the results of the due diligence investigations conducted pursuant to Sections 3.02, 3.03, and 3.04 of this Agreement, the Buyers have waived any defects that were revealed or should have been revealed through the due diligence investigations.

(B) Except as otherwise specified herein, no payment shall be due from Florida Water and no reductions in the Purchase Price will be made for deficiencies of the Purchased Assets. Except as otherwise specified herein, Florida Water shall have no obligations or liabilities to the Buyers with respect to the condition of the Purchased Assets after Closing.

**SECTION 3.06. CURRENT EVIDENCE OF TITLE.**

(A) Florida Water will furnish to each Buyer within forty-five (45) days after the Signature Date, at Florida Water's expense, from Commonwealth Land Title Insurance Company (the "Title Insurer"):

(1) a title commitment or title commitments issued by the Title Insurer to insure title to each parcel listed therein in the aggregate amount of the Purchase Price naming Buyers as the proposed insureds and having the effective dates as set forth therein, wherein the Title Insurer will have agreed to issue an ALTA form owner's title insurance policy 1992 (10-17-92) with Florida modifications (collectively the "Title Commitment"); and

(2) copies of all recorded documents listed as special Schedule B-2 exceptions thereunder (the "Recorded Documents").

(B) The Title Commitment shall include the Title Insurer's requirements for issuing its title policy, which requirements shall be met by Florida Water as provided in Section 3.06(E)

on or before the Closing Date (including those requirements that must be met by releasing or satisfying monetary Encumbrances, but excluding Encumbrances that will remain after Closing as agreed to by the Buyers and those requirements that are to be met solely by the Buyers).

(C) If any of the following shall occur (collectively, a “Title Objection”):

(1) The Title Commitment or other evidence of title or search of the appropriate real estate records discloses that any party other than Florida Water has title to the insured estate covered by the Title Commitment;

(2) any title exception is disclosed in Schedule B to any Title Commitment that is not one of the Permitted Real Estate Encumbrances; or

(3) any current survey discloses any matter that Buyers reasonably believe could materially and adversely affect Buyers’ material use and enjoyment of the Fee Parcels described therein; then Buyers shall notify Florida Water in writing (“Buyers’ Notice”) of such matters within thirty (30) days prior to the Closing Date.

(D) Florida Water shall use its Best Efforts to cure each Title Objection and take all steps required by the Title Insurer to eliminate each Title Objection as an exception to the Title Commitment. Any Title Objection that the Title Company is willing to insure over on terms acceptable to Florida Water and the Buyers is herein referred to as an “Insured Exception.” The Insured Exceptions, together with any title exception or matters disclosed by any survey and not objected to by the Buyers in the manner aforesaid shall be deemed to be acceptable to Buyers.

(E) Florida Water shall use its Best Efforts to comply with the requirements of Schedule B Section 1 of the Title Commitment. At the Closing, Florida Water shall identify any Schedule B Section 1 requirements that cannot be satisfied as of the Closing. Florida Water and the Buyers shall agree on a post-Closing process to satisfy these requirements (the “Post-Closing

Schedule B Requirements”). Florida Water shall indemnify the Buyers as to all Post-Closing Schedule B requirements that are not satisfied in accordance with the agreed upon post-Closing process. The Buyers shall cooperate with Florida Water in satisfying the Post-Closing Schedule B requirements, including, but not limited to, exercise of eminent domain powers if requested by Florida Water (with Florida Water to bear the expense of any such eminent domain action).

(F) The Buyers shall have the right, but not the obligation, to do such surveys on the Real Property as Buyers desire. Surveys done pursuant to this Section shall be at the sole cost and expense of the Buyers.

(G) In the event that the Buyers would like to have any standard survey exceptions deleted or modified in the Title Policy, the Buyers shall deliver to Florida Water’s attorneys, not later than thirty (30) days prior to the Closing Date, properly certified and current original surveys of the specified fee parcels which comply with Section 627.7842(1)(a), Florida Statutes. As to each such survey timely delivered by Buyers, Florida Water shall include in the title policy a “blanket exception” as to the applicable fee parcel/survey (i.e, As to parcel \_\_\_\_\_, all matters which appear on the survey by \_\_\_\_\_, P.L.S. dated \_\_\_\_\_.”)

(H) “Permitted Real Estate Encumbrances” shall include, in addition to the other matters provided herein, any Notices of Commencement which pertain to ongoing construction projects of Florida Water, provided Florida Water agrees to indemnify Buyers from same at Closing.

(I) Notwithstanding anything in this Agreement to the contrary, Title Commitments or title insurance with respect to Fee Parcels for extraterritorial properties located outside the corporate limits of Palm Coast and Marco Island may require evidence from Buyers satisfactory to the Title Insurer of such Buyer’s authority to acquire said Fee Parcels, and Buyers shall accept

any exception from coverage for any claim based on a failure of such authority as determined by the Title Insurer.

### **SECTION 3.07. ENVIRONMENTAL PROVISIONS**

(A) For purposes of this Section: (1) "Hazardous Materials" shall mean any substance or material regulated by any federal, state or local governmental entity under any Environmental Law as a hazardous material, hazardous substance, hazardous waste, pollutant, contaminant, toxic waste, toxic substance or words of similar import, including petroleum and petroleum products, by-products or breakdown products, but excluding mold and other biological contaminants, asbestos, asbestos containing materials, lead paint, insulating materials, paints and coatings applied to building surfaces and equipment, and other building and construction materials, whether or not toxic (collectively, "Building Substances"); (2) "Environmental Laws" shall mean any statute, law, regulation, ordinance, injunction, judgment, order, or other decree of any governmental authority pertaining to the protection of the environment, including the Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act, the Federal Water Pollution Control Act, the Oil Pollution Act of 1990, Toxic Substances Control Act, and any comparable state statute, law, regulation, ordinance, injunction, judgment, order, or other decree, but excluding any statute, law, regulation, ordinance, injunction, judgment, order, or other decree of any governmental authority pertaining to Building Substances.

(B) Florida Water has no Knowledge of any material non-compliance with any Environmental Law or material liability under any Environmental Law. For purposes of this Section, "material" shall mean any matter reasonably expected to result in the expenditure of

over one hundred thousand dollars (\$100,000) to correct the non-compliance or satisfy the liability.

(C) Buyers have performed assessments as they have deemed appropriate, including Phase I Environmental Assessments pursuant to applicable ASTM standards and Phase II Environmental Assessments for recognized environmental concerns identified in the Phase I Environmental Assessments. Buyers shall be responsible for the costs to remediate environmental concerns that are or should have been identified in the Phase I and Phase II Assessments.

#### **ARTICLE IV**

#### **OTHER PRECLOSING MATTERS**

##### **SECTION 4.01. ISSUANCE OF BONDS.**

Each Buyer intends to individually issue revenue Bonds (the "Bonds") to pay the Transaction Costs and the Purchase Price for such Buyer's Utility System as set forth in Section 2.04 of this Agreement. The Buyers' obligation to close the Contemplated Transactions in this Agreement shall be and is expressly conditioned upon the issuance of such Bonds. In the event any of the Buyers in good faith determine that its Bonds cannot be delivered on a date that permits the Closing to occur on or prior to December 8, 2003, such Buyer shall immediately notify Florida Water in writing of such determination, with such notice setting forth in reasonable detail the bases upon which such determination was made. Upon receipt of such notice, Florida Water shall have the option of canceling this Agreement as to: (1) any of the Utility Systems for which Bonds cannot be delivered; or (2) all Utility Systems; provided, however, that Florida Water shall have the right to elect to proceed to Closing on the sale of such Utility Systems for which Bonds can be delivered. As to any Utility System for which Florida

Water has exercised its right to terminate this Agreement, such Buyer and Florida Water shall have no liabilities and no further obligations to each other under this Agreement.

**SECTION 4.02. TRANSITION SERVICES.** On or before forty-five (45) days after the Signature Date, the Buyers and Florida Water will enter into a contract delineating cooperation for certain services to be provided by Buyers to assist Florida Water in the operation of its systems not sold under this Agreement, and ownership transition and the transition services, if any, to be provided by Florida Water following the Closing (the “Transition Agreement”). It is understood and agreed between the parties that immediately upon the signing of this Agreement by Florida Water, Florida Water shall give the Buyers access to Florida Water’s Facilities, records and computer systems and Florida Water employees shall cooperate with the Buyers to facilitate the transition to the Buyers’ ownership and operation of the Purchased Assets.

**SECTION 4.03. PRE-CLOSING APPROVALS**

(A) Within ninety (90) days from the date of approval of this Agreement by Palm Coast, Palm Coast shall obtain the written consent of the governing regulatory body in Flagler County to Florida Water’s application for transfer of the Utility System in Flagler County (the “Flagler County Consent”), which consent must remain in effect through the Closing Date. In the event that Palm Coast has not timely obtained the Flagler County Consent, Florida Water may (1) terminate this Agreement in total, (2) terminate this Agreement as to Palm Coast only; or (3) waive this requirement and proceed to Closing.

(B) Within forty-five (45) days from the Signature Date, the GUA shall obtain the written consent of each Governmental Body within which the GUA Systems are located to the GUA’s acquisition of the GUA Systems (the “GUA System Consents”), which consents must

remain in effect through the Closing Date. In the event that the GUA has not timely obtained all of the GUA County Consents, Florida Water may (1) terminate this Agreement in total, (2) terminate this Agreement as to the GUA only; (3) delete any or all of the GUA Systems for which the GUA has not obtained consent from the Purchased Assets to be acquired by the GUA under this Agreement; or (3) waive this requirement and proceed to Closing.

(C) In the event that any of the Governmental Bodies within which the GUA Systems are located determine not to consent to the GUA acquisition of such part of the GUA Systems, and requests to join in on this Agreement as a direct purchaser of such part of the GUA Systems from Florida Water, the Buyers shall consent to such joinder. Florida Water shall have the sole discretion to determine whether to permit such a joinder, and shall have the sole right to negotiate the purchase price for such part of the GUA Systems with the requesting government.

(D) Within ninety (90) days from the date of approval of this Agreement by Marco Island, Marco Island shall obtain the written consent of the governing body in Collier County to Florida Water's application for transfer of the Utility System in Collier County (the "Collier County Consent"), which consents must remain in effect through the Closing Date. In the event that Marco Island has not timely obtained the Collier County Consent, Florida Water may (1) terminate this Agreement in total, (2) terminate this Agreement as to Marco Island only; or (3) waive this requirement and proceed to Closing.

(E) Within one hundred twenty (120) days from the date of approval of this Agreement by Osceola, Osceola shall obtain an order from the PSC approving Osceola's acquisition of the Utility System in Osceola County (the "Osceola PSC Consent"), which consents must remain in effect through the Closing Date. In the event that Osceola has not timely obtained the Osceola PSC Consent, Florida Water may (1) terminate this Agreement in

total, (2) terminate this Agreement as to Osceola only; or (3) waive this requirement and proceed to Closing.

(F) Within one hundred twenty (120) days from the date of approval of this Agreement by GUA, GUA shall obtain an order from the PSC approving GUA's acquisition of the GUA Systems (the "GUA PSC Consents"), which consents must remain in effect through the Closing Date. In the event that GUA has not timely obtained the GUA PSC Consents, Florida Water may (1) terminate this Agreement in total, (2) terminate this Agreement as to GUA only; or (3) waive this requirement and proceed to Closing.

(G) Within ninety (90) days from the date of approval of this Agreement by Hernando, Hernando shall obtain the written consent of the Hernando County Regulatory body to Hernando's acquisition of the Utility System in Hernando County (the "Hernando County Consent"), which consent must remain in effect through the Closing Date. In the event that Hernando has not timely obtained the Hernando County Consent, Florida Water may (1) terminate this Agreement in total, (2) terminate this Agreement as to Hernando only; or (3) waive this requirement and proceed to Closing.

(H) Within ninety (90) days from the date of approval of this Agreement by GUA, GUA shall deliver to Florida Water a certified statement evidencing that Citrus County has obtained the written consent of the Citrus County Regulatory body to Citrus County's acquisition of the Utility System in Citrus County (the "Citrus County Consent"), which consents must remain in effect through the Closing Date. In the event that Citrus County has not timely obtained the Citrus County Consent, Florida Water may (1) terminate this Agreement in total, (2) terminate this Agreement as to Citrus County only; or (3) waive this requirement and proceed to Closing.



(I) Within one hundred twenty (120) days from the date of approval of this Agreement by Deltona, Deltona shall obtain an order from the PSC approving Deltona's acquisition of the Utility System in Volusia County (the "Deltona PSC Consent"), which consent must remain in effect through the Closing Date. In the event that Deltona has not timely obtained the Deltona PSC Consent, Florida Water may (1) terminate this Agreement in total, (2) terminate this Agreement as to Deltona only; or (3) waive this requirement and proceed to Closing.

(J) Within forty-five (45) days of the Signature Date, the Contemplated Transactions shall be formally approved by the governing body of each Buyer following a public hearing conducted pursuant to law; provided that, as to Deltona, the forty-five (45) day period shall run from the date of the Stand-Down Agreement (as defined herein). In the event the governing body of a given Buyer does not approve the transaction, this Agreement will terminate as to that Buyer and, at the option of Florida Water, may terminate in its entirety, with no future obligation on the part of the parties affected by such termination.

#### **SECTION 4.04. DISMISSAL OF LEGAL PROCEEDINGS.**

(A) Within 3 days after Closing, each Buyer participating in such Closing shall: (i) dismiss with prejudice any and all complaints, claims, lawsuits and/or regulatory proceedings pending against Florida Water and/or the Florida Water Services Authority; (ii) dismiss with prejudice any and all complaints claims, lawsuits and/or regulatory proceedings related in any way to the sale of Florida Water's Assets; and (iii) use Best Efforts to secure written confirmation from any county regulatory body with jurisdiction over the Florida Water assets purchased by the Buyer that such county regulatory body has dismissed or closed any formal or informal investigation or inquiry concerning such assets or Florida Water's operation thereof.

With respect to regulatory proceedings dismissed per the preceding sentence, dismissal with prejudice means that no future regulatory proceedings can be initiated which relate to matters addressed in the dismissed proceeding. For the GUA Closing, the GUA shall provide evidence that each Governmental Body within which the GUA Systems are located shall comply with the requirements of this Section. This includes, without limitation, dismissal by Charlotte County of its litigation against Florida Water.

(B) Within 3 days after each Buyer has secured dismissal all of the legal proceedings described in Section A related to that Buyer's acquisition, Florida Water will dismiss with prejudice any and all complaints, claims, lawsuits and/or regulatory proceedings pending against such Buyer that has secured dismissal of all legal proceedings described to in Section A. Notwithstanding the previous sentence, in response to a Person bringing a claim against Florida Water relating to low pressure issues in Hernando County, Florida Water reserves the right to maintain current and bring new claims, counter-claims, cross-claims or lawsuits against Hernando County.

(C) Following execution and delivery of this Agreement by Florida Water, each party shall agree to hold all proceedings affected by this Section 4.04 in abeyance until Closing and dismissal.

## ARTICLE V

### **CONDITIONS PRECEDENT TO THE BUYERS' OBLIGATION TO CLOSE**

The Buyers' obligation to purchase the Purchased Assets and to take the other actions required to be taken by the Buyers at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by the Buyers, in whole or in part).

**SECTION 5.01. FLORIDA WATER'S PERFORMANCE.** All of the covenants and obligations that Florida Water is required to perform or to comply with pursuant to this Agreement at or prior to the Closing (considered collectively), and each of these covenants and obligations (considered individually), shall have been duly performed and complied with in all material respects.

**SECTION 5.02. ADDITIONAL DOCUMENTS.** Florida Water shall have caused the documents and instruments required by this Agreement and the following documents to be delivered (or made available ) to the Buyers:

(A) The articles of incorporation and all amendments thereto of Florida Water, duly certified as of a recent date by the Secretary of State;

(B) A legal opinion in substantially the form attached in **Appendix G**; and

(C) Such other documents as the Buyers may reasonably request for the purpose of:

(1) evidencing the performance by Florida Water of, or the compliance by Florida Water with, any covenant or obligation required to be performed or complied with by Florida Water;

(2) evidencing the satisfaction of any condition referred to in this Article; or

(3) evidence showing the release of all liens, security interests, and other encumbrances other than Permitted Encumbrances (but excluding any Permitted Encumbrances that encumber the Purchased Assets held by any entity which has provided or may provide financing to Florida Water).

**SECTION 5.03. NO CONFLICT.** Neither the consummation nor the performance of any of the Contemplated Transactions will, directly or indirectly, materially contravene or conflict with or result in a material violation of or cause the Buyers or any Related Person of the

Buyers to suffer any material adverse consequence under (a) any applicable Legal Requirement or Order, or (b) any valid Legal Requirement or Order that has been entered by any Governmental Body.

## ARTICLE VI

### **CONDITIONS PRECEDENT TO FLORIDA WATER'S OBLIGATION TO CLOSE**

Florida Water's obligation to sell the Purchased Assets and to take the other actions required to be taken by Florida Water at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by Florida Water in whole or in part):

**SECTION 6.01. THE BUYERS' PERFORMANCE.** All of the covenants and obligations that the Buyers are required to perform or to comply with pursuant to this Agreement at or prior to the Closing (considered collectively), and each of these covenants and obligations (considered individually), shall have been performed and complied with in all material respects.

**SECTION 6.02. ADDITIONAL DOCUMENTS.** Each of the Buyers shall have caused a legal opinion in the form set forth in **Appendix G** to be supplied and the documents and instruments required by this Agreement and the following documents to be delivered or made available such other documents as Florida Water may reasonably request for the purpose of:

(A) evidencing the performance by the Buyers of, or the compliance by the Buyers with, any covenant or obligation required to be performed or complied with by the Buyers; or

(B) evidencing the satisfaction of any condition referred to in this Article.

**SECTION 6.03. NO INJUNCTION.** There shall not be in effect any Legal Requirement or any injunction or other Order that (a) prohibits the consummation of the

Contemplated Transactions, and (b) has been adopted or issued, or has otherwise become effective, since the Signature Date.

## **ARTICLE VII**

### **COVENANTS OF FLORIDA WATER PRIOR TO CLOSING**

**SECTION 7.01. ACCESS AND INVESTIGATION.** Between the Signature Date and the Closing Date, and upon reasonable advance notice received from the Buyers and subject to any applicable confidentiality obligations, Florida Water shall (a) afford the Buyers and Buyers' representatives and prospective lenders, underwriters, and their representatives (collectively, "Buyer Group") full and free access, during regular business hours, to Florida Water's personnel, properties (including subsurface testing), contracts, Governmental Authorizations, books and Records and other documents and data, such rights of access to be exercised in a manner that does not unreasonably interfere with the operations of Florida Water; (b) furnish the Buyer Group with copies of all such contracts, Governmental Authorizations, books and Records and other existing documents and data as the Buyer Group may reasonably request; (c) furnish the Buyer Group with such additional financial, operating and other relevant data and information as the Buyer Group may reasonably request; (d) provide access for conducting environmental site assessments; and (e) otherwise cooperate and assist, to the extent reasonably requested by the Buyer Group, with the Buyer Group's investigation of the properties, assets and financial condition related to Florida Water. In addition, Buyers shall have the right to have the Real Property and Personal Property inspected by Buyer Group, at the Buyers' sole cost and expense, for purposes of determining the physical condition and legal characteristics of the Real Property and Personal Property. In the event subsurface or other destructive testing is recommended by

any of the Buyer Group, the Buyers shall be permitted to have the same performed with the prior consent of Florida Water, which shall not be unreasonably withheld.

**SECTION 7.02. OPERATION OF THE BUSINESS OF FLORIDA WATER.**

Between the Signature Date and the Closing, Florida Water:

- (A) shall conduct its business in the Ordinary Course of Business;
- (B) shall confer with the Buyers prior to implementing operational decisions relating to the Utility System of a material nature;
- (C) shall maintain the Purchased Assets in a state of repair and condition that complies with Legal Requirements and is consistent with the requirements and normal conduct of Florida Water's business;
- (D) shall comply with all Legal Requirements and contractual obligations applicable to the operations of Florida Water's business;
- (E) shall cooperate with the Buyers and shall assist the Buyers in identifying the Governmental Authorizations required by the Buyers to operate the business from and after the Closing Date and either transferring existing Governmental Authorizations of Florida Water to the Buyers, where permissible, or assisting the Buyers in obtaining new Governmental Authorizations for the Buyers;
- (F) upon request from time to time, shall execute and deliver all documents, shall make all truthful oaths, testify in any Proceedings and do all other acts that may be reasonably necessary to consummate the Contemplated Transactions, all without further consideration; and
- (G) shall maintain all books and Records of Florida Water relating to Florida Water's business in the Ordinary Course of Business.

**SECTION 7.03. NEGATIVE COVENANT.** Except as otherwise expressly permitted herein, between the Signature Date and the Closing Date, Florida Water shall not without the prior written consent of an affected Buyer which shall not be unreasonably withheld and which shall be promptly acted upon by such Buyer, (a) make any material modification to any Governmental Authorization that relate to the Purchased Assets; or (b) allow the levels of raw materials, supplies or other materials included in the Purchased Assets to vary materially from the levels customarily maintained.

**SECTION 7.04. REQUIRED APPROVALS.** Florida Water shall make the reasonably required filings necessary to be made by it in order to consummate the Contemplated Transactions. Florida Water also shall cooperate with the Buyers and their Representatives with respect to all filings that the Buyers elect to make or, pursuant to Legal Requirements, shall be required to make in connection with the Contemplated Transactions. Florida Water also shall cooperate with the Buyers and their Representatives in obtaining all consents.

**SECTION 7.05. NOTIFICATION.** Between the Signature Date and the Closing, Florida Water shall promptly notify the Buyers and Buyers shall promptly notify Florida Water in writing if any of them becomes aware of (a) any fact or condition that causes or constitutes a Breach of the Agreement or (b) the occurrence after the Signature Date of any fact or condition that would or be reasonably likely to (except as expressly contemplated by this Agreement) cause or constitute a Breach of the Agreement. During the same period, Florida Water also shall promptly notify the Buyers of the occurrence of any Breach of any covenant of Florida Water in this Article VII or of the occurrence of any event that may make the satisfaction of the conditions in Article V impossible or unlikely.

**SECTION 7.06. PAYMENT OF LIABILITIES.** Florida Water shall pay or otherwise satisfy in the Ordinary Course of Business all of its Liabilities and obligations as they come due.

## **ARTICLE VIII**

### **COVENANTS OF THE BUYERS**

**SECTION 8.01. REQUIRED APPROVALS.** As promptly as practicable after the Signature Date, the Buyers shall make, or cause to be made, all filings required by Legal Requirements to be made by it to consummate the Contemplated Transactions. The Buyers also shall cooperate, and cause its Related Persons to cooperate, with Florida Water with respect to all filings Florida Water shall be required by Legal Requirements to make.

**SECTION 8.02. CERTAIN REGULATORY PROCEEDINGS.** In the event that a Person initiates a docket, investigation, complaint, claim, lawsuit, objection or other inquiry relating to or arising out of an issue of sharing, allocation or refund of Florida Water's economic gain on any or all of the Utility System transfers contemplated by this Agreement ("Gain on Sale Inquiry"), whether initiated before or after the Closing of the Contemplated Transactions, each Buyer shall promptly request to intervene in any Gain on Sale Inquiries which relate to their Utility System and actively oppose the imposition of any such sharing, allocation or refund of any such economic gains with or to Florida Water's customers, past, present and future, or the imposition of any similar liabilities or burdens upon Florida Water, its customers or its affiliates in connection therewith, based upon the recitals in the fourth "WHEREAS" clause of this Agreement, which each Buyer hereby represents to be accurate and true, and based upon such other grounds as may reasonably be advanced.

**SECTION 8.03. LEGAL OPINIONS.** Within 30 days of the Signature Date of this Agreement by Florida Water, Marco Island, Deltona and Palm Coast shall each cause its outside



legal counsel acceptable to Florida Water to deliver to Florida Water a legal opinion acceptable to Florida Water stating that it has extraterritorial power under the Florida Constitution and the laws of Florida to acquire Florida Water's utility assets outside its boundaries.

**SECTION 8.04. HERNANDO OBLIGATION.** Florida Water and Hernando recognize that there are concerns regarding water pressure in the Hernando System that could affect service to current customers and the ability of the Hernando System to provide service to future customers. The purchase price for the Hernando System reflects in part the retention by Hernando of capital monies to remedy these water pressure concerns that would otherwise have been paid to Florida Water as additional purchase price. Accordingly, as material consideration for Florida Water agreeing to sell the Hernando System for the Purchase Price set forth in this Agreement, Hernando County covenants that after the Closing Hernando County shall assume service obligations to all persons desiring utility service within the utility service area for the Hernando System and Hernando County agrees that post-Closing it will be responsible for resolving any low pressure concerns. Hernando County covenants to use its Best Efforts and all diligence after Closing to remedy the Hernando System water pressure problems, for which time is of the essence.

**SECTION 8.05. FLORIDA WATER EMPLOYEES.**

(A) No later than 5:00 p.m. on the day which is forty-five (45) days after the Signature Date or 70 days before Closing Date, whichever is earlier, each Buyer shall deliver to Florida Water a written list of all Florida Water's employees to whom the Buyers will offer employment upon Closing. Florida Water shall be responsible for payment of all wages, salaries and benefits accrued and payable to individuals employed by Florida Water through the Effective Time and the Buyers shall be responsible for payment of all wages, salaries and

benefits relating to the period commencing on and from the Effective Time. If required, Florida Water and the Buyers will comply with the notice requirements under the Worker Adjustment Retraining and Notification Act ("WARN Act"), or any similar federal, state or local legislation with respect to such employee matters. It is expressly understood and agreed that the Buyers shall not be responsible or liable, directly or indirectly, for payment of any benefits, severance liability, compensation, pay or other obligations, of whatever nature, due or alleged to be due to any employee attributable to any time period up to or as a result of Closing. It is expressly understood and agreed that Florida Water is not and shall not be responsible or liable, directly or indirectly, for payment of any benefits, severance, liability, compensation, pay or other obligations, of whatever nature, due or alleged to be due any employee attributable to any time period upon or after Closing.

(B) The Buyers shall hire, or shall cause to be hired, as of the Closing Date, all employees designated on the list referred to in Section 8.05 for at least one year after Closing at rates of wages or salary comparable to those being paid by Florida Water on the Signature Date, including any employees on the list who are on short-term disability, and shall provide employee benefits to such employees comparable to those offered by Florida Water, provided, however, that each of the Buyers shall retain the right at all times after the first anniversary of Closing to determine its own staffing needs, personnel policies and employment practices with regard to such employees. Employees and any managerial personnel who accept employment with the Buyers as of, or within sixty (60) days following the Closing Date shall hereinafter be referred to as "Transitioned Employees." The Buyers shall provide for group health coverage for the Transitioned Employees and their dependents comparable to the health insurance currently provided by Florida Water with no waiting period for eligibility or entry into the plan and no

exclusion or limitation for preexisting conditions currently covered for such Transitioned Employee under Florida Water's health insurance plan. If within twelve (12) months after the Closing Date, any Transitioned Employee is terminated (for any reason other than for cause), the terminated Transitioned Employee shall continue to be paid such wages or salary which the Transitioned Employee would have received if the Transitioned Employee had remained employed for twelve (12) months after the Closing Date.

## **ARTICLE IX**

### **CLOSING PROCEDURES AND ADJUSTMENTS**

**SECTION 9.01. CLOSING DATE AND PLACE.** The closing shall be held at such place or offices designated by Florida Water in the Orlando area and on such date on or before December 8, 2003, as mutually agreed among the parties (the "Closing" or "Closing Date"). With respect to any Contemplated Transaction not closed as of the Closing Date, Florida Water and the remaining Buyers will continue to use all reasonable efforts to close at the earliest practicable date, subject to the rights to terminate in Sections 10.09 and 4.03. Except as set forth herein, no extension of the Closing Date shall modify any of the other deadlines set forth in this Agreement unless specifically noted in a written extension executed in accordance with the terms of this Section. Any Buyer that desires to Close prior to the Closing Date may submit a written request to Florida Water to close the transaction with respect to such Buyer at an earlier date than the Closing Date ("Early Closing Date"). Florida Water, in its sole discretion, may elect to agree to the Early Closing Date with respect to any particular Buyer, or may elect to retain the Closing Date for such Buyer. Florida Water's determination to agree to an Early Closing Date as to a particular Buyer shall not obligate Florida Water to agree to an Early Closing Date as to any other Buyer. In the event that some, but not all, of the Buyers have met all requirements under

the Agreement for Closing on the Closing Date, Florida Water, in its sole discretion, may elect to Close with any or all of such Buyers that are prepared to Close (“Partial Closing”) and may elect to terminate the Agreement as to any or all of the other Buyers. Florida Water’s determination to agree to a Partial Closing with a particular Buyer shall not obligate Florida Water to agree to a Partial Closing with any other Buyer.

**SECTION 9.02. DOCUMENTS AFTER THE CLOSING.**

From time to time after Closing, each party hereto shall, upon request of the other, execute, acknowledge and deliver, or shall cause to be executed, acknowledged and delivered, all such further acts, special warranty deeds, assignments, bills of sale, transfers or other documentation for (1) confirming or correcting title in the name of the Buyers or their successor(s) or perfecting possession by the Buyers or their successor(s) of any or all of the Purchased Assets, including the establishment of record of Easements without resort to litigation, expenditure of monies or other extraordinary means, for all Facilities which are a part of the Utility System in existence or use at the time of Closing, or (2) otherwise fulfilling the obligations of the parties hereunder. Further, from time to time after Closing should the parties discover that certain land parcels, Easements, or other rights owned or enjoyed by Florida Water at Closing and necessary to the proper operation and maintenance of the Utility System had not been included in the appropriate appendices hereto and thus not transferred to the Buyers or their successor(s) at Closing in accordance with this Agreement, then the parties agree that Florida Water shall execute or cause to be executed the documents including, but not limited to, deeds, easements and bills of sale necessary to convey such ownership or rights to the Buyers or their successor(s), at no cost to the Buyers, provided such conveyances may be accomplished without resort to litigation, expenditure of monies or other extraordinary means.

**SECTION 9.03. RECORDING FEES AND DOCUMENTARY TAXES.**

(A) Recording fees to record the deeds and any other instruments necessary to deliver title to the Buyers shall be paid by the Buyers.

(B) The Purchased Assets are being purchased by the Buyers for public purposes in lieu of eminent domain and condemnation by various local governments throughout Florida which have passed resolutions or taken other actions confirming their desire to cooperate in the Buyers purchase of Florida Water's systems such that this transaction is immune from documentary stamp tax in accordance with the ruling in Department of Revenue v. Orange County, 605 So. 2d 1333 (Fla. DCA 1992), affd, 620 So. 2d 991 (Fla. 1993). To the extent that documentary stamp taxes are due and payable, such taxes and any related penalty shall be paid by the Buyers.

**SECTION 9.04. ACCOUNTS RECEIVABLE; UNBILLED REVENUES; CUSTOMER DEPOSITS; ACCOUNTS PAYABLE.**

(A) Florida Water shall furnish to the appropriate Buyer, at least ten (10) days prior to Closing, a listing of each respective Facility's accounts receivable ("Accounts Receivable"), customer deposits, by customer and individual amount and accrued interest ("Customer Deposits") and estimated unbilled revenue through the date of Closing ("Unbilled Revenues"). Florida Water shall assign to the appropriate Buyer at Closing, the Buyer's respective Facility's Accounts Receivable and Unbilled Revenues and all rights of collection therefor, together with the liabilities of Customer Deposits, in accordance with the following terms. At the Closing, each appropriate Buyer shall reimburse Florida Water for the excess of the sum of Accounts Receivable that are not more than sixty (60) days in arrears plus 98% of Unbilled Revenues over the Customer Deposits for the Buyer's respective Facility. Should the total Customer Deposits

exceed the sum of Accounts Receivable and Unbilled Revenue, then Florida Water shall reimburse the appropriate Buyer at Closing for any excess amount. Unbilled Revenues shall be based upon the actual billings for the month immediately preceding the month of the Closing and shall be prorated through the date of Closing based on the number of days that have elapsed since the last billing period. All amounts received by Florida Water through the date of closing for Accounts Receivable which were collected by Florida Water subsequent to the date Florida Water provided the Buyers with the list of Accounts Receivable, shall be credited to the appropriate Buyer at the Closing. After the Closing, Florida Water will promptly pay to Buyers any payments received by Florida Water on a Buyer's customer's account.

(B) All bills for services, materials and supplies rendered in connection with the operation of the Utility System prior to Closing, including but not limited to electricity, for a period up to and including the Closing Date ("Accounts Payable"), shall be paid by Florida Water. Prorations shall be required only for the following Accounts Payable: (1) electricity, to the extent meters are not read on the Closing Date; (2) telephone, to the extent no final bill is rendered to Florida Water on the Closing Date and the Buyers continue service with the provider; (3) rental, maintenance or lease charges under contracts assumed by the Buyers or the Buyers' Contractors; (4) charges under maintenance and service contracts assumed by the Buyers of the Buyers' Contractors; (5) purchased water and wastewater to the extent meters are not read on the Closing Date; (6) sludge hauling charges; and (7) other invoices that include pre-Closing and post-Closing obligations.

(C) Property Taxes. Florida Water shall be responsible for any past due and all ad valorem taxes, prorated through the date of Closing in accordance with Section 196.295, Florida

Statutes, and shall escrow funds with the tax collector of the counties in which the Systems are located if so required.

#### **SECTION 9.05. CONNECTION CHARGES**

(A) Connection Charges collected by Florida Water prior to Closing shall remain Florida Water's sole and separate property with no claim of the Buyers therefore.

(B) Connection Charges collected from and after Closing shall be paid to the Buyers with no claim of Florida Water therefore.

(C) Notwithstanding the foregoing, if Florida Water entered into an agreement with a developer or individual customer prior to the Signature Date which provides for payment of Connection Charges in installments payable over a period of time, Florida Water shall be entitled to retain payments from such developer or individual customer that come due after the Closing Date to the extent that such payments are attributable to connections of customers made prior to the Closing Date.

(D) Florida Water shall supply to the Buyers documents relating to deposits ("Vendee Deposit") made by land contract vendees ("Deposit Vendee") pursuant to land contracts for which deposits Florida Water has agreed to give the relevant Deposit Vendee a credit equal to such deposits made by such Deposit Vendee against Connection Charges which such Deposit Vendee would have to pay at the time it obtains water and/or sewage service from the Utility System. After Closing, some of such Deposit Vendees will continue to make such deposits and Florida Water agrees to promptly after Closing take such action to cause all such future deposits to be paid to the Buyers and shall supply the Buyers with evidence that it has done so.

(E) Notwithstanding any contract rights which Hernando County may claim against Florida Water as a result of the transfer of the Hernando Facilities to Hernando County,

Hernando County expressly waives any rights to return or credit of Connection Charges which Hernando County has paid to Florida Water.

**SECTION 9.06. COSTS AND PROFESSIONAL FEES.**

(A) Each party shall be responsible for securing its own counsel and advisors for representation in connection with the negotiation of this Agreement, and all other matters associated with performance, cancellation or closing hereunder, unless otherwise specified herein. Each party shall be responsible for the payment of the fees of its own attorneys, bankers, engineers, accountants, and other professional advisors or consultants in connection herewith. The Buyers shall be responsible for payment of the Transaction Costs.

(B) In any litigation arising out of this Agreement, each party shall pay its own attorney's fees and taxable costs at all judicial levels.

**SECTION 9.07. RISK OF LOSS.** At all times prior to and through the time of Closing, Florida Water shall maintain adequate fire and extended insurance coverage for the cost of any repairs to the Purchased Assets that maybe required as a result of casualty damage. The risk of loss during the said period of time shall fall upon Florida Water. The risk of loss shall pass to the Buyers at Closing.

**SECTION 9.08. PROCEEDS OF SALE; CLOSING PROCEDURE.**

(A) On or prior to the Closing Date, Florida Water and the Buyers shall execute all documents necessary to Close the transaction. At the Closing, the appropriate parties shall execute and deliver to the closing agent appointed by Florida Water (the "Closing Agent") all of the documents related to each Utility System as delineated in subsection (D) below. The parties agree that legal counsel for Florida Water may act as Closing Agent and waive any potential conflict regarding the same.



(B) In order to secure title insurance coverage against the existence of material adverse matters recorded during the period of time between the effective date(s) of the Title Commitment and the date of recording of the documents creating the estate to be insured, Florida Water and the Buyers agree that the Closing Agent may also be the Title Company, or the Title Company's agent, selected by Florida Water to issue the Title Policy, and waive any conflict regarding the same.

(C) At the Closing, the appropriate party shall execute or cause to be executed and deliver to the Closing Agent the following documents effecting the separate transfer of the Purchased Assets related to each Utility System to the appropriate Buyer (the "Transfer Documents") (*E.g.*, Florida Water shall execute a special warranty deed transferring the Fee Parcels within the Palm Coast System to Palm Coast). These Transfer Documents shall be in final form, together with any exhibits or appendices thereto and shall include, without limitation, the following:

- (1) Special warranty deeds for the conveyance of Fee parcels to be conveyed;
- (2) Conveyance instruments for Easements;
- (3) The Transfer, Assignment and Assumption Agreement covering all other interests in the Purchased Assets, together with a general assignment of all contracts, agreements, permits and approvals;
- (4) Bills of Sale or other documents of assignment and transfer, with full warranties of title, to the Purchased Assets, other than Fee Parcels and Easements;
- (5) Post closing agreements, affidavits, assignments certificates, estoppel certificates, corrective instruments, releases, satisfactions or terminations necessary or required pursuant to this Agreement;

(6) “Marked-up” Title Commitments for each Utility System consistent with Section 3.06 of this Agreement;

(7) Non-foreign affidavit and a Florida Department of Revenue Form DR-219 completed and executed by Florida Water for each Utility System;

(8) Any affidavits, assignments certificates, estoppel certificates, corrective instruments, releases, satisfactions or terminations necessary to close, including, but not limited to, a no lien affidavit, a “gap” affidavit along with those instruments identified by the Title Company insuring the real property;

(D) Florida Water acknowledges that the Buyers will issue the Bonds to generate proceeds to pay the Purchase Price as described in Section 4.01 hereof. Therefore, all Closing procedures shall be subject to the customary and reasonable requirements of the underwriters selected by the Buyers, the purchasers of the Bonds or the provider of any interim financing. The disbursement of proceeds shall be at the direction of the Title Company, or its agent, in order to secure coverage against material adverse matters or defects in title which are recorded during the period of time between the effective date of the Title Commitment and the date of recording of the document creating the estate or interest to be insured.

**SECTION 9.09. TRANSFER OF PERMITS.** The Buyers shall be responsible for obtaining the transfer to each of the Buyers of the operating permits related to the Utility System each Buyer is acquiring, as described in **Appendix H** hereof. Florida Water and the Buyers shall cooperate in the preparation of all requisite documents to notify, apply for and seek the transfer of such permits. Any permit transfer application fees shall be paid by the appropriate Buyer, and the parties will pay their respective costs to process such transfers.

**SECTION 9.10. REGULATORY MATTERS.** Subject to and with the exception of the provisions set forth in Sections 4.04 and 8.02, and to the extent that Florida Water has any regulatory proceedings pending before the PSC or any other regulatory body with jurisdiction over the Utility System at the time of Closing, Florida Water shall retain responsibility for all actions and costs incurred to bring such proceedings to completion including all financial responsibility or liability for any rate relief, refund or other obligations imposed by the PSC or any county regulatory authority as a result of such proceeding, and responsibility therefore is expressly not assumed by the Buyers. All such matters are set forth and described in **Appendix I**. Notwithstanding the above, upon Closing, Hernando shall cause all regulatory proceedings before the Hernando County regulatory authority to be dismissed with prejudice.

**SECTION 9.11. REGULATORY TRANSFER FILINGS.** Within thirty (30) days of the later of the Signature Date or the approval of the Agreement by the Governing Bodies of each of the Buyers pursuant to Section 4.03(I) above, Florida Water shall make any filings necessary to the PSC and appropriate county regulators regarding the transfer of the Utility System and Purchased Assets from Florida Water to the Buyers. Florida Water agrees to pay its fees and costs incident to such filings. It is agreed that the Buyers shall apply every reasonable effort to cooperate with Florida Water with respect to these filings and will render all reasonable assistance necessary to Florida Water. The Buyers will pay their fees and costs associated with its cooperation and assistance. The sale and transfer of Utility System from Florida Water to the Buyers is contingent upon any required approval by the PSC or other appropriate county regulators.

**SECTION 9.12. ASSUMPTION BY THE BUYERS OF RESPONSIBILITY FOR SERVICE.** The Buyers shall assume responsibility for providing service to Florida Water's customers who are receiving service at the time of Closing.

**SECTION 9.13. PURCHASE PRICE ALLOCATION.** Within ninety (90) days subsequent to the Closing Date, Florida Water shall provide to the Buyers an allocation of the Utility System Purchase Price to the Purchased Assets (tangible, intangible and real estate assets, etc.) for each Utility System which allocation shall comply with Section 1060 of the Internal Revenue Code of 1986, and the rules and regulations promulgated thereunder, as amended and supplemented from time to time, or any successor statute thereto. The parties affirm and agree that each of them shall adhere to such allocation for all federal and state income tax purposes, including the filing of all federal and state returns, if any, filed by them subsequent to the Closing Date.

## **ARTICLE X**

### **GENERAL PROVISIONS**

**SECTION 10.01. RADON.** Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from any county public health unit.

**SECTION 10.02. TIME IS OF THE ESSENCE.** Time is of the essence in this Agreement. Time periods specified in this Agreement shall expire at midnight on the date stated unless the parties agree in writing to a different date or time. Any time period provided for herein

which ends on Saturday, Sunday or a legal holiday shall extend to 5:00 p.m. on the next Business Day.

**SECTION 10.03. ENFORCEMENT OF AGREEMENT.** In the event that a dispute arises from the Agreement, each party shall bear its own costs and expenses, including attorneys' fees. Venue for any dispute shall be in the Circuit Court of Orange County, Florida.

**SECTION 10.04. APPLICABLE LAW; JURISDICTION AND VENUE.**

This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

**SECTION 10.05. NOTICE.**

(A) All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, or by courier service, charges prepaid, to the parties at the following addresses:

To Hernando County: Garth C. Coller, Esquire  
County Attorney  
Hernando County Attorneys Office  
20 North Main Street  
Suite 462  
Brooksville, Florida 34601

with a copy to: John R. Jenkins, Esquire  
Rose, Sundstrom & Bentley, LLP  
2548 Blairstone Pines Drive  
Tallahassee, Florida 32301

To Osceola: Jo Thacker, Esquire  
1 Courthouse Square  
Kissimmee, Florida 34742

With a copy to: Brian Wheeler  
101 North Church Street  
Kissimmee, Florida 34742

To Marco Island: Mr. A. William Moss  
City Manager  
City of Marco Island City Hall  
50 Bald Eagle Drive  
Marco Island, Florida 34145

with a copy to: John R. Jenkins, Esquire  
Rose, Sundstrom & Bentley, LLP  
2548 Blairstone Pines Drive  
Tallahassee, Florida 32301

To Palm Coast: Mr. Richard M. Kelton  
City Manager  
City of Palm Coast  
264 Palm Coast Parkway NE  
Palm Coast, Florida 32135

with a copy to: Lonnie N. Groot, Esquire  
Stenstrom, McIntosh, Colbert,  
Whigham & Simmons, P.A.  
200 West 1st Street  
Sanford, Florida 32771

To the GUA: Florida Governmental Utility Authority  
c/o Government Services Group, Inc.  
1500 Mahan Drive, Suite 250  
Tallahassee, Florida 32308  
Attention: Robert E. Sheets

with a copy to: George H. Nickerson, Jr., Esquire  
Nabors, Giblin & Nickerson, P.A.  
2502 North Rocky Point Drive  
Suite 1060  
Tampa, Florida 33607

To Deltona: Fritz A. Behring  
City Manager  
City of Deltona  
2345 Providence Boulevard  
Deltona, Florida 32725

With a copy to: Richard Blossom, Esq.  
City Attorney  
City of Deltona  
2345 Providence Boulevard  
Deltona, Florida 32725

To Florida Water: Forrest Ludsen, COO and  
Carlyn Kowalsky, Esq., General Counsel  
Florida Water Services Corporation  
Post Office Box 609520  
Orlando, Florida 32860-9520

With a copy to: Philip R. Halverson, Esq.  
30 West Superior Street  
Duluth, MN 55802

And additional copy to: Greenberg Traurig, P.A.  
777 South Flagler Drive  
Suite 300 East  
West Palm Beach, FL 33401  
Attention: Phillip C. Gildan, Esq.

(B) Any written notice given to one person in subsection (A) of this Section shall also be copied and provided to all other persons identified in subsection (A).

(C) The parties may, by notice in writing given to the others, designate any future or different addresses to which the subsequent notices, certificates or other communications shall be sent. Any notice shall be deemed given on the date such notice is delivered by hand or by facsimile transmission or five (5) days after the date mailed.

#### **SECTION 10.06. ASSIGNMENT AND JOINDER.**

(A) Except as provided in under Section 10.06(B) below, Neither Florida Water nor the Buyers shall have the power or authority to assign this Agreement or any of their rights, duties or obligations hereunder to a third party without the express written consent of the other party and this Agreement shall be construed as solely for the benefit of the Buyers and Florida Water, and their successors by law, and no claim or cause of action shall accrue to or for the benefit of any other third party by reason hereof.

(B) Consistent with the Tohopekaliga Transition Interlocal Agreement entered into between the City of Kissimmee, Osceola County and Tohopekaliga Water Authority, (an

independent Special District, established and created pursuant to Chapter 189, Florida Statutes, by Special Act of the Legislature) on July 17, 2003 (the “Tohopekaliga Transition Interlocal Agreement”) and this Agreement, Osceola may hereby assign, transfer, convey, grant, bargain and sell unto the Tohopekaliga Water Authority all of Osceola’s rights, remedies, powers, title, interests, duties, obligations and responsibilities arising under this Agreement which relate to the Osceola System and the Facilities associated therewith; and the parties hereto, including specifically Florida Water, hereby consent and agree to such assignment and assumption. The Tohopekaliga Water Authority shall accept and agree to, and Florida Water hereby consents to, such assignment and assumption of all of Osceola’s rights, remedies, powers, title, interests, duties, obligations and responsibilities arising under the Agreement which relate to the Osceola System and the Facilities associated therewith. Such assignment and assumption shall be deemed subject to and be in all respects in conformance with all provisions of this Agreement. The parties agree and acknowledge that in facilitating closing pursuant to such assignment and assumption all instruments required to close relating to the Osceola System will be separately executed and directly conveyed from Florida Water to the Tohopekaliga Water Authority as the assignee of Osceola. If the Tohopekaliga Water Authority does not perform its obligations under the Agreement, Osceola shall remain liable to Florida Water for such performance.

**SECTION 10.07. AMENDMENTS AND WAIVERS.** Except as otherwise provided in this Agreement, no amendment, supplement, modification or waiver of this Agreement shall be binding upon any party hereto unless executed in writing by such party. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provision of this Agreement, whether or not similar, unless otherwise expressly provided.



**SECTION 10.08. ENTIRE AGREEMENT.** This Agreement is the entire agreement between the parties and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions of the agreements, understandings, negotiations and discussions of the parties, whether oral or written, pertaining to the subject matter hereof, and there are no warranties, representations or other agreements between the parties in connection with the subject matter hereof, except as specifically set forth herein.

**SECTION 10.09. TERMINATION EVENTS.** By notice given prior to or at the Closing, subject to Section 10.10, this Agreement may be terminated as follows:

(A) by written notice from all of the Buyers that have not closed if a material breach of any provision of this Agreement has been committed by Florida Water and such breach has not been waived by such Buyers; provided in the event of a breach which does not result in termination, Buyers retain all other remedies available at law or in equity for such breach.

(B) by Florida Water if a material Breach of any provision of this Agreement has been committed by the Buyers and such Breach has not been waived by Florida Water;

(C) by written notice from all of the Buyers that have not closed if any condition in Article V has not been satisfied as of the date specified for Closing, or if satisfaction of such a condition by such date is or becomes impossible (other than through the failure of the Buyers to comply with their obligations under this Agreement), and the Buyers have not waived such condition on or before such date;

(D) by Florida Water if any condition in Article VI has not been satisfied as of December 8, 2003 (the date specified for Closing), or if satisfaction of such a condition by such date is or becomes impossible (other than through the failure of Florida Water to comply with its

obligations under this Agreement), and Florida Water has not waived such condition on or before such date;

(E) by mutual consent of all of the Buyers that have not closed and Florida Water;

(F) by all of the Buyers that have not closed if the Closing has not occurred on or before July 31, 2004, or such later date as the parties may agree upon, unless the Buyers are in material Breach of this Agreement;

(G) by Florida Water if the Closing has not occurred on or before the Closing Date or such later date as the parties may agree upon, unless Florida Water is in material Breach of this Agreement;

(H) by Florida Water in the event that any Person initiates any Gain on Sale Inquiry. Upon the occurrence of a Gain on Sale Inquiry, Florida Water may (1) terminate this Agreement in total, (2) terminate this Agreement as to any particular Buyer; or (3) waive this requirement and proceed to Closing; or

(I) by Florida Water in the event it is, in its discretion, dissatisfied with any condition, requirement or burden imposed by any entity in any regulatory approval process related to the Contemplated Transactions under this Agreement.

#### **SECTION 10.10. EFFECT OF TERMINATION**

(A) Each party's right of termination under Section 10.09 is in addition to any other rights it may have under this Agreement or otherwise, and the exercise of such right of termination will not be an election of remedies. If this Agreement is terminated pursuant to Section 10.09, all obligations of the parties under this Agreement will terminate unless otherwise stated in this Agreement, provided, however, that, if this Agreement is terminated because of a Breach of this Agreement by the non-terminating party or because one or more of the conditions

to the terminating party's obligations under this Agreement is not satisfied as a result of the party's failure to comply with its obligations under this Agreement, the terminating party's right to pursue all legal remedies will survive such termination unimpaired.

(B) Neither the Buyers nor Florida Water shall be liable to the other in the event that after the execution of this Agreement there occurs (1) a change of law that prevents the Closing, (2) any action by a third party that prevents the Closing or (3) any order by a Governmental Body or court that prevents the Closing. Both parties agree to diligently defend against a third party attempt to prevent a Closing.

#### **SECTION 10.11. BUYERS' REPRESENTATIVE.**

Within thirty (30) days after the Signature Date, Buyers shall designate in writing a single Buyer's representative who shall be authorized to act on behalf of Buyers with respect to Buyers communications with Florida Water under the terms of the Agreement (the "Buyers' Representative"). Buyers have the right to replace the Buyers Representative at any time without cause by delivering written notice of such replacement to Florida Water. Florida Water shall have the right to rely upon all written notices and written communications from Buyers' Representative as the authorized representative of the Buyers under the Agreement.

#### **SECTION 10.12. SURVIVAL.**

The provisions set forth in Sections 2.06, 2.09, 3.07, 4.02, 4.04, 6.04, 7.03, 8.01, 8.02, 8.04, 8.05, 9.02, 9.04, 9.05, 9.06, 9.09, 9.10, 9.12, 9.13, 10.03, 10.10 and this Section 10.12 shall survive Closing and not merge therein.

#### **SECTION 10.13. JOINT AND SEVERABLE LIABILITY**

In the event of a breach of this Agreement by a Buyer, liability for such breach shall remain with such Buyer, and such liability shall not be joint and several as to other Buyers.





Remedy for a breach of Section 4.03 of this Agreement by a Buyer shall be limited to cancellation of the Agreement, at Florida Water's option, as provided therein.

**SECTION 10.14. COUNTERPARTS.** This Agreement may be executed in counterparts, each of which shall be considered an original.

**[SIGNATURE PAGES TO FOLLOW]**



IN WITNESS WHEREOF, the Buyers and Florida Water have caused this Agreement to be duly executed and entered into on the date first above written, subject to the provisions of Section 4.03(I).

HERNANDO COUNTY

By:   
Its: County Attorney

Attest:

THE CITY OF MARCO ISLAND

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:

THE CITY OF PALM COAST

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:

OSCEOLA COUNTY

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:

THE CITY OF DELTONA

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:



IN WITNESS WHEREOF, the Buyers and Florida Water have caused this Agreement to be duly executed and entered into on the date first above written, subject to the provisions of Section 4.03(I).

HERNANDO COUNTY

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:

THE CITY OF MARCO ISLAND

By: A. Wilbur Moss  
Its: City manager

Attest: L. M. Af

THE CITY OF PALM COAST

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:

OSCEOLA COUNTY

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:

THE CITY OF DELTONA

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:





IN WITNESS WHEREOF, the Buyers and Florida Water have caused this Agreement to be duly executed and entered into on the date first above written, subject to the provisions of Section 4.03(I).

HERNANDO COUNTY

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:

THE CITY OF MARCO ISLAND

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:

THE CITY OF PALM COAST

By: Richard M. Keltan  
Its: City Manager

Attest:

Clare M. Hoeni  
Clare M. Hoeni  
Deputy City Clerk

OSCEOLA COUNTY

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:

THE CITY OF DELTONA

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:

IN WITNESS WHEREOF, the Buyers and Florida Water have caused this Agreement to be duly executed and entered into on the date first above written, subject to the provisions of Section 4.03(I).

HERNANDO COUNTY

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:

THE CITY OF MARCO ISLAND

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:

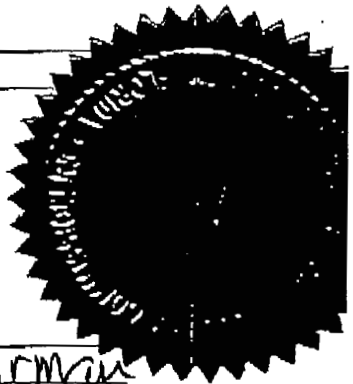
THE CITY OF PALM COAST

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:

OSCEOLA COUNTY

By: K. H. H. H. H.  
Its: Vice Chairman



*[Handwritten signature]*

Attest:

THE CITY OF DELTONA

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:

IN WITNESS WHEREOF, the Buyers and Florida Water have caused this Agreement to be duly executed and entered into on the date first above written, subject to the provisions of Section 4.03(I).

HERNANDO COUNTY

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:

THE CITY OF MARCO ISLAND

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:

THE CITY OF PALM COAST

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:

OSCEOLA COUNTY

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:

THE CITY OF DELTONA

By: *[Signature]*  
Its: CITY MANAGER

Attest:

FLORIDA GOVERNMENTAL  
UTILITY AUTHORITY

By: Richard Thomas  
Its: Board Chair

Attest: Maith Doyle

FLORIDA WATER SERVICES  
CORPORATION

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:

FLORIDA GOVERNMENTAL  
UTILITY AUTHORITY

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Attest:

FLORIDA WATER SERVICES  
CORPORATION

By: Jon Vynke  
Its: Chairman

Attest: Philip R. Halverson



**EXHIBIT C**

**PUBLIC INTEREST RESOLUTION NO. 2003-06**

**RESOLUTION NO. 2003-06**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE FLORIDA GOVERNMENTAL UTILITY AUTHORITY, DIRECTING AND AUTHORIZING THE ACQUISITION OF SUBSTANTIALLY ALL OF THE REAL AND PERSONAL PROPERTY COMPRISING THE WATER AND WASTEWATER UTILITY FACILITIES OWNED BY FLORIDA WATER SERVICES CORPORATION IN CITRUS, CHARLOTTE AND LEE COUNTIES; FINDING THAT THE ACQUISITION IS IN THE PUBLIC INTEREST AND SERVES A PARAMOUNT PUBLIC PURPOSE; FINDING THAT CERTAIN AMENDMENTS TO THE OPERATIONS, BILLING AND CUSTOMER SERVICE AGREEMENTS FOR THE ACQUIRED UTILITY FACILITIES IS IN THE PUBLIC INTEREST AND SERVES A PARAMOUNT PUBLIC PURPOSE; APPROVING THE ASSET ACQUISITION AGREEMENT AND FIRST AMENDED AND RESTATED ASSET ACQUISITION AGREEMENT; APPROVING THE AMENDMENTS TO THE OPERATIONS, BILLING AND CUSTOMER SERVICE AGREEMENTS; AUTHORIZING THE CHAIRMAN TO EXECUTE THE AMENDMENTS TO THE UTILITY OPERATIONS, BILLING, AND CUSTOMER SERVICE AGREEMENTS; AND PROVIDING FOR APPLICABILITY AND AN EFFECTIVE DATE.**

**BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE FLORIDA GOVERNMENTAL UTILITY AUTHORITY, AS FOLLOWS:**

**SECTION 1. AUTHORITY.** Pursuant to the provisions of the First Amended and Restated Interlocal Agreement Relating to Establishment of the Florida Governmental Utility Authority, dated as of December 1, 2000, as it may be amended (the "Interlocal Agreement"), and section 163.01(7), Florida Statutes, the Board of Directors ("Board") of the Florida Governmental Utility Authority ("FGUA") has the power to acquire, own, improve, operate, maintain, contract for management and operational services, and dispose of water and wastewater utility facilities.

**SECTION 2. INCORPORATION BY REFERENCE.** The public briefing document, including a description of Florida Water Services Corporation's ("Florida Water")

water and wastewater utility facilities within Citrus, Charlotte and Lee Counties, the most recent income and expense statement, the most recent available balance sheet, Florida Water's existing rates, a description of the system's physical condition, a statement on the reasonableness of the price, a statement on customer impacts, a statement on additional investments required by the FGUA and the FGUA's ability and willingness to make these investments, a description of any alternatives to acquisition by the FGUA and a statement on the ability of the FGUA to operate acquired systems, presented at this public hearing and filed with the Clerk are hereby incorporated herein by reference and made a part hereof (hereafter referred to as the "Report"). The Report is attached hereto as Appendix A. The Report is intended to be a statement demonstrating that the acquisition of the Utility Facilities is in the public interest.

**SECTION 3.FINDINGS.** It is hereby ascertained, determined and declared:

(A) The Interlocal Agreement and section 163.01(7), Florida Statutes, grants the FGUA the power to acquire, own, operate, maintain, improve, contract for management and operational services, and dispose of water and wastewater utility facilities.

(B) Florida Water owns and operates certain water production and treatment systems and wastewater collection, treatment and disposal systems within the State of Florida, more commonly known as:

Lee County

- (1) Lehigh

Charlotte/Lee County

- (2) Deep Creek
- (3) Burnt Store

Citrus County

- (4) Sugarmill Woods
- (5) Citrus Springs
- (6) Pine Ridge
- (7) Point O'Woods
- (8) Lakeside
- (9) Apache Shores
- (10) Rosemont/Rolling Green
- (11) Spring Gardens
- (12) Oak Forest
- (13) Golden Terrace
- (14) Gospel Island Estates

For convenience, the foregoing systems will be referred to as the "Utility Facilities." The FGUA, together with other local governments in Florida and Florida Water have been negotiating an Asset Acquisition Agreement whereby the FGUA will acquire the Utility Facilities (the "Asset Acquisition Agreement").

(C) To provide for the public interest and welfare, the Board is required to hold a public hearing on the acquisition of the Utility Facilities to ensure that such acquisition serves the public interest. This public hearing was duly advertised in each county where the Utility Facilities are located and each county which is a member of the FGUA and held on August 21, 2003, in Orlando, Florida. All interested persons had an opportunity to attend and participate and to file written comments.

(D) FGUA ownership and control of the Utility Facilities will provide an opportunity for the FGUA to:

(1) address and balance the impact of growth within each system with the need to provide and plan for quality water production and treatment and wastewater collection, treatment and disposal facilities necessary to accommodate existing development and anticipated future growth in a manner concurrent with the demands for such facilities in each area, the requirements of state and federal mandates, and the demands of new development and each affected local government's statutory responsibility to implement financially feasible comprehensive plans;

(2) further develop a regional approach within each local government or area served by each individual utility system relative to the comprehensive supply, distribution, and treatment of water and the collection, treatment and disposal of wastewater;

(3) seek economies of scale relative to operations, maintenance, customer service and management;

(4) provide current and future users of the Utility Facilities with cost efficient services at reasonable rates by a governmental entity;

(5) provide that the operation and maintenance of Utility Facilities is done in a proactive and environmentally responsible manner;

(6) stabilize rates over the long term, reduce inefficient expansion and extension of service capacities and avoid the proliferation of smaller treatment facilities and sites;

(7) offer an opportunity for local governments to not only coordinate the expansion and extension of facilities, but in some instances to later acquire those systems within their jurisdictions and operate them as a part of a larger community system;

(8) accomplish a greater public use and increased public benefit which results from the ownership, operation and control of the Utility Facilities by the FGUA, or subsequently, by other local governments;

(9) enable counties and cities where the Utility Facilities are located to more effectively and efficiently plan and fulfill their comprehensive planning requirements as provided by law and assure that high quality, cost efficient water and wastewater utility services are available;

(10) enter into an agreement with a private firm for the performance of the operation, billing and customer service functions within the cost assumptions included in the Projected Statement of Cash Flows incorporated into the Report for each individual GUA System which will (a) facilitate the eventual consolidation of the Utility Facilities within each local government's service area and thus achieve the water resource preservation and environmental protection inherent in the regional and consolidated provision of utility services, and (b) permit the individual financing of enterprise fund ownership of each individual GUA System contemplated in the financing and operation and maintenance assumptions included within the Projected Statement of Cash Flows incorporated into the Report;

(11) amend its existing agreement with a private firm for the performance of the operation, billing and customer service functions for the Utility Facilities in lieu of the provision of such operation and maintenance functions by employees of FGUA which is essential to allow each local government to consolidate the individual GUA Systems into existing utility systems or assume local ownership of the individual GUA System within its jurisdiction; and

(12) upon a future consolidation of the individual Utility Facilities within its jurisdiction by a local government, permit the future option to each local government to maintain an operation, billing and customer service agreement with a private firm or provide such operation, maintenance and customer service functions directly by its employees.

(E) On or about June 10, 2002, the FGUA issued a request for Proposals for Operation, Maintenance, Management, and Customer Services for the Water and Wastewater

Treatment System to the three firms short-listed by the FGUA after advertising and receiving Statements of Qualifications: American Water Services, Southwest Water Company and US Filter. On or about August 2, 2002, after the completion of the competitive procurement process, the Board determined that the proposal by American Water Services was the best for the FGUA and decided to sign the Utility Operations, Billing, and Customer Service Agreements for the Utility Facilities with American Water Services.

**SECTION 4.DETERMINATION OF PUBLIC USE AND BENEFIT.** Based upon its legislative findings incorporated in Section 3, the Board expressly determines that the acquisition of the Florida Water Utility Facilities by the FGUA, pursuant to the terms of the Asset Acquisition Agreement and First Amended and Restated Acquisition Agreement, attached hereto as Appendix B, and the provision of water and wastewater services through facilities owned by the FGUA, or subsequently by another local government, constitutes a paramount public purpose and is in the best interests of the health, safety, and welfare of each affected local government and its inhabitants and affected ratepayers. Further, the Board expressly finds that the privatization of the utility billing, operations and customer service functions with American Water Services pursuant to the terms of the operations, billing and customer service agreement, attached hereto as Appendix C, is reasonable and necessary in order to cost effectively and efficiently transition services from private ownership to governmental ownership. The acquisition of the Florida Water Utility Facilities and the entry into an operations, billing and customer service agreement with American Water Services will provide a greater public use and increased public benefit than will be provided under its existing use.

**SECTION 5.PUBLIC INTEREST DETERMINATION OF PURCHASE.** In making the public interest determination concerning the transactions contemplated by the FGUA relating to the acquisition of the Florida Water Utility Facilities and the privatization of the operations, billing and customer service functions with American Water Services, the Board has considered numerous factors, including but not limited to the following matters:

- (A) The most recently available income and expense statement(s) of the Florida Water Utility Facilities;
- (B) The most recently available balance sheet(s) for the Florida Water Utility Facilities;
- (C) A statement of the existing rate base of the Florida Water Utility Facilities for regulatory purposes;
- (D) The general physical condition of the Florida Water Utility Facilities;

(E) The reasonableness of the purchase price;

(F) The reasonableness of the individual GUA System allocation incorporated into the Projected Statement of Cash Flows incorporated in the Report and implemented pursuant to the Purchase Price allocation methodology approved and incorporated in Section 8 of this Resolution.

(G) The impacts of the contemplated transition on utility customers served by the Florida Water Utility Facilities, both positive and negative;

(H) Any additional investment required and the ability and willingness of the FGUA to make that investment;

(I) The alternatives to the contemplated transition and the potential impact on utility customers if the Florida Water Utility Facilities are not acquired by the FGUA;

(J) The ability of the FGUA in partnership with American Water Services to provide and maintain high quality and cost effective utility service; and

(K) The technical expertise and experience of American Water Services in carrying out the obligations set forth in the operations, billing and customer service agreement referenced herein.

**SECTION 6. APPROVAL OF ASSET ACQUISITION AGREEMENT BY AND BETWEEN THE FLORIDA GOVERNMENTAL UTILITY AUTHORITY AND FLORIDA WATER SERVICES CORPORATION.** The forms, terms and provisions of the Asset Acquisition Agreement By and Between the Florida Governmental Utility Authority and Florida Water Services Corporation and First Amended and Restated Asset Acquisition Agreement, submitted to this duly called public meeting and attached hereto as Appendix B, and subject to satisfactory resolution of issues, if any, concerning appendices, be and the same hereby are approved.

**SECTION 7. APPROVAL OF CERTAIN AMENDMENTS TO OPERATIONS, BILLING AND CUSTOMER SERVICE AGREEMENT BY AND BETWEEN THE FLORIDA GOVERNMENTAL UTILITY AUTHORITY AND AMERICAN WATER SERVICES.** The form, terms and provisions of the First Amendment to the Utility System Operations, Billing and Customer Service Agreement by and between the FGUA and American Water Services, submitted to this duly called public meeting and attached hereto as Appendix C, be and the same hereby are approved, with such changes, amendments,

modifications, omissions and additions as approved by the Chairman. The Chairman is hereby authorized to execute the First Amendment to the Utility System Operations, Billing, and Customer Service Agreement for each of the Utility Facilities with such changes, amendments, modifications, omissions, and additions as may be approved by the Chairman. Execution of the First Amendment to the Utility Operations, Billing and Customer Service Agreements by the Chairman shall be deemed conclusive evidence of approval of such changes, amendments, modifications, omissions, and additions.

**SECTION 8. APPLICABILITY AND EFFECTIVE DATE.** This Resolution shall be liberally construed to effect the purposes hereof and shall take effect immediately upon its adoption.

**PASSED AND DULY ADOPTED** at the meeting of the Board of Directors of the Florida Governmental Utility Authority on the 21st day of August, 2003.

**BOARD OF DIRECTORS OF THE FLORIDA  
GOVERNMENTAL UTILITY AUTHORITY**

**ATTEST:**

BY: Rebecca Thomas  
Chairperson or Vice Chairperson

Keith Doyle  
Clerk

**APPROVED AS TO FORM:**

John C. Belk  
General Counsel



**APPENDIX A**

**PUBLIC BRIEFING REPORT ON PUBLIC  
PURPOSE DETERMINATION**

**EXECUTIVE SUMMARY**

**TO:** Board of the Florida Governmental Utility Authority

**FROM:** Robert E. Sheets

**DATE:** August 21, 2003

**RE:** Public Hearing and Resolution Considering the Acquisition of all or substantially all of the water and wastewater utility assets of Florida Water Services Corporation Located in Lee, Citrus and Charlotte Counties

**RECOMMENDATION:**

The Florida Governmental Utility Authority (the "FGUA"), together with other local governments, has executed an Asset Acquisition Agreement with Florida Water Services Corporation containing the terms of the purchase and sale of certain of Florida Water's water and wastewater utility facilities. At the Board's direction, given at the August 14, 2003 Board meeting, Robert E. Sheets, Systems Manager, executed the Asset Acquisition Agreement and Amended and Restated Asset Acquisition Agreement (collectively referred to herein as the "Asset Acquisition Agreement") on the Board's behalf subject to a subsequent public interest hearing and approval by the Board of the Asset Acquisition Agreement as being in the public interest. If the Board desires to proceed with this acquisition under the presented terms, this Board must adopt Resolution No. 2003-06 directing and authorizing the acquisition of all or substantially all of the real and personal property comprising the water and wastewater assets of Florida Water located in Lee, Citrus and Charlotte Counties.

**REPORT:**

***General Description***

Pursuant to Chapter 163, Florida Statutes, the FGUA has the power to acquire, operate, construct, own, and manage water and/or wastewater utility facilities within the State of Florida. In accordance with these and similar powers, the FGUA, together with other local governments, have been negotiating a purchase and sale of certain of Florida Water's water and wastewater utility assets located throughout the State of Florida. Florida Water owns and operates water production and treatment systems and wastewater collection, treatment and disposal systems within Lee, Citrus and Charlotte Counties, more commonly known as:

Lee County  
(1) Lehigh

Citrus County

- (1) Apache Shores
- (2) Citrus Springs
- (3) Golden Terrace
- (4) Gospel Island Estates
- (5) Lakeside
- (6) Oak Forest
- (7) Pine Ridge
- (8) Point O' Woods
- (9) Rosemont/Rolling Green
- (10) Spring Gardens
- (11) Sugarmill Woods

Charlotte County

- (1) Burnt Store
- (2) Deep Creek

For convenience, the foregoing systems will be referred to as the "Utility Facilities." A detailed description of all of the systems owned by Florida Water throughout Florida, including the Utility Facilities can be found in a report entitled "Florida Water Services Corporation Water and Wastewater Systems Preliminary Due Diligence," dated as of December 2001, prepared by Post, Buckley, Schuh and Jernigan ("PBS&J"). The 13 volumes of this report are available for review and reference.

***Public Hearing Requirement***

To provide for the public interest and welfare, the Board must address and balance numerous factors in considering this potential acquisition. This memo focuses on addressing the factors listed in section 189.423, Florida Statutes, which relate to the purchase and sale of water, sewer, or wastewater reuse facilities. In determining if the acquisition is in the public interest, the following factors should be considered:

- (1) **The most recent available income and expense statement for the utility.** This information is provided in the most recent Annual Reports of Florida Water to the Florida Public Service Commission and the Citrus County Water and Wastewater Regulatory Authority (collectively, the "Annual Report") for the period ending December 31, 2002, relevant portions of which are attached hereto as **Exhibit A**.
- (2) **The most recent available balance sheet for the utility, listing assets and liabilities and clearly showing the amount of contributions-in-aid-of-construction and the accumulated depreciation thereon.**

This information is included in the Financial Section of the Annual Report and is provided in **Exhibit A**.

- (3) **A statement of the existing rate base of the utility for regulatory purposes.** This information is included in the Financial Section of the Annual Report and is provided in **Exhibit A**.
- (4) **The physical condition of the utility facilities being purchased, sold, or subject to a wastewater facility privatization contract.** Taken as a whole, the Utility Facilities are physically sound with evidence of reasonable expenditures in the past for maintenance and operations. A review of the Utility Facilities prepared by PBS&J is attached hereto as **Exhibit B**. For additional detail, please see relevant portions of the report entitled "Florida Water Services Corporation Water and Wastewater Systems Preliminary Due Diligence," dated as of December 2001, prepared by PBS&J, which is hereby incorporated herein by reference. The 13 volumes of this report are available for review and reference. PBS&J shall provide updated information at the August 21, 2003, hearing.

Additionally, ARCADIS, Geraghty & Miller ("ARCADIS") has performed preliminary Environmental Site Assessments of the Florida Water Utility Facilities to assess the potential for adverse environmental impacts on the subject properties. This review showed a low risk on the plant sites to be acquired by the FGUA. A preliminary summary of this Environmental Site Assessment has been prepared by ARCADIS and is attached hereto entitled "Florida Governmental Utility Authority Preliminary Environmental Site Assessment Report," dated July 12, 2002.

- (5) **The reasonableness of the purchase, sale, or wastewater facility privatization contract price and terms.** The Asset Acquisition Agreement provides the following purchase prices for the Utility Facilities: Lee County, \$34,503,538.00; Citrus County, \$16,058,337.00; and Charlotte County, \$3,753,122.00.

Upon acquisition by the FGUA, the Utility Facilities will be financially self-supporting and possess the financial ability to provide water and wastewater services to the areas currently served. Please see **Exhibit C**, attached hereto, which contains a statement of projected cash flows for the Utility Facilities for fiscal years through 2007. As shown in these projected cash flows, the Utility Facilities will continue to have positive financial positions each year in the foreseeable future, with sufficient financial ability to meet all identified capital needs, renewal and replacement, operations, management and adequate contingencies. The FGUA's financial consultant, Public Resources Management Group will provide an update for the Board at the hearing on August 21, 2003.

- (6) **The impacts of the purchase and sale on utility customers, both positive and negative.** It is expected that the impact and consequences of acquiring the Utility Facilities on both the rate payers and land owners within the service areas will be positive in nature. Public ownership of the Utility Facilities will shift the emphasis in operating, expanding and improving the Utility Facilities from a private ownership profit motivation to a public ownership public service motivation. Given this

motivational shift, it is anticipated that under FGUA ownership, the Utility Facilities will better serve the needs of the customers in each service area.

As the customer base grows, greater economies of scale will be achieved for all customers since the costs of operating and maintaining the infrastructure will be spread over an increased number of customers. Based upon these same growth factors, future rate impacts will be minimized and long-term rate stabilization can be achieved.

In arriving at the Purchase Price for the Utility Facilities, the transaction has been structured so that the existing customer rates will continue to be charged upon acquisition of the Utility Facilities and it is anticipated that existing rates, subject to inflationary indexing, will remain in place for a period of five (5) years. This does not guarantee rates will not increase in the future due to typical utility costs, however it does indicate that the FGUA will not be required to raise rates to support the acquisition.

- (7) **Any additional investment required and the ability and willingness of the purchaser or the private firm under a wastewater facility privatization contract to make that investment.** The FGUA has conducted a thorough engineering due diligence effort. The due diligence effort has identified those projects that are needed over the next five (5) years to continue to provide reliable service to customers. The FGUA has structured this acquisition in order to finance all needed system improvements identified through fiscal year 2004-05 in the initial bond issue. The FGUA also will include any capital projects needed in fiscal years 2005-06 through 2007-08 when doing its financial projections. Additionally, the FGUA has provided for an annual repair and replacement percentage of seven and one-half percent (7.5%) of annual revenue based upon the specific needs of the Utility Facilities.

A detailed Capital Improvement Plan for the Utility Facilities is provided in **Exhibit D**, attached hereto. For greater detail, please see relevant portions of the report entitled "Florida Water Services Corporation Water and Wastewater Systems Preliminary Due Diligence," dated as of December 2001, prepared by PBS&J. The 13 volumes of this report are available for review and reference. PBS&J will provide an update of this information at the August 21, 2003 hearing.

It is believed that the FGUA's financial consultants have conservatively estimated the future revenues available for each system based upon historical revenue reports filed with regulatory agencies in order to determine a feasible acquisition price that would also support all needed capital improvements, renewal and replacement, operations and continued maintenance programs.

- (8) **The alternatives to the purchase, sale, or wastewater facility privatization contract and the potential impact on utility customers if the purchase, sale, or wastewater facility privatization contract is not made.**

It is in the public interest that long-range planning, management, financing, maintenance, upkeep and operations of water and wastewater utilities be coordinated by affected local governments. The acquisition of the Utility Facilities is another step toward achieving this goal. If the FGUA does not acquire the Utility Facilities, it is likely that another investor-owned company would acquire these facilities, perpetuating investor-owned operation, maintenance and capital improvement programs without focus on community-wide comprehensive planning goals and objectives.

Another potential alternative to an FGUA acquisition is an acquisition of the Florida Water Utility Facilities by an entity such as the Florida Water Services Authority, an entity which refused membership to local governments. Local governments aggressively and successfully opposed such an acquisition in the courts but the opportunity remains for another entity to be created to attempt a similar acquisition without local government or FGUA participation. Acquisition of the Utility Facilities by the FGUA will forever remove such a possibility.

Also, if the FGUA does not acquire these Utility Facilities, long-term rate stabilization is not likely because private ownership priorities typically focus on profit, rather than a public interest mission.

**(9) The ability of the FGUA to provide and maintain high-quality and cost-effective utility service.**

As indicated previously, upon acquisition, the FGUA will not be motivated by profit but rather a public service motivation to provide high quality, cost-effective service to FGUA customers. The FGUA will have access to low-cost public financing which will lower capital costs for system expansions and improvements from those costs available under private ownership. The FGUA has entered an operations, customer service and billing agreement with American Water Services, Inc., after a public bidding process to insure low-cost, efficient and high quality service for FGUA's customers.

**SUMMARY OF ASSET ACQUISITION AGREEMENT**

<b><u>Purchase Price:</u></b>	Lee County:	\$34,503,538.00
	Citrus County:	\$16,058,337.00
	Charlotte County:	\$ 3,753,122.00

**Assets:**

Given the extensive due diligence performed, the assets are being purchased in "as is" condition.

**Liabilities:**

Florida Water retains certain identified liabilities including: (i) liabilities arising out of any occurrence or event which occurred prior to Closing; (ii) liabilities to affiliates; and (iii) liabilities which cannot be specifically identified as pertaining to the Utility Facilities.

**Due Diligence:**

Florida Water must cooperate with continued financial, engineering and legal activities desired by the FGUA prior to closing.

**Bond Issuance Contingency:**

The FGUA's obligation to close is contingent upon the FGUA's ability to secure bond financing of the transaction.

**Closing Date:**

By December 8, 2003.

**Title Insurance:**

Florida Water will pay the cost for title insurance.

**Pending Litigation and Regulatory Matters:**

Florida Water remains responsible for costs and liabilities associated with litigation and regulatory matters pending at closing.

**Termination:**

The Agreement may be terminated (i) by either Florida Water or the Buyers in the event of a material breach of the Agreement, (ii) by the Buyers if the transaction has not closed by July 31, 2004 or by Florida Water if the transaction has not closed by December 8, 2003 or such later date mutually agreed upon, or (iii) by Florida Water if a gain on sale investigation is initiated whereby a regulatory authority such as the Florida Public Service Commission investigates whether a portion of Florida Water's gain should be shared with Florida Water's remaining customers. To dissuade Florida Water from exercising its right to terminate if such a proceeding is initiated, the Buyers agree to intervene in such a proceeding and oppose a sharing of the gain with customers located outside their respective jurisdictions. In the event of termination pursuant to the terms of the Agreement (other than breach), neither party shall have any obligations or liability to the other.

**PUBLIC INTEREST**

Upon consideration of the above factors, it is recommended that the acquisition of the Utility Facilities by the FGUA would be in the public interest.

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**EXHIBIT A**

**EXCERPTS FROM FLORIDA WATER ANNUAL REPORT FOR  
THE YEAR ENDING DECEMBER 31, 2002**

UTILITY NAME: FLORIDA WATER SERVICES, CORP.

YEAR OF REPORT  
DECEMBER 31, 2002

COMPARATIVE BALANCE SHEET  
ASSETS AND OTHER DEBITS

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (e)	CURRENT YEAR (d)
<b>UTILITY PLANT</b>				
101-106	Utility Plant	F-7	\$ 585,747,029	\$ 639,434,837
108-110	Less: Accumulated Depreciation and Amortization	F-8	(197,612,210)	(216,368,953)
Net Plant			\$ 388,134,819	\$ 423,065,884
114-115	Utility Plant Acquisition Adjustments (Net)	F-7	5,569,435	7,845,408
116*	Other Utility Plant Adj.		0	0
Total Net Utility Plant			\$ 403,704,254	\$ 430,911,292
<b>OTHER PROPERTY AND INVESTMENTS</b>				
121	Nonutility Property	F-9	\$ 293,742	\$ 34,450
122	Less: Accumulated Depreciation and Amortization			
Net Nonutility Property			\$ 293,742	\$ 34,450
123	Investment in Associated Companies	F-10	0	0
124	Utility Investments	F-10	0	0
125	Other Investments	F-10	1,561,939	1,894,048
126-127	Special Funds	F-10	286,219	0
Total Other Property & Investments			\$ 1,848,158	\$ 1,894,048
<b>CURRENT AND ACCRUED ASSETS</b>				
131	Cash		\$ 4,140,679	\$ 5,473,361
132	Special Deposits	F-9	3,031,376	1,096,650
133	Other Special Deposits	F-9	55,614	50,976
134	Working Funds		8,000	8,000
135	Temporary Cash Investments		5,000,000	3,500,000
141-144	Accounts and Notes Receivable, Less Accumulated Provision for Uncollectible Accounts	F-11	8,475,534	6,827,891
145	Accounts Receivable from Associated Companies	F-12	0	0
146	Notes Receivable from Associated Companies	F-12	0	0
151-153	Material and Supplies		44,751	25,167
161	Stores Expense		0	0
162	Prepayments		109,066	57,238
171	Accrued Interest and Dividends Receivable		503,894	11,521
172*	Rents Receivable		0	0
173*	Accrued Utility Revenues		6,713,545	6,411,392
174	Misc. Current and Accrued Assets	F-12	0	0
Total Current and Accrued Assets			\$ 28,082,461	\$ 23,462,188

UTILITY NAME: FLORIDA WATER SERVICES, CORP.

YEAR OF REPORT  
DECEMBER 31, 2002

COMPARATIVE BALANCE SHEET  
ASSETS AND OTHER DEBITS

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (e)	CURRENT YEAR (d)
	DEFERRED DEBITS			
181	Unamortized Debt Discount & Expense	F-13	\$ 6,298,432	\$ 5,970,353
182	Extraordinary Property Losses	F-13	1,142,933	1,102,374
183	Preliminary Survey & Investigation Charges		3,148,131	2,182,630
184	Clearing Accounts		9,630	5,695
185*	Temporary Facilities		0	0
186	Misc. Deferred Debits	F-14	18,100,227	18,181,811
187*	Research & Development Expenditures		0	0
190	Accumulated Deferred Income Taxes		13,805,472	12,872,417
	Accrued Stand-by Fees		0	0
Total Deferred Debits			\$ 42,504,824	\$ 40,315,279
TOTAL ASSETS AND OTHER DEBITS			\$ 476,433,439	\$ 496,617,257

- Not Applicable for Class B Utilities

NOTES TO THE BALANCE SHEET	

UTILITY NAME: FLORIDA WATER SERVICES, CORP.

YEAR OF REPORT  
DECEMBER 31, 2002

COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (e)	CURRENT YEAR (d)
<b>EQUITY CAPITAL</b>				
201	Common Stock Issued	F-15	\$ 107,500	\$ 107,500
204	Preferred Stock Issued	F-15	0	0
202,205*	Capital Stock Subscribed		0	0
203,206*	Capital Stock Liability for Conversion		0	0
207*	Premium on Capital Stock		0	0
209*	Reduction in Par or Stated Value of Capital Stock		0	0
210	Gain on Resale or Cancellation of reacquired Capital Stock		0	0
211	Other Paid-In Capital		95,091,663	89,853,517
212	Discount on Capital Stock		0	0
213	Capital Stock Expense		0	0
214-215	Retained Earnings	F-16	19,306,184	32,012,921
216	Reacquired Capital Stock		0	0
218	Proprietary Capital (Proprietorship and Partnership Only)		0	0
	<b>Total Equity Capital</b>		<b>\$ 114,505,347</b>	<b>\$ 121,973,938</b>
<b>LONG TERM DEBT</b>				
221	Bonds	F-15	\$ 63,105,000	\$ 63,105,000
222*	Reacquired Bonds		0	0
223	Advances from Associated Companies	F-17	0	0
224	Other Long Term Debt	F-17	45,160,025	42,961,785
	<b>Total Long Term Debt</b>		<b>\$ 108,265,025</b>	<b>\$ 106,066,785</b>
<b>CURRENT AND ACCRUED LIABILITIES</b>				
231	Accounts Payable		\$ 4,720,810	\$ 6,533,186
232	Notes Payable	F-18	0	0
233	Accounts Payable to Associated Co.	F-18	(4,544,150)	2,332,964
234	Notes Payable to Associated Co.	F-18	0	0
235	Customer Deposits		2,831,480	3,088,759
236	Accrued Taxes		2,904,570	2,110,689
237	Accrued Interest	F-19	2,467,985	2,349,344
238	Accrued Dividends		0	0
239	Matured Long Term Debt		12,078,764	3,966,349
240	Matured Interest		0	0
241	Miscellaneous Current and Accrued Liabilities	F-20	3,132,445	3,513,333
	<b>Total Current and Accrued Liabilities</b>		<b>\$ 23,591,903</b>	<b>\$ 23,894,633</b>

UTILITY NAME: FLORIDA WATER SERVICES, CORP.

YEAR OF REPORT  
DECEMBER 31, 2002

COMPARATIVE BALANCE SHEET - EQUITY CAPITAL AND LIABILITIES

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (c)	PREVIOUS YEAR (e)	CURRENT YEAR (d)
<b>DEFERRED CREDITS</b>				
251	Unamortized Premium on Debt	F-13	\$ 0	\$ 0
252	Advances for Construction	F-20	11,012,945	9,371,589
253	Other Deferred Credits	F-21	4,747,769	5,850,868
255	Accumulated Deferred Investment Tax Credits		1,235,532	1,169,210
Total Deferred Credits			\$ 16,996,246	\$ 16,391,687
<b>OPERATING RESERVES</b>				
261	Property Insurance Reserve		\$ 0	\$ 0
262	Injuries and Damages Reserve			
263	Pensions and Benefits Reserve		0	0
265	Miscellaneous Operating Reserves		0	0
Total Operating Reserves			\$ 0	\$ 0
<b>CONTRIBUTIONS IN AID OF CONSTRUCTION</b>				
271	Contributions In Aid of Construction	F-22	\$ 266,348,749	\$ 289,892,119
272	Accumulated Amortization of Contributions In Aid of Construction	F-22	(84,200,857)	(93,869,393)
Total Net C.I.A.C.			\$ 182,147,892	\$ 196,022,726
<b>ACCUMULATED DEFERRED INCOME TAXES</b>				
281	Accumulated Deferred Income Taxes - Accelerated Depreciation		\$ 0	\$ 0
282	Accumulated Deferred Income Taxes - Liberalized Depreciation		1,204,592	1,299,580
283	Accumulated Deferred Income Taxes - Other		29,722,434	30,967,903
Total Accum. Deferred Income Taxes			\$ 30,927,028	\$ 32,267,483
<b>TOTAL EQUITY CAPITAL AND LIABILITIES</b>			\$ 476,433,439	\$ 496,617,253

UTILITY NAME: FLORIDA WATER SERVICES, CORP.

YEAR OF REPORT  
DECEMBER 31, 2002

COMPARATIVE OPERATING STATEMENT

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (d)	PREVIOUS YEAR (c)	CURRENT YEAR (e)
<b>UTILITY OPERATING INCOME</b>				
400	Operating Revenues	F-3(b)	\$ 93,628,152	\$ 95,428,642
469,530	Less: Guaranteed Revenue and AFPI	F-3(b)	2,392,636	2,352,305
Net Operating Revenue			\$ 91,235,516	\$ 93,076,336
401	Operating Expenses	F-3(b)	\$ 44,476,434	\$ 45,227,327
403	Depreciation Expense	F-3(b)	\$ 20,401,678	\$ 21,123,579
	Less: Amortization Of CIAC	W/S - 8a	8,894,838	9,668,534
Net Depreciation Expense			\$ 11,506,840	\$ 11,455,044
406	Amortization of Utility Plant Acquisition Adjustment	F-3(b)	134,509	168,731
407	Amortization Expense (Other than CIAC)	F-3(b)	208,063	231,541
408	Taxes Other Than Income	W/S-3	9,472,597	10,114,640
409	Current Income Taxes	W/S-3	2,159,053	5,149,637
410.10	Deferred Federal Income Taxes	W/S-3	3,962,942	2,084,564
410.11	Deferred State Income Taxes	W/S-3	0	0
411.10	Provision for Deferred Income Taxes - Credit	W/S-3	0	0
412.10	Investment Tax Credits Deferred to Future Periods	W/S-3	0	0
412.11	Investment Tax Credits Restored to Operating Income	W/S-3	99,220	(66,322)
Utility Operating Expenses			\$ 72,019,657	\$ 74,365,161
Utility Operating Income			\$ 19,215,859	\$ 18,711,175
<b>Add Back:</b>				
469,530	Guaranteed Revenue and AFPI	F-3(b)	2,392,636	2,352,305
413	Income From Utility Plant Leased to Others		0	0
414	Gains (Losses) From Disposition of Utility Property		1,936,738	778,626
420	Allowances for Funds Used During Construction		877,709	710,942
Total Utility Operating Income [Enter here and on Page F-3(c)]			\$ 24,422,942	\$ 22,553,048

UTILITY NAME: FLORIDA WATER SERVICES, CORP.

YEAR OF REPORT  
DECEMBER 31, 2002

COMPARATIVE OPERATING STATEMENT (CONT'D)

ACCT. NO. (a)	WATER SCHEDULE W-3* (f)	WASTEWATER SCHEDULE S-3* (g)	OTHER THAN REPORTING SYSTEMS (h)
400	\$ 27,733,272	\$ 22,282,586	\$ 45,412,784
469,530	974,754	770,168	607,383
	\$ 26,758,518	\$ 21,512,418	\$ 44,805,401
401	\$ 14,118,219	\$ 10,960,943	\$ 20,148,165
403	\$ 4,624,392	\$ 4,828,730	\$ 11,670,456
	1,771,912	1,940,493	5,956,129
	\$ 2,852,480	\$ 2,888,237	\$ 5,714,327
406	(1,190)	(10,899)	180,820
407	(692)	(20)	232,253
408	3,153,321	2,709,546	4,251,773
409	1,316,541	912,784	2,920,312
410:10	357,992	260,622	1,465,950
410.11	0	0	0
411.10	0	0	0
412.10	0	0	0
412.11	(15,452)	(14,439)	(36,431)
	\$ 21,781,219	\$ 17,706,773	\$ 34,877,169
	\$ 4,977,299	\$ 3,805,644	\$ 9,928,232
469,530	974,754	770,168	607,383
413	0	0	0
414	304,469	0	474,157
420	228,755	233,458	248,729
	\$ 6,485,277	\$ 4,809,271	\$ 11,258,501

UTILITY NAME: FLORIDA WATER SERVICES, CORP.

YEAR OF REPORT  
DECEMBER 31, 2002

COMPARATIVE OPERATING STATEMENT (Cont'd)

ACCT. NO. (a)	ACCOUNT NAME (b)	REF. PAGE (d)	PREVIOUS YEAR (c)	CURRENT YEAR (e)
Total Utility Operating Income [From Page F-3 (a)]			\$ <u>24,422,942</u>	\$ <u>22,553,048</u>
OTHER INCOME AND DEDUCTIONS				
415	Revenues From Merchandising, Jobbing and Contract Deductions		\$ 8,742	\$ 9,234
416	Costs and Expenses of Merchandising, Jobbing and Contract Work		19	0
419	Interest and Dividend Income		1,785,563	326,198
421	Nonutility Income		122,288	112,405
426	Miscellaneous Nonutility Expenses		(1,341,169)	(1,619,327)
Total Other Income and Deductions			\$ <u>575,442</u>	\$ <u>(1,171,491)</u>
TAXES APPLICABLE TO OTHER INCOME				
408.20	Taxes Other Than Income		\$ 0	\$ 0
409.20	Income Taxes		1,527,698	731,959
410.20	Provision for Deferred Income Taxes		567,256	95,260
411.20	Provision for Deferred Income Taxes - Credit		0	0
412.20	Investment Tax Credits - Net		0	0
412.30	Investment Tax Credits Restored to Operating Income		0	0
Total Taxes Applicable To Other Income			\$ <u>2,094,954</u>	\$ <u>827,219</u>
INTEREST EXPENSE				
427	Interest Expense	F-19	\$ 9,143,796	\$ 7,473,852
428	Amortization of Debt Discount & Expense	F-13	384,988	373,751
429	Amortization of Premium on Debt	F-13	0	0
Total Interest Expense			\$ <u>9,528,784</u>	\$ <u>7,847,603</u>
EXTRAORDINARY ITEMS				
433	Extraordinary Income		\$ 0	\$ 0
434	Extraordinary Deductions		0	0
409.30	Income Taxes, Extraordinary Items		0	0
Total Extraordinary Items			\$ <u>0</u>	\$ <u>0</u>
NET INCOME			\$ <u>13,374,646</u>	\$ <u>12,706,736</u>



**EXHIBIT B**

**PBS&J WATER AND WASTEWATER SYSTEMS DUE DILIGENCE**

**PBS&J Services to FGUA for  
Florida Water Services Corporation  
Water and Wastewater Systems - Final Engineering Due Diligence  
Citrus, Lee & Charlotte County**

**I. BACKGROUND**

Post Buckley, Schuh & Jernigan, Inc. (PBS&J) performed certain professional services in support of negotiations between the Florida Governmental Utility Authority (FGUA) and Florida Water Services Corporation (FWS) for the purchase of the water and wastewater utility assets (Systems). These services consisted of two phases of work: Phase I, Preliminary Engineering Due Diligence and Phase II, Final Engineering Due Diligence. This update to the Engineering Due Diligence performed and reported in September 2002 is provided to FGUA for the hearing scheduled for August 21, 2003.

FWS provides services to more than half a million Florida residents making it the largest privately owned utility in the state. Customers can be found in 25 counties from the Panhandle to Marco Island in systems ranging from those that serve more than 30,000 customers to those that serve only six. The FWS System consists of 101 water and 49 wastewater facilities with assets including 286 active wells and 603 lift stations. FGUA and FWS have distributed the FWS System into twelve separate groups of facilities for the purposes of acquisition, to facilitate separate revenue bond issues. These groups, in general, are confined within individual Counties, with one group covering two counties and a twelfth group scattered across the State.

Due to the time constraints involved in the initial due diligence effort during the Phase I Preliminary Engineering Due Diligence, an exhaustive review of the FWS System was beyond the scope. However, further analysis involving a more comprehensive engineering investigation was completed as part of the Phase II Final Engineering Due Diligence. A final inspection and update to this report has been completed for the August 21, 2003 FGUA hearing.

The Phase I Due Diligence review included site visits to a representative portion of the 12 water and wastewater facilities groups to review the current condition of the FWS fixed assets. While not all FWS facilities were visited in Phase I, a majority of the FWS assets were inspected (89% of the assets by total ERCs and 93% by total plant in service dollar value). As part of the Phase II Due Diligence, all of the FWS facilities and systems were visited and visual inspections performed. This included general photography of typical facilities and key elements of each facility. A final inspection of the Citrus and Lee County systems was performed during the week of August 11, 2003. A listing of facilities included in the most recent site visit and review can be found in Table One (1).

The purpose of Phase I and II field visits and inspections was to identify corrective measures and associated costs to meet regulatory requirements. The purpose of the site visits performed in August of 2003 was to identify any changes in the systems from the last site visits, as well as documentation of significant Capital Expenditures that may have occurred

## Final Engineering Due Diligence Summary

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during this time period. A summary of these corrective measures and their associated costs has been listed by facility later in this report. For purposes of this due diligence effort, the definition of a deficiency was as follows:

- Observed or documented facility violations of current State regulatory rules and regulations based on site visits and data collected.
- Observed physical obsolescence (e.g. steel storage tank with extensive rust), having less than 5 years of useful life remaining.
- Effluent disposal capacity problems (e.g. percolation ponds overflowing berms) based on permit data.
- Major equipment observed having less than 5 years of useful life remaining.
- Wastewater collection systems having excessive Infiltration/Inflow (I/I). Excessive I/I defined as those systems having average daily flow (ADFs) in excess of accepted industry standards.
- Water distribution systems having excessive unaccounted for water based on available FWS documentation.

During the Phase II Due Diligence effort a new type of system capital project need was identified. The new type of system need is called a "Critical Project". A Critical Project is one defined as "projects required to be completed in an urgent manner to insure capacity and reliability to meet the needs of current customers". This type of project is typically one requiring additional water or wastewater capacity to be provided to meet immediate system demands.

In addition to site visits, Engineering Due Diligence also consisted of review of existing FWS system maps, data, engineering reports, capital improvement plan, growth projections, and FDEP and WMD permits for each facility. Permit review was not just limited to review of those permits provided by FWS. PBS&J also contacted selected FDEP District offices and interviewed FDEP permitting and compliance staff to obtain additional information on facilities. A summary of the status of FWS permits can be found in Table 2. Staff interviews included discussion of current (and recently closed) Consent Orders and Settlement Agreements as identified through phone conversations conducted with FDEP staff in August of 2003. Identified Consent Orders and Settlement Agreements have been summarized in Table 3 and by facility in the following text.

## Final Engineering Due Diligence Summary

**Table 3: CONSENT ORDER & SETTLEMENT AGREEMENT COMPLIANCE**

<b>Facility Name</b>	<b>Consent Order</b>	<b>Date Issued</b>	<b>Date Closed</b>	<b>Description</b>
Lehigh Acres	OGC # 98-3797-36-DW	04/30/99	03/31/03	In 2001 and 2002, The FDEP CO identified that overflowing percolation ponds berms heavily overgrown with vegetation, were required to be repaired. Ponds were upgraded to satisfy the CO and CO was closed in 2003. .
Burnt Store	OGC # 01-1470-08-DW	01/18/02	07/31/03	CO related to Perc Pond Overflows. Effluent Disposal expansion met the requirements of the CO and it was closed in 2003.

### **Lehigh Acres (OGC # 98-3797-36-DW)**

The Lehigh Acres Consent Order involves effluent disposal capacity, berm maintenance, and construction of a collection system without a valid permit and stipulates elimination of use of the percolation/evaporation ponds by December 1, 2001. Subsequently, FWS submitted a permit application to FDEP requesting authorization to modify the existing ponds by raising the berms in lieu of eliminating their use. FDEP accepted the application and dictated a schedule for modifications to elevate the berms and increase pond capacity to reduce the potential for overflow.

Percolation pond berms were cleaned and elevations were raised The Consent Order was satisfied and closed on March 31, 2003. .

### **Burnt Store (OGC #01-1470)**

A Consent Order was issued to FWS on January 18, 2002 regarding the need to correct and construct new percolation ponds at the Burnt Store facility. The existing percolation ponds were expanded to meet the requirements of the CO. The CO was satisfied and closed on July 31, 2003.

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## Final Engineering Due Diligence Summary

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### II. FGUA SYSTEMS

In September of 2002, FGUA and FWS subdivided the FWS System into twelve separate groups of facilities for the purpose of acquisition to facilitate separate Revenue Bond issues. These groups, in general, are confined within individual Counties, with one group covering two counties and a twelfth group scattered across the State. Phase II, Final Engineering Due Diligence was conducted on 11 of the original 12 FGUA Systems. The Duval System was excluded from further analysis, due to their request to be “carved” out of the negotiations with FWS.

- CHARLOTTE / LEE
- CITRUS
- COLLIER (Marco Island & Marco Shores)
- CONSOLIDATED
- DUVAL
- FLAGLER (Palm Coast)
- HERNANDO (Spring Hill)
- LEE (Lehigh)
- MARION
- NASSAU
- OSCEOLA
- VOLUSIA (Deltona)

In August of 2003, PB&J performed limited System site visits for:

- CITRUS
- LEE (Lehigh)

Charlotte County and their consultants made separate site visits to the FWS facilities in Charlotte and Lee County.

### GROWTH PROJECTIONS

Review of FWS growth projections included examination of growth-related capacity concerns. Consultant was engaged to perform an analysis of FWS’s five-year Capital Improvement Plan. To gauge the “appropriateness” of the FWS CIP, Consultant performed an analysis of projected capacity needs compared to current permitted water and wastewater capacity. FWS staff was interviewed for detailed descriptions of CIP priority and codes that were used to disaggregate those CIP improvements specifically identified for growth. Consultant developed individual “Capacity” curves for each permitted facility. FWS provided their own internal ERC growth projections, which included a 5-year history and 5

## Final Engineering Due Diligence Summary

or more years of projections. Consultant employed cost curves and related data developed from its database of local construction projects. Using these costs, a range of projected water and wastewater CIP needs were made. A comparison of this analysis with the FWS growth-related CIP was made and where deficiencies were identified, growth related projects were added to the CIP. Refer to the CIP in the appendix for specific water and wastewater growth related projects derived from the growth projections of each system.

### III. SYSTEM SUMMARY

The following Table summarizes the Capital Improvement Project Totals as they have been modified from Phase I to Phase II, to the most recent updated Final Due Diligence.

System	Preliminary Due Diligence	Phase II Due Diligence	Final Due Diligence
<i>Lehigh</i>	\$18,857,586	\$17,270,976	\$15,625,598
<i>Charlotte / Lee</i>	\$7,502,777	\$11,578,486	\$10,476,273
<i>Citrus</i>	\$7,389,796	\$11,549,780	\$11,391,363

#### 1. CHARLOTTE/LEE

The Charlotte/Lee grouping consists of two water and two wastewater systems with a total of three wells and 50 lift stations system wide. Each water facility, supply well, wastewater facility, and lift station was visited during the Phase 2 Final Due Diligence and evaluated for general condition and functionality. The Florida Water Services systems in the Charlotte/Lee grouping include Burnt Store and Deep Creek.

Burnt Store provides water and wastewater treatment. Plant specific projects in addition to the FWS CIP as allocated by PBS&J are as follows:

WWTP Expansion & Perc Ponds	\$830,000
WTP Expansion	\$2,000,000
Smoke Test & Inspection of Collection System	\$50,000
Wastewater Lift Station Repair Program	\$57,475
Additional R&R Contingency	\$30,000

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## Final Engineering Due Diligence Summary

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Deep Creek provides water and wastewater service. The water and wastewater facilities have been interconnected with Charlotte County. Plant specific projects in addition to the FWS CIP as allocated by PBS&J are as follows:

WTP Improvements – HSP & STD	\$1,300,000
Wastewater Lift Station Repair Program	\$318,293
Additional R&R Contingency	\$30,000

### 2. CITRUS

The Citrus grouping consists of 11 water and 5 wastewater treatment facilities with a total of 27 wells and 64 lift stations system wide. Each water facility, supply well, wastewater facility, and lift station was visited during the Phase 2 Final Due Diligence and evaluated for general condition and functionality. The FWS systems in the Citrus grouping include Apache Shores, Citrus Springs, Golden Terrace, Gospel Island, Lakeside Village, Oak Forest, Pine Ridge, Point O'Woods, Rosemont-Rolling Green, Spring Garden, and Sugarmill Woods.

Apache Shores provides water and wastewater treatment. The water plant has been interconnected with Citrus County. Plant specific projects in addition to the FWS CIP as allocated by PBS&J are as follows:

Wastewater Lift Station Repair Program	\$35,491
Additional R&R Contingency	\$30,000

Citrus Springs provides water and wastewater treatment. Plant specific projects in addition to the FWS CIP as allocated by PBS&J are as follows:

WWTP Upgrade	\$25,000
Rehabilitate Digesters	\$175,000
Topeka Line Extension Agreement	\$1,061,835
Wastewater Lift Station Repair Program	\$133,520
Additional R&R Contingency	\$30,000

Golden Terrace provides water treatment. The water plant has been interconnected with the City of Inverness and the water use permit has been designated inactive. Plant specific projects in addition to the FWS CIP as allocated by PBS&J are as follows:

Additional R&R Contingency	\$30,000
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Gospel Island provides water treatment. No consumptive use permit is required for this facility as it pumps less than 100,000 gallons per day. Plant specific projects in addition to the FWS CIP as allocated by PBS&J are as follows:

## Final Engineering Due Diligence Summary

Additional R&R Contingency	\$30,000
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Lakeside Village provides water treatment. Plant specific projects in addition to the FWS CIP as allocated by PBS&J are as follows:

Additional R&R Contingency	\$30,000
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Oak Forest provides water and wastewater treatment. Plant specific projects in addition to the FWS CIP as allocated by PBS&J are as follows:

Additional R&R Contingency	\$30,000
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Pine Ridge provides water and wastewater treatment. Plant specific projects in addition to the FWS CIP as allocated by PBS&J are as follows:

Topeka Line Extension Agreement	\$936,684
Additional R&R Contingency	\$30,000

Point O'Woods provides water and wastewater treatment. Plant specific projects in addition to the FWS CIP as allocated by PBS&J are as follows:

Wastewater Lift Station Repair Program	\$37,751
Additional R&R Contingency	\$30,000

Rosemont-Rolling Green provides water treatment. The FWS Rosemont and FWS Rolling Green water plants have been interconnected. Plant specific projects in addition to the FWS CIP as allocated by PBS&J are as follows:

Well Field Expansion (Interconnection w/Iverness)	\$0
Additional R&R Contingency	\$30,000

Spring Garden provides water and wastewater treatment. Plant specific projects in addition to the FWS CIP as allocated by PBS&J are as follows:

Wastewater Lift Station Repair Program	\$106,264
Additional R&R Contingency	\$30,000

Sugarmill Woods provides water and wastewater treatment. Plant specific projects in addition to the FWS CIP as allocated by PBS&J are as follows:

WTP Expansion	\$840,000
WWTP Expansion	\$500,000
Water Hydraulic Analysis	\$100,000



## Final Engineering Due Diligence Summary

Wastewater Lift Station Repair Program	\$751,762
Additional R&R Contingency	\$30,000

### 3. LEE (LEHIGH)

The Lee grouping consists solely of the Lehigh water and wastewater treatment facilities, which include a total of 12 wells and 52 lift stations. Each water facility, supply well, wastewater facility, and lift station was visited during the Phase 2 Final Due Diligence and evaluated for general condition and functionality.

Plant specific projects in addition to the FWS CIP as allocated by PBS&J are as follows:

Reclaimed ASR Well	\$3,000,000
Perc Pond Improvements & Plant Modifications	Completed
WW Collection System Improvements	\$1,050,000
Wastewater Lift Station Repair Program	\$363,529
Additional R&R Contingency	\$30,000

**Table 1: FWS FACILITIES VISITED**

FGUA Region	Facility Name
CHARLOTTE/LEE	(Visited in 2002)
	Burnt Store
	Deep Creek
CITRUS	(Visited in August 2003)
	Apache Shores
	Citrus Springs
	Golden Terrace
	Gospel Island
	Lakeside
	Oak Forest
	Pine Ridge
	Point O' Woods
	Rosemont/Rolling Green
	Spring Garden
Sugarmill Woods	
LEE	(Visited in August 2003)
	Lehigh

**Florida Governmental Utility Authority Utility Systems**  
**Florida Water Acquisition**  
**Water/Wastewater System**

Projected 5 Year Capital Improvement Plan - Water and Wastewater System  
**Citrus Grouping**

Line		Funding						
No.	Description	P-Source	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	Total
<b>PLANT SPECIFIC PROJECTS</b>								
<b>APACHE SHORES</b>								
1	WWTP Upgrade	GRO	-	-	-	-		-
2	WWTP Upgrade R&R Portion	RR	-	-	-	-		-
3	<b>Total Plant Specific Projects</b>		-	-	-	-		-
<b>ADDITIONS PER POST BUCKLEY</b>								
<b>APACHE SHORES</b>								
4	Wastewater Lift Station Repair Program - Additiona	RR	6,000	6,000	6,000	6,000	6,000	30,000
5	Wastewater Lift Station Repair Program	RR	1,098	1,098	1,098	1,098	1,098	5,491
6	Additional R&R Contingenc	OTH	30,000	-	-	-		30,000
7	<b>Total Post Buckley Addition to Capital Budget</b>		37,098	7,098	7,098	7,098	7,098	65,491
<b>PLANT SPECIFIC PROJECTS</b>								
<b>CITRUS SPRINGS</b>								
8	Interconnect w/ Pine Ridge PS	GRO	-	185,000	-	-	-	185,000
9	Interconnect w/ Pine Ridge PSI R&R Portion	RR	-	-	-	-	-	-
10	Rehabilitate Digesters	OTH	-	-	-	-	-	-
11	Rehabilitate Digesters R&R Portion	RR	-	-	-	-	-	-
12	WWTP Upgrade	RR	25,000	-	-	-	-	25,000
13	WWTP Upgrade R&R Portion	RR	-	-	-	-	-	-
14	Generator At Well # 2	OTH	-	-	-	100,000	-	100,000
15	Generator At Well # 3 R&R Portion	RR	-	-	-	-	-	-
16	<b>Total Plant Specific Projects</b>		25,000	185,000	-	100,000	-	310,000
<b>ADDITIONS PER POST BUCKLEY</b>								
<b>CITRUS SPRINGS</b>								
17	WWTP Upgrade	RR	25,000	-	-	-	-	25,000
18	Rehabilitate Digesters	RR	175,000	-	-	-	-	175,000
19	Topeka Line Extension Agreeemen	GRO	212,367	212,367	212,367	212,367	212,367	1,061,835
20	Wastewater Lift Station Repair Program	RR	6,704	6,704	6,704	6,704	6,704	33,520
21	Wastewater Lift Station Repair Additiona	RR	20,000	20,000	20,000	20,000	20,000	100,000
22	Additional R&R Contingenc	OTH	30,000	-	-	-	-	30,000
23	<b>Total Post Buckley Addition to Capital Budget</b>		469,071	239,071	239,071	239,071	239,071	1,425,355
<b>PLANT SPECIFIC PROJECTS</b>								
<b>GOLDEN TERRACE</b>								
24		OTH	-	-	-	-	-	0
24	<b>Total Plant Specific Projects</b>		-	-	-	-	-	-
<b>ADDITIONS PER POST BUCKLEY</b>								
<b>GOLDEN TERRACE</b>								
25	Additional R&R Contingenc	OTH	30,000	-	-	-	-	30,000
26	<b>Total Post Buckley Addition to Capital Budget</b>		30,000	-	-	-	-	30,000

Florida Governmental Utility Authority Utility Systems  
 Florida Water Acquisition  
 Water/Wastewater System

Projected 5 Year Capital Improvement Plan - Water and Wastewater System  
 Citrus Grouping

Line No.	Description	Funding P-Source	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	Total
<b>PLANT SPECIFIC PROJECTS</b>								
<u>GOSPEL ISLAND ESTATES</u>								
27	2nd Well	GRO	-	-	65,000	-	-	65,000
28	2nd Well R&R Portion	RR	-	-	-	-	-	-
29	<b>Total Plant Specific Projects</b>		-	-	65,000	-	-	65,000
<b>ADDITIONS PER POST BUCKLEY</b>								
<u>GOSPEL ISLAND ESTATES</u>								
30	Wastewater Lift Station Repair Program	RR	-	-	-	-	-	-
31	Additional R&R Contingenc	OTH	30,000	-	-	-	-	30,000
32	<b>Total Post Buckley Addition to Capital Budget</b>		30,000	-	-	-	-	30,000
<b>PLANT SPECIFIC PROJECTS</b>								
<u>LAKESIDE</u>								
33	<b>Total Plant Specific Projects</b>		-	-	-	-	-	-
<b>ADDITIONS PER POST BUCKLEY</b>								
<u>LAKESIDE</u>								
34	Wastewater Lift Station Repair Program	RR	-	-	-	-	-	-
35	Additional R&R Contingenc	OTH	30,000	-	-	-	-	30,000
36	<b>Total Post Buckley Addition to Capital Budget</b>		30,000	-	-	-	-	30,000
<b>PLANT SPECIFIC PROJECTS</b>								
<u>OAK FOREST</u>								
37	<b>Total Plant Specific Projects</b>		-	-	-	-	-	-
<b>ADDITIONS PER POST BUCKLEY</b>								
<u>OAK FOREST</u>								
38	Wastewater Lift Station Repair Program	RR	-	-	-	-	-	-
39	Additional R&R Contingenc	OTH	30,000	-	-	-	-	30,000
40	<b>Total Post Buckley Addition to Capital Budget</b>		30,000	-	-	-	-	30,000

Florida Governmental Utility Authority Utility Systems  
 Florida Water Acquisition  
 Water/Wastewater System

Projected 5 Year Capital Improvement Plan - Water and Wastewater System  
**Citrus Grouping**

Line No.	Description	Funding P-Source	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	Total
<b>PLANT SPECIFIC PROJECTS</b>								
<b>PINE RIDGE</b>								
41	Replace Well #4 Hydro Tank	OTH	-	-	-	-	-	-
42	Replace Well #4 Hydro Tank R&R Portion	RR	-	-	-	-	-	-
43	GST +HSP	GRO	-	-	50,000	600,000	-	650,000
44	GST +HSP R&R Portion	RR	-	-	-	-	-	-
45	<b>Total Plant Specific Projects</b>		-	-	50,000	600,000	-	650,000
<b>ADDITIONS PER POST BUCKLEY</b>								
<b>PINE RIDGE</b>								
46	Topeka Line Extension Agreement	GRO	187,337	187,337	187,337	187,337	187,337	936,684
47	Wastewater Lift Station Repair Program	RR	-	-	-	-	-	-
48	Additional R&R Contingency	OTH	30,000	-	-	-	-	30,000
49	YTD RR Spent	RR	-	-	-	-	-	-
50	<b>Total Post Buckley Addition to Capital Budget</b>		217,337	187,337	187,337	187,337	187,337	966,684
<b>PLANT SPECIFIC PROJECTS</b>								
<b>POINT O' WOODS</b>								
51	New Well And WTF	GRO	-	300,000	-	-	-	300,000
52	New Well And WTP R&R Portion	RR	-	-	-	-	-	-
53	<b>Total Plant Specific Projects</b>		-	300,000	-	-	-	300,000
<b>ADDITIONS PER POST BUCKLEY</b>								
<b>POINT O' WOODS</b>								
54	Wastewater Lift Station Repair Program	RR	1,550	1,550	1,550	1,550	1,550	7,751
55	LS Additional R&R	RR	6,000	6,000	6,000	6,000	6,000	30,000
56	Additional R&R Contingency	OTH	30,000	-	-	-	-	30,000
57	<b>Total Post Buckley Addition to Capital Budget</b>		37,550	7,550	7,550	7,550	7,550	67,751
<b>PLANT SPECIFIC PROJECTS</b>								
<b>ROLLING GREEN/ROSEMONT</b>								
58	Water Interconnect w/ Inverness	OTH	-	-	-	-	-	-
59	Water Interconnect w/ Inverness R&R Portion	RR	-	-	-	-	-	-
60	<b>Total Plant Specific Projects</b>		-	-	-	-	-	-
<b>ADDITIONS PER POST BUCKLEY</b>								
<b>ROLLING GREEN/ROSEMONT</b>								
61	Wastewater Lift Station Repair Program	RR	-	-	-	-	-	-
62	Additional R&R Contingency	OTH	30,000	-	-	-	-	30,000
63	<b>Total Post Buckley Addition to Capital Budget</b>		30,000	-	-	-	-	30,000

**Florida Governmental Utility Authority Utility Systems  
Florida Water Acquisition  
Water/Wastewater System**

**Projected 5 Year Capital Improvement Plan - Water and Wastewater System  
Citrus Grouping**

Line No.	Description	Funding P-Source	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	Total
<b>PLANT SPECIFIC PROJECTS</b>								
<b>SPRING GARDENS</b>								
64	Interconnect w/ Homosassa PSI + Construction	OTH	15,000	85,000	-	-		100,000
65	Interconnect w/ Homosassa PSI + Construction R&	RR	-	-	-	-		-
66	<b>Total Plant Specific Projects</b>		<b>15,000</b>	<b>85,000</b>	<b>-</b>	<b>-</b>		<b>100,000</b>
<b>ADDITIONS PER POST BUCKLEY</b>								
<b>SPRING GARDENS</b>								
67	Wastewater Lift Station Repair Program Additiona	RR	20,000	20,000	20,000	20,000	20,000	100,000
68	Wastewater Lift Station Repair Program	RR	1,253	1,253	1,253	1,253	1,254	6,265
69	Additional R&R Contingenc	OTH	30,000	-	-	-		30,000
70	<b>Total Post Buckley Addition to Capital Budget</b>		<b>51,253</b>	<b>21,253</b>	<b>21,253</b>	<b>21,253</b>	<b>21,254</b>	<b>136,265</b>
<b>PLANT SPECIFIC PROJECTS</b>								
<b>SUGARMILL WOODS</b>								
71	WWTP Expansior	GRO	25,000	175,000	500,000	-		700,000
72	WWTP Expansion R&R Portior	RR	-	-	-	-		-
73	Water & Sewer Extensions	GRO	50,000	50,000	-	-		100,000
74	Water & Sewer Extensions R&R Portior	RR	-	-	-	-		-
75	WTP No 2 Discharge Repiping	RR	142,000	-	-	-		142,000
76	WTP No 2 Discharge Repiping R&R Portior	RR	-	-	-	-		-
77	LS # 20 Upgrade (R&R @ 50%)	RR	-	-	-	-		-
78	LS # 20 Upgrade (R&R @ 50%) R&R Portion	RR	-	-	-	-		-
79	Ground Storage Tank PSI + Construction	GRO	275,000	500,000	-	-		775,000
80	Ground Storage Tank PSI + Construction R&R Poi	RR	-	-	-	-		-
81	LS Upgrades (R&R @ 50%)	RR	12,500	12,500	12,500	12,500	12,500	62,500
82	LS Upgrades (R&R @ 50%) R&R Portion	RR	12,500	12,500	12,500	12,500	12,500	62,500
83	Reuse to Golf Course	DEF	-	750,000	500,000	-		1,250,000
84	Reuse to Golf Course R&R Portion	DEF	-	-	-	-		-
85	<b>Total Plant Specific Projects</b>		<b>517,000</b>	<b>1,500,000</b>	<b>1,025,000</b>	<b>25,000</b>	<b>25,000</b>	<b>3,092,000</b>
<b>ADDITIONS PER POST BUCKLEY</b>								
<b>SUGARMILL WOODS</b>								
86	WTP Expansior	GRO	84,000	84,000	672,000	-	-	840,000
87	WWTP Expansion (Oxidation Ditch & Clarifier	GRO	50,000	50,000	400,000	-	-	500,000
88	Water Hydraulic Analysis	GRO	100,000	-	-	-		100,000
89	LS Upgrades (R&R @ 50%) Additional	RR	80,000	80,000	80,000	80,000	80,000	400,000
90	LS Upgrades (R&R @ 50%)	OTH	100,000	100,000	-	-		200,000
91	Wastewater Lift Station Repair Program	RR	30,352	30,352	30,352	30,352	30,352	151,762
92	Additional R&R Contingenc	OTH	30,000	-	-	-		30,000
93	Interconnector	OTH	-	-	-	-		-
94	<b>Total Post Buckley Addition to Capital Budget</b>		<b>474,352</b>	<b>344,352</b>	<b>1,182,352</b>	<b>110,352</b>	<b>110,352</b>	<b>2,221,762</b>

**Florida Governmental Utility Authority Utility Systems  
Florida Water Acquisition  
Water/Wastewater System**

**Projected 5 Year Capital Improvement Plan - Water and Wastewater System  
Citrus Grouping**

Line		Funding						
No.	Description	P-Source	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	Total
<b><u>ALLOCATED BLANKET PROJECTS</u></b>								
95	Backflow	GRO	\$1,983	\$2,043	\$2,104	\$2,167	\$2,167	10,464
96	Hydrant Blanket	GRO	\$4,709	\$4,850	\$4,995	\$5,145	\$5,145	24,844
97	Hydrant Blanket R&R Portion	RR	\$4,709	\$4,850	\$4,995	\$5,145	\$5,145	24,844
98	Meter Blanket	GRO	\$18,247	\$18,795	\$19,359	\$19,939	\$19,939	96,279
99	Meter Blanket R&R Portion	RR	\$27,371	\$28,192	\$29,038	\$29,909	\$29,909	144,419
100	Services	GRO	\$43,318	\$44,617	\$45,956	\$47,334	\$47,334	228,560
101	Safety	OTH	\$1,417	\$1,459	\$1,503	\$1,548	\$1,548	7,474
102	Telemetry	OTH	\$0	\$0	\$0	\$0	\$0	-
103	West Area Lines	GRO	\$8,168	\$8,168	\$8,168	\$8,168	\$8,168	40,841
104	West Area Operations	RR	\$81,682	\$81,682	\$81,682	\$122,523	\$122,523	490,094
105	South Area Lines	GRO	\$0	\$0	\$0	\$0	\$0	-
106	South Area Operations	RR	\$0	\$0	\$0	\$0	\$0	-
107	Central Area Lines	GRO	\$0	\$0	\$0	\$0	\$0	-
108	Central Area Operations	RR	\$0	\$0	\$0	\$0	\$0	-
109	<b>Total Blanket Projects</b>		<b>191,603</b>	<b>194,656</b>	<b>197,800</b>	<b>241,880</b>	<b>241,880</b>	<b>1,067,819</b>
110	Allocated Overheads	GRO	\$126,526	\$126,526	\$126,526	\$126,526	\$126,526	632,629
<b><u>ALLOCATED ADMINISTRATION PROJECTS</u></b>								
111	IS Hardware & Software (R&R @ 90%)	RR	\$4,126	\$5,501	\$5,501	\$5,501	\$5,501	26,130
112	Telephone System Upgrades (R&R @ 40%)	RR	\$825	\$825	\$825	\$825	\$825	4,126
113	UPS Replacement	OTH	\$0	\$0	\$0	\$0	\$0	-
114	Wireless Devices	OTH	\$550	\$550	\$550	\$550	\$550	2,751
115	OpsWin Software	OTH	\$550	\$550	\$550	\$550	\$550	2,751
116	Automatic Meter Reading - Radic	OTH	\$0	\$0	\$0	\$0	\$0	-
117	Mainstar Software	OTH	\$275	\$275	\$275	\$275	\$275	1,375
118	Computer Hardware & Software (R&R @ 90%)	RR	\$6,326	\$6,876	\$6,876	\$6,876	\$6,876	33,832
119	Customer Service Software/Hardware	OTH	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	5,501
120	AS 400 (Meter devices, bill printer, Enviro, Wireless)	OTH	\$7,316	\$7,316	\$4,126	\$5,501	\$5,501	29,761
121	Expanding & Upgrading WAN (R&R @ 70%)	RR	\$5,501	\$5,501	\$5,501	\$5,501	\$5,501	27,506
122	Building Upgrades & Renovat. (R&R @ 50%)	RR	\$1,375	\$1,375	\$1,375	\$1,375	\$1,375	6,876
123	<b>Total Administration Projects</b>		<b>27,946</b>	<b>29,871</b>	<b>26,680</b>	<b>28,056</b>	<b>28,056</b>	<b>140,609</b>
124	<b>TOTAL CAPITAL IMPROVEMENT PROJECTS</b>		<b>2,339,736</b>	<b>3,227,714</b>	<b>3,135,667</b>	<b>1,694,122</b>	<b>994,123</b>	<b>11,391,363</b>

**Florida Governmental Utility Authority Utility Systems  
Florida Water Acquisition  
Water/Wastewater System**

Projected 5 Year Capital Improvement Plan - Water and Wastewater System  
Charlotte / Lee Grouping

Line No.	Description	Funding P-Source	Funding					Total
			2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	
<b>PLANT SPECIFIC PROJECTS</b>								
<b>BURNT STORE</b>								
1	RO WTP Expansion	GRO	-	-	-	-	-	-
2	RO WTP Expansion R&R Portion	RR	-	-	-	-	-	-
3	Wellfield Expansion	GRO	125,000	600,000	-	-	-	725,000
4	Wellfield Expansion R&R Portion	RR	-	-	-	-	-	-
5	WWTP Expansion	DEF	100,000	850,000	-	-	-	950,000
6	WWTP Expansion R&R Portion	DEF	-	-	-	-	-	-
7	Injection Well Mods.	GRO	420,000	-	-	-	-	420,000
8	Injection Well Mods. R&R Portion	RR	-	-	-	-	-	-
9	New Force Main for LS 16-16	DEF	-	-	-	-	-	-
10	New Force Main for LS 16-16 R&R Portion	DEF	-	-	-	-	-	-
11	Reuse System	DEF	250,000	250,000	-	-	-	500,000
12	Reuse System R&R Portion	DEF	-	-	-	-	-	-
13	Smoke Test & Inspect Collection System	OTH	-	-	-	-	-	-
14	Smoke Test & Inspect Collection System R&R Port	RR	25,000	25,000	50,000	50,000	-	150,000
15	WWTP Expansion	DEF	-	386,800	-	-	-	386,800
16	<b>Total Plant Specific Projects</b>		<b>920,000</b>	<b>2,111,800</b>	<b>50,000</b>	<b>50,000</b>	<b>-</b>	<b>3,131,800</b>
<b>ADDITIONS PER POST BUCKLEY</b>								
<b>BURNT STORE</b>								
17	WWTP Expansion (.16 mgd) + Perc ponds	GRO	83,000	83,000	664,000	-	-	830,000
18	WTP Expansion Capacity	GRO	200,000	200,000	1,600,000	-	-	2,000,000
19	Smoke Test & Inspect Collection System	OTH	-	-	-	-	50,000	50,000
20	Wastewater Lift Station Repair Program	RR	11,495	11,495	11,495	11,495	11,495	57,475
21	Additional R&R Contingency	OTH	30,000	-	-	-	-	30,000
22	<b>Total Post Buckley Addition to Capital Budget</b>		<b>324,495</b>	<b>294,495</b>	<b>2,275,495</b>	<b>11,495</b>	<b>61,495</b>	<b>2,967,475</b>
<b>PLANT SPECIFIC PROJECTS</b>								
<b>DEEP CREEK</b>								
23	New 16" Force Main	GRO	200,000	-	-	375,000	-	575,000
24	New 16" Force Main R&R Portion	RR	-	-	-	-	-	-
25	Interconnect w/Charlotte County	DEF	150,000	-	-	-	-	150,000
26	Interconnect w/Charlotte County R&R Portion	DEF	-	-	-	-	-	-
27	<b>Total Plant Specific Projects</b>		<b>350,000</b>	<b>-</b>	<b>-</b>	<b>375,000</b>	<b>-</b>	<b>725,000</b>
<b>ADDITIONS PER POST BUCKLEY</b>								
<b>DEEP CREEK</b>								
28	Wastewater Lift Station Repair Program - Additional	RR	30,000	30,000	30,000	30,000	30,000	150,000
29	WTP Improvements - HSP & STD	GRO	390,000	910,000	-	-	-	1,300,000
30	Wastewater Lift Station Repair Program	RR	33,659	33,659	33,659	33,659	33,659	168,293
31	Additional R&R Contingency	OTH	30,000	-	-	-	-	30,000
32	<b>Total Post Buckley Addition to Capital Budget</b>		<b>483,659</b>	<b>973,659</b>	<b>63,659</b>	<b>63,659</b>	<b>63,659</b>	<b>1,648,293</b>

**Florida Governmental Utility Authority Utility Systems  
Florida Water Acquisition  
Water/Wastewater System**

**Projected 5 Year Capital Improvement Plan - Water and Wastewater System  
Charlotte / Lee Grouping**

Line No.	Description	Funding P-Source	Funding					Total
			2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	
<b><u>ALLOCATED BLANKET PROJECTS</u></b>								
33	Backflow	GRO	\$1,519	\$1,564	\$1,611	\$1,659	\$1,659	8,013
34	Hydrant Blanket	GRO	\$3,606	\$3,714	\$3,825	\$3,940	\$3,940	19,024
35	Hydrant Blanket R&R Portion	RR	\$3,606	\$3,714	\$3,825	\$3,940	\$3,940	19,024
36	Meter Blanket	GRO	\$13,973	\$14,392	\$14,824	\$15,268	\$15,268	73,725
37	Meter Blanket R&R Portion	RR	\$20,959	\$21,588	\$22,235	\$22,902	\$22,902	110,587
38	Services	GRO	\$33,170	\$34,165	\$35,190	\$36,246	\$36,246	175,017
39	Safety	OTH	\$1,085	\$1,117	\$1,151	\$1,185	\$1,185	5,723
40	Telemetry	OTH	\$0	\$0	\$0	\$0	\$0	-
41	West Area Lines	GRO	\$0	\$0	\$0	\$0	\$0	-
42	West Area Operations	RR	\$0	\$0	\$0	\$0	\$0	-
43	South Area Lines	GRO	\$0	\$0	\$24,108	\$24,108	\$24,108	72,325
44	South Area Operations	RR	\$180,812	\$180,812	\$180,812	\$192,867	\$192,867	928,170
45	Central Area Lines	GRO	\$0	\$0	\$0	\$0	\$0	-
46	Central Area Operations	RR	\$0	\$0	\$0	\$0	\$0	-
47	<b>Total Blanket Projects</b>	OTH						
			258,728	261,066	287,582	302,116	302,116	1,411,608
48	Allocated Overheads	OTH OTH GRO	\$96,886	\$96,886	\$96,886	\$96,886	\$96,886	484,428
<b><u>ALLOCATED ADMINISTRATION PROJECTS</u></b>								
49	IS Hardware & Software (R&R @ 90%)	RR	\$3,159	\$4,212	\$4,212	\$4,212	\$4,212	20,009
50	Telephone System Upgrades (R&R @ 40%)	RR	\$632	\$632	\$632	\$632	\$632	3,159
51	UPS Replacement	OTH	\$0	\$0	\$0	\$0	\$0	-
52	Wireless Devices	OTH	\$421	\$421	\$421	\$421	\$421	2,106
53	OpsWin Software	OTH	\$421	\$421	\$421	\$421	\$421	2,106
54	Automatic Meter Reading - Radio	OTH	\$0	\$0	\$0	\$0	\$0	-
55	Mainstar Software	OTH	\$211	\$211	\$211	\$211	\$211	1,053
56	Computer Hardware & Software (R&R @ 90%)	RR	\$4,844	\$5,266	\$5,266	\$5,266	\$5,266	25,906
57	Customer Service Software/Hardware	OTH	\$842	\$842	\$842	\$842	\$842	4,212
58	AS 400 (Meter devices, bill printer, Enviro, Wireless)	OTH	\$5,603	\$5,603	\$3,159	\$4,212	\$4,212	22,789
59	Expanding & Upgrading WAN (R&R @ 70%)	RR	\$4,212	\$4,212	\$4,212	\$4,212	\$4,212	21,062
60	Building Upgrades & Renovat. (R&R @ 50%)	RR	\$1,053	\$1,053	\$1,053	\$1,053	\$1,053	5,266
61	<b>Total Administration Projects</b>		21,399	22,873	20,430	21,483	21,483	107,669
62	<b>TOTAL CAPITAL IMPROVEMENT PROJECTS</b>		2,455,167	3,760,778	2,794,051	920,638	545,638	10,476,273



Florida Governmental Utility Authority Utility Systems  
 Florida Water Acquisition  
 Water/Wastewater System

Projected 5 Year Capital Improvement Plan - Water and Wastewater System  
Lehigh Grouping

Line No.	Description	Funding P-Source	Funding					Total
			2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	
<b>PLANT SPECIFIC PROJECTS</b>								
<b>LEHIGH</b>								
1	Lee Blvd Widening to Leeland	DEF	300,000	-	-	-	-	300,000
2	Lee Blvd Widening to Leeland R&R Portion	DEF	-	-	-	-	-	-
3	Reclaimed ASR Well	DEF	250,000	750,000	-	-	-	1,000,000
4	Reclaimed ASR Well R&R Portion	DEF	-	-	-	-	-	-
5	Perc Pond Improvements & Plant Modification	DEF	-	-	-	-	-	-
6	Perc Pond Improvements & Plant Modifications I	DEF	-	-	-	-	-	-
7	Reuse Expansion to Majestic G.C	DEF	350,000	-	-	-	-	350,000
8	Reuse Expansion to Majestic G.C. R&R Portion	DEF	-	-	-	-	-	-
9	Water & WW Conv. Gas to Liquid Bldg	OTH	-	-	-	-	-	-
10	Water & WW Conv. Gas to Liquid Bldg. R&R Portion	RR	-	-	-	-	-	-
11	WW Collection System Improvement	DEF	-	-	-	-	-	-
12	WW Collection System Improvements R&R Portion	DEF	200,000	50,000	50,000	50,000	-	350,000
13	Triad Projects (not included in carryover)	GRO	-	-	-	-	-	-
14	Triad Projects (not included in carryover) R&R Portion	RR	-	-	-	-	-	-
15	Woodridge Phase 2A	GRO	-	-	-	-	-	-
16	Woodridge Phase 2A R&R Portion	RR	-	-	-	-	-	-
17	Force Main Extensior	GRO	-	-	-	-	-	-
18	Force Main Extension R&R Portion	RR	-	-	-	-	-	-
19	Zenon Phase II	GRO	450,000	-	-	-	-	450,000
20	Zenon Phase II R&R Portion	RR	-	-	-	-	-	-
21	Add Two Filters & Repipe	GRO	250,000	-	-	-	-	250,000
22	Add Two Filters & Repipe R&R Portion	RR	-	-	-	-	-	-
23	WTP Electrical Improvements	DEF	110,000	-	-	-	-	110,000
24	WTP Electrical Improvements R&R Portion	DEF	-	-	-	-	-	-
25	Booster Pump & Wellfield Expansion	GRO	40,000	-	300,000	600,000	-	940,000
26	Booster Pump & Wellfield Expansion R&R Portion	RR	-	-	-	-	-	-
27	Mirror Lakes Water Distribution System	GRO	250,000	200,000	200,000	-	-	650,000
28	Mirror Lakes Water Distribution System R&R Portion	RR	-	-	-	-	-	-
29	W/WW System Hydraulic Analysis	RR	24,500	25,000	5,000	5,000	-	59,500
30	W/WW System Hydraulic Analysis R&R Portion	RR	-	-	-	-	-	-
31	Mirror Lakes GST & HSP & Well	GRO	-	500,000	500,000	-	-	1,000,000
32	Mirror Lakes GST & HSP & Wells R&R Portion	RR	-	-	-	-	-	-
33	WellField Water Collection System	GRO	50,000	400,000	-	300,000	400,000	1,150,000
34	WellField Water Collection System R&R Portion	RR	-	-	-	-	-	-
35	Zenon Lease/Purchase Payment - Phase I	DEF	177,000	177,000	177,000	177,000	177,000	885,000
36	Zenon Lease/Purchase Payment - Phase I R&R Portion	DEF	-	-	-	-	-	-
37	Woodridge Lease Conversion	GRO	-	-	-	-	-	-
38	Woodridge Lease Conversion R&R Portion	RR	-	-	-	-	-	-
39	<b>Total Plant Specific Projects</b>		<b>2,451,500</b>	<b>2,102,000</b>	<b>1,232,000</b>	<b>1,132,000</b>	<b>577,000</b>	<b>7,494,500</b>
<b>ADDITIONS PER POST BUCKLEY</b>								
40	<b>LEHIGH</b>		-	-	-	-	-	-
41	Reclaimed ASR Well	DEF	-	-	-	-	3,000,000	3,000,000
42	Perc Pond Improvements & Plant Modification	DEF	-	-	-	-	-	-
43	WW Collection System Improvement	DEF	200,000	200,000	200,000	200,000	250,000	1,050,000
44	Wastewater Lift Station Repair Program	RR	72,706	72,706	72,706	72,706	72,706	363,529
45	Additional R&R Contingency	OTH	30,000	-	-	-	-	30,000
46	<b>Total Post Buckley Addition to Capital Budget</b>		<b>302,706</b>	<b>272,706</b>	<b>272,706</b>	<b>272,706</b>	<b>3,322,706</b>	<b>4,443,529</b>

Florida Governmental Utility Authority Utility Systems  
 Florida Water Acquisition  
 Water/Wastewater System

Projected 5 Year Capital Improvement Plan - Water and Wastewater System  
**Lehigh Grouping**

Line No.	Description	Funding P-Source	2003/2004	2004/2005	2005/2006	2006/2007	2007/2008	Total
<b><u>ALLOCATED BLANKET PROJECTS</u></b>								
47	Backflow	GRO	\$2,683	\$2,763	\$2,846	\$2,932	\$2,932	14,156
48	Hydrant Blanket	GRO	\$6,370	\$6,561	\$6,758	\$6,961	\$6,961	33,611
49	Hydrant Blanket R&R Portion	RR	\$6,370	\$6,561	\$6,758	\$6,961	\$6,961	33,611
50	Meter Blanket	GRO	\$24,686	\$25,427	\$26,190	\$26,975	\$26,975	130,253
51	Meter Blanket R&R Portion	RR	\$37,029	\$38,140	\$39,284	\$40,463	\$40,463	195,380
52	Services	GRO	\$58,603	\$60,362	\$62,172	\$64,038	\$64,038	309,212
53	Safety	OTH	\$1,916	\$1,974	\$2,033	\$2,094	\$2,094	10,112
54	Telemetry	OTH	\$29,502	\$29,502	\$29,502	\$29,502	\$29,502	147,511
55	West Area Lines	GRO	\$0	\$0	\$0	\$0	\$0	-
56	West Area Operations	RR	\$0	\$0	\$0	\$0	\$0	-
57	South Area Lines	GRO	\$0	\$0	\$42,594	\$42,594	\$42,594	127,781
58	South Area Operations	RR	\$319,451	\$319,451	\$319,451	\$340,748	\$340,748	1,639,850
59	Central Area Lines	GRO	\$0	\$0	\$0	\$0	\$0	-
60	Central Area Operations	RR	\$0	\$0	\$0	\$0	\$0	-
61	<b>Total Blanket Projects</b>		<b>486,612</b>	<b>490,742</b>	<b>537,589</b>	<b>563,267</b>	<b>563,267</b>	<b>2,641,477</b>
62	Allocated Overhead:	GRO	\$171,173	\$171,173	\$171,173	\$171,173	\$171,173	855,866
<b><u>ALLOCATED ADMINISTRATION PROJECTS</u></b>								
63	IS Hardware & Software (R&R @ 90%)	RR	\$5,582	\$7,442	\$7,442	\$7,442	\$7,442	35,351
64	Telephone System Upgrades (R&R@ 40%)	RR	\$1,116	\$1,116	\$1,116	\$1,116	\$1,116	5,582
65	UPS Replacement	OTH	\$0	\$0	\$0	\$0	\$0	-
66	Wireless Device:	OTH	\$744	\$744	\$744	\$744	\$744	3,721
67	OpsWin Software	OTH	\$744	\$744	\$744	\$744	\$744	3,721
68	Automatic Meter Reading - Radi	OTH	\$0	\$0	\$0	\$0	\$0	-
69	Mainstar Software	OTH	\$372	\$372	\$372	\$372	\$372	1,861
70	Computer Hardware & Software (R&R @ 90%)	RR	\$8,559	\$9,303	\$9,303	\$9,303	\$9,303	45,770
71	Customer Service Software/Hardware	OTH	\$1,488	\$1,488	\$1,488	\$1,488	\$1,488	7,442
72	AS 400 (Meter devices, bill printer, Enviro, Wirele	OTH	\$9,898	\$9,898	\$5,582	\$7,442	\$7,442	40,263
73	Expanding & Upgrading WAN (R&R @ 70%)	RR	\$7,442	\$7,442	\$7,442	\$7,442	\$7,442	37,212
74	Building Upgrades & Renovat. (R&R @ 50%)	RR	\$1,861	\$1,861	\$1,861	\$1,861	\$1,861	9,303
75	<b>Total Administration Projects</b>		<b>37,807</b>	<b>40,412</b>	<b>36,095</b>	<b>37,956</b>	<b>37,956</b>	<b>190,226</b>
76	<b>TOTAL CAPITAL IMPROVEMENT PROJECTS</b>		<b>3,449,798</b>	<b>3,077,033</b>	<b>2,249,563</b>	<b>2,177,102</b>	<b>4,672,102</b>	<b>15,625,598</b>

**EXHIBIT C**

**PROJECTED STATEMENT OF CASH FLOWS**

**Florida Governmental Utility Authority Utility Systems  
Florida Water Acquisition  
Water/Wastewater System**

Projected Statement of Cash Flows - Water and Wastewater System  
City Grouping  
Preliminary Subject to Final Due Diligence  
\$450,000,000 @ 5.175%

Line No	Description	Partial Year				
		FY 02/03	FY 03/04	FY 04/05	FY 05/06	FY 06/07
<b>System Revenues</b>						
1	Sales Revenues					
2	Water - Existing Rate Revenues	\$2,055,184	\$2,552,988	\$2,639,812	\$2,725,421	\$2,809,918
3	Sewer - Existing Rate Revenues	1,035,125	1,262,740	1,283,234	1,303,824	1,324,414
4	Indexing	-	50,865	104,414	160,646	219,567
5	Other Adjustment	-	-	-	-	-
6	<b>Total</b>	<b>\$3,090,309</b>	<b>\$3,866,593</b>	<b>\$4,027,460</b>	<b>\$4,189,891</b>	<b>\$4,353,899</b>
7	Other Revenues	\$22,454	\$26,945	\$26,945	\$26,945	\$26,945
8	<b>Total System Revenues</b>	<b>\$3,112,763</b>	<b>\$3,893,538</b>	<b>\$4,054,405</b>	<b>\$4,216,836</b>	<b>\$4,380,844</b>
<b>Operating Expenses</b>						
Contract Operations:						
9	Basic Operations Contract	1,150,000	1,415,790	1,452,558	1,490,335	1,529,151
10	Basic Billing And Customer Service Fee	188,714	231,575	236,810	242,165	247,641
11	Apopka Headquarters	9,219	11,063	11,063	11,063	11,063
12	Adjustment to Operations Contract	-	(56,967)	(56,967)	(56,967)	(56,967)
13	Subtotal Contract Operations Expense	1,347,933	1,601,461	1,643,464	1,686,596	1,730,888
14	Contingency for Adjustments	53,917	64,058	65,739	67,464	69,236
15	<b>Total Contract Operations Expense</b>	<b>1,401,850</b>	<b>1,665,520</b>	<b>1,709,203</b>	<b>1,754,060</b>	<b>1,800,124</b>
FGUA Expenses:						
16	Contract Management	139,068	171,677	176,611	181,687	186,910
17	FGUA - Administration	159,717	197,417	203,346	209,446	215,725
18	<b>Total FGUA Expenses</b>	<b>298,785</b>	<b>369,094</b>	<b>379,957</b>	<b>391,133</b>	<b>402,634</b>
19	<b>Total Operating Expenses</b>	<b>\$1,700,636</b>	<b>\$2,034,614</b>	<b>\$2,089,159</b>	<b>\$2,145,193</b>	<b>\$2,202,758</b>
20	<b>Net Revenues Before Other Adjustments (Line 7 - Line 19)</b>	<b>\$1,412,128</b>	<b>\$1,858,924</b>	<b>\$1,965,245</b>	<b>\$2,071,650</b>	<b>\$2,178,086</b>
21	Estimated Acquisition Debt Service	953,882	1,413,761	1,471,282	1,471,413	1,471,268
22	Parity Bond Debt Service	-	-	-	-	223,882
23	<b>Total Debt Service</b>	<b>\$953,882</b>	<b>\$1,413,761</b>	<b>\$1,471,282</b>	<b>\$1,471,413</b>	<b>\$1,695,150</b>
24	<b>Annual Net Revenues Available For All Purposes (Line 14 - Line 17)</b>	<b>\$458,245</b>	<b>\$445,163</b>	<b>\$493,963</b>	<b>\$600,237</b>	<b>\$482,935</b>
<b>Other Revenue Requirements</b>						
25	Operational Contingency	31,128	38,935	40,544	42,168	43,808
26	Septic Tank Replacement Program					
27	Rate Stabilization Fund					
28	Transfer to R&R - Current Project	213,457	292,015	304,080	316,263	328,563
29	<b>Total Other Revenue Requirements (Line 19 Thru Line 23)</b>	<b>\$264,585</b>	<b>\$330,951</b>	<b>\$344,624</b>	<b>\$358,432</b>	<b>\$372,372</b>
30	<b>Net Revenues Available for Other Purposes Annual (Line 18 - Line 23)</b>	<b>\$193,660</b>	<b>\$114,212</b>	<b>\$149,339</b>	<b>\$241,803</b>	<b>\$110,564</b>
<b>CAPITAL IMPROVEMENT PROGRAM FUNDING</b>						
<b>Fund Sources</b>						
43	Connection Fees and AFP	\$557,797	\$667,754	\$666,152	\$664,350	\$661,346
44	R&R Deposits	\$233,457	\$292,015	\$304,080	\$316,263	\$328,563
45	Net Revenues	\$193,660	\$114,212	\$149,339	\$241,803	\$110,564
46	Bond Proceeds (Deficiency Projects)	\$1,250,000	\$0	\$0	\$0	\$0
47	Bond Proceeds (Other Projects)	\$3,821,734	\$0	\$0	\$0	\$0
48	Parity Debt	\$0	\$0	\$2,612,101	\$0	\$0
49	Interest On Construction Funds	\$0	\$0	\$0	\$0	\$0
50	<b>Total Source of Funds</b>	<b>\$6,056,649</b>	<b>\$1,073,982</b>	<b>\$3,731,673</b>	<b>\$1,222,619</b>	<b>\$1,100,473</b>
<b>Capital Improvement Program</b>						
51	<b>Total Annual Capital Expenditures</b>	<b>\$1,732,093</b>	<b>\$2,012,450</b>	<b>\$4,515,265</b>	<b>\$1,640,605</b>	<b>\$1,649,368</b>
52	<b>Net Change In Fund Balances (Line 44 - Line 45)</b>	<b>\$4,324,556</b>	<b>(\$938,468)</b>	<b>(\$783,592)</b>	<b>(\$417,986)</b>	<b>(\$548,894)</b>
53	<b>Cumulative Fund Balance</b>	<b>\$4,324,556</b>	<b>\$3,386,088</b>	<b>\$2,602,496</b>	<b>\$2,184,510</b>	<b>\$1,635,616</b>
<b>Fund Balance Recap (I)</b>						
54	Operating Reserve Account	\$192,285	\$190,080	\$152,960	\$343,263	\$452,278
55	Renewals & Replacement Account	\$28,754	\$90,131	\$162,611	\$246,283	\$300,913
56	Construction Fund (Deficiency Projects)	\$1,250,000	\$1,250,000	\$500,000	\$0	\$0
57	Construction Fund (Upfront Capital Projects)	\$2,815,367	\$1,572,000	\$0	\$0	\$0
58	Construction Fund (Future Capital Projects)	\$0	\$0	\$1,334,734	\$992,367	\$0
59	Impact Fees (CIAC and AFP)	\$38,150	\$283,876	\$452,190	\$602,597	\$882,404
60	<b>Total Funds Available</b>	<b>\$4,324,556</b>	<b>\$3,386,088</b>	<b>\$2,602,496</b>	<b>\$2,184,510</b>	<b>\$1,635,616</b>
<b>PROJECTED DEBT SERVICE COVERAGE</b>						
61	Debt Service Coverage (prior to transfers)	148.04%	131.49%	133.57%	140.79%	128.49%
62	Coverage after Transfers	120.30%	108.08%	110.15%	116.43%	106.52%

**Florida Governmental Utility Authority Utility Systems  
Florida Water Acquisition  
Water/Wastewater System**

**Projected Statement of Cash Flows - Water and Wastewater System**

Charlotte / Lee Grouping

Preliminary Subject to Final Due Diligence

\$450,000,000 @ 5.175%

Line No.	Description	Partial Year				
		FY 02/03	FY 03/04	FY 04/05	FY 05/06	FY 06/07
<b>System Revenues</b>						
1	Sales Revenues					
2	Water - Existing Rate Revenues	\$2,095,997	\$2,596,668	\$2,677,806	\$2,756,509	\$2,832,351
3	Sewer - Existing Rate Revenues	2,026,576	2,487,580	2,543,061	2,598,032	2,652,695
4	Indexing	-	103,497	211,898	325,135	443,110
5	Other Adjustment	-	-	-	-	-
6	<b>Total</b>	<b>\$4,122,573</b>	<b>\$5,187,745</b>	<b>\$5,432,765</b>	<b>\$5,679,677</b>	<b>\$5,928,156</b>
7	Other Revenues	\$18,946	\$22,735	\$22,735	\$22,735	\$22,735
8	<b>Total System Revenues</b>	<b>\$4,141,519</b>	<b>\$5,210,480</b>	<b>\$5,455,500</b>	<b>\$5,702,412</b>	<b>\$5,950,891</b>
<b>Operating Expenses</b>						
<b>Contract Operations:</b>						
9	Basic Operations Contract	3,106,385	3,808,810	3,891,802	3,976,670	4,062,469
10	Basic Billing And Customer Service Fee	111,268	136,613	139,777	143,015	146,329
11	Apopka Headquarters	7,145	8,574	8,574	8,574	8,574
12	Adjustment to Operations Contract	(174,838)	(246,556)	(250,836)	(255,201)	(259,655)
13	Subtotal Contract Operations Expense	3,049,960	3,707,441	3,789,317	3,873,058	3,957,717
14	Contingency for Adjustments	60,999	74,149	75,786	77,461	79,154
15	<b>Total Contract Operations Expense</b>	<b>3,110,959</b>	<b>3,781,590</b>	<b>3,865,104</b>	<b>3,950,519</b>	<b>4,036,872</b>
<b>FGUA Expenses:</b>						
16	Contract Management	128,009	158,008	162,531	167,185	171,973
17	FGUA - Administration	161,689	200,276	206,717	213,345	220,166
18	<b>Total FGUA Expenses</b>	<b>289,698</b>	<b>358,284</b>	<b>369,248</b>	<b>380,530</b>	<b>392,139</b>
19	<b>Total Operating Expenses</b>	<b>\$3,400,658</b>	<b>\$4,139,874</b>	<b>\$4,234,352</b>	<b>\$4,331,050</b>	<b>\$4,429,011</b>
20	<b>Net Revenues Before Other Adjustments (Line 7 - Line 19)</b>	<b>\$740,861</b>	<b>\$1,070,606</b>	<b>\$1,221,148</b>	<b>\$1,371,363</b>	<b>\$1,521,880</b>
21	Estimated Acquisition Debt Service	451,088	668,563	695,764	695,826	695,757
22	Parity Bond Debt Service	-	-	-	-	249,158
23	<b>Total Debt Service</b>	<b>\$451,088</b>	<b>\$668,563</b>	<b>\$695,764</b>	<b>\$695,826</b>	<b>\$944,915</b>
24	<b>Annual Net Revenues Available For All Purposes (Line 14 - Line 17)</b>	<b>\$289,773</b>	<b>\$402,043</b>	<b>\$525,384</b>	<b>\$675,536</b>	<b>\$576,965</b>
<b>Other Revenue Requirements</b>						
25	Operational Contingency	41,415	52,105	54,555	57,024	59,509
26	Septic Tank Replacement Program	-	-	-	-	-
27	Rate Stabilization Fund	-	-	-	-	-
28	Transfer to R&R - Current Project	207,076	260,524	272,775	285,121	297,545
29	<b>Total Other Revenue Requirements (Line 19 Thru Line 23)</b>	<b>\$248,491</b>	<b>\$312,629</b>	<b>\$327,330</b>	<b>\$342,145</b>	<b>\$357,053</b>
30	<b>Net Revenues Available for Other Purposes Annual (Line 18 - Line 23)</b>	<b>\$41,282</b>	<b>\$89,415</b>	<b>\$198,054</b>	<b>\$333,392</b>	<b>\$219,911</b>
<b>CAPITAL IMPROVEMENT PROGRAM FUNDING</b>						
<b>Fund Sources</b>						
43	Connection Fees and AFPI	\$557,347	\$652,697	\$636,579	\$620,460	\$604,342
44	R&R Deposits	\$207,076	\$260,524	\$272,775	\$285,121	\$297,545
45	Net Revenues	\$41,282	\$89,415	\$198,054	\$333,392	\$219,911
46	Bond Proceeds (Deficiency Projects)	\$3,511,752	\$0	\$0	\$0	\$0
47	Bond Proceeds (Other Projects)	\$2,193,000	\$0	\$0	\$0	\$0
48	Parity Debt	\$0	\$0	\$2,907,000	\$0	\$0
49	Interest On Construction Funds	\$0	\$0	\$0	\$0	\$0
50	<b>Total Source of Funds</b>	<b>\$6,510,457</b>	<b>\$1,002,636</b>	<b>\$4,014,408</b>	<b>\$1,238,973</b>	<b>\$1,121,798</b>
51	<b>Capital Improvement Program Total Annual Capital Expenditures</b>	<b>\$1,994,887</b>	<b>\$3,974,921</b>	<b>\$4,745,915</b>	<b>\$424,735</b>	<b>\$438,028</b>
52	<b>Net Change In Fund Balances (Line 44 - Line 45)</b>	<b>\$4,515,569</b>	<b>(\$2,972,285)</b>	<b>(\$731,506)</b>	<b>\$814,238</b>	<b>\$683,769</b>
53	<b>Cumulative Fund Balance</b>	<b>\$4,515,569</b>	<b>\$1,543,284</b>	<b>\$811,778</b>	<b>\$1,626,016</b>	<b>\$2,309,785</b>
<b>Fund Balance Recap (1)</b>						
54	Operating Reserve Account	\$40,229	\$128,559	\$325,496	\$657,737	\$876,463
55	Renewals & Replacement Account	\$94,853	\$110,659	\$257,979	\$391,886	\$537,435
56	Construction Fund (Deficiency Projects)	\$2,710,300	\$1,236,800	\$0	\$0	\$0
57	Construction Fund (Upfront Capital Projects)	\$1,501,500	\$0	\$0	\$0	\$0
58	Construction Fund (Future Capital Projects)	\$0	\$0	\$0	\$0	\$0
59	Impact Fees (CIAC and AFPI)	\$168,687	\$67,266	\$228,302	\$576,393	\$895,887
60	<b>Total Funds Available</b>	<b>\$4,515,569</b>	<b>\$1,543,284</b>	<b>\$811,778</b>	<b>\$1,626,016</b>	<b>\$2,309,785</b>
<b>PROJECTED DEBT SERVICE COVERAGE</b>						
61	Debt Service Coverage (prior to transfers)	164.24%	160.14%	175.51%	197.08%	161.06%
62	Coverage after Transfers	109.15%	113.37%	128.47%	147.91%	123.27%

Florida Governmental Utility Authority Utility Systems  
Florida Water Acquisition  
Water/Wastewater System

Projected Statement of Cash Flows - Water and Wastewater System

Lehigh Grouping

Preliminary Subject to Final Due Diligence

\$450,000,000 @ 3.175%

Line No	Description	Partial Year				
		FY 02/03	FY 03/04	FY 04/05	FY 05/06	FY 06/07
<b>System Revenues</b>						
<b>Sales Revenues</b>						
1	Water - Existing Rate Revenues	\$2,618,158	\$3,190,329	\$3,237,625	\$3,284,980	\$3,332,277
3	Sewer - Existing Rate Revenues	3,069,833	3,735,994	3,787,485	3,840,687	3,893,988
4	Incenting	-	75,721	154,473	236,359	321,426
5	Other Adjustment	-	-	-	-	-
6	<b>Total</b>	<b>\$5,687,991</b>	<b>\$7,002,045</b>	<b>\$7,179,584</b>	<b>\$7,362,026</b>	<b>\$7,547,691</b>
7	Other Revenues	\$34,311	\$41,173	\$41,173	\$41,173	\$41,173
8	<b>Total System Revenues</b>	<b>\$5,722,302</b>	<b>\$7,043,218</b>	<b>\$7,220,757</b>	<b>\$7,403,199</b>	<b>\$7,588,864</b>
<b>Operating Expenses</b>						
<b>Contract Operations:</b>						
9	Basic Operations Contract	1,784,531	2,194,572	2,249,068	2,304,961	2,362,285
10	Basic Billing And Customer Service Fee	204,626	250,949	256,465	262,103	267,865
11	Apopka Headquarters	12,621	15,145	15,145	15,145	15,145
12	Adjustment to Operations Contract	-	(62,599)	(62,599)	(62,599)	(62,599)
13	Subtotal Contract Operations Expense	2,001,779	2,398,067	2,458,079	2,519,610	2,582,696
14	Contingency for Adjustments	80,071	95,923	98,323	100,784	103,308
15	<b>Total Contract Operations Expense</b>	<b>2,081,850</b>	<b>2,493,990</b>	<b>2,556,402</b>	<b>2,620,395</b>	<b>2,686,004</b>
<b>FGUA Expenses:</b>						
16	Contract Management	184,214	227,477	234,084	240,885	247,884
17	FGUA - Administration	248,859	307,383	316,401	323,713	335,321
18	<b>Total FGUA Expenses</b>	<b>433,072</b>	<b>\$34,859</b>	<b>550,486</b>	<b>566,598</b>	<b>583,204</b>
19	<b>Total Operating Expenses</b>	<b>\$2,514,922</b>	<b>\$3,028,849</b>	<b>\$3,106,888</b>	<b>\$3,186,992</b>	<b>\$3,269,208</b>
20	<b>Net Revenues Before Other Adjustments (Line 7 - Line 19)</b>	<b>\$3,207,380</b>	<b>\$4,014,368</b>	<b>\$4,113,869</b>	<b>\$4,216,207</b>	<b>\$4,319,656</b>
21	Estimated Acquisition Debt Service	1,941,823	2,878,000	2,995,095	2,995,363	2,995,066
22	Parity Bond Debt Service	-	-	-	-	368,552
23	<b>Total Debt Service</b>	<b>\$1,941,823</b>	<b>\$2,878,000</b>	<b>\$2,995,095</b>	<b>\$2,995,363</b>	<b>\$3,363,618</b>
24	<b>Annual Net Revenues Available For All Purposes (Line 14 - Line 17)</b>	<b>\$1,265,557</b>	<b>\$1,136,369</b>	<b>\$1,118,774</b>	<b>\$1,220,844</b>	<b>\$956,038</b>
<b>Other Revenue Requirements</b>						
25	Operational Contingency	57,223	70,432	72,208	74,032	75,889
26	Septic Tank Replacement Program	-	-	-	-	-
27	Rate Stabilization Fund	-	-	-	-	-
28	Transfer to R&R - Current Project	429,173	528,241	541,557	555,240	569,165
29	<b>Total Other Revenue Requirements (Line 19 Thru Line 23)</b>	<b>\$486,396</b>	<b>\$598,673</b>	<b>\$613,764</b>	<b>\$629,272</b>	<b>\$645,053</b>
30	<b>Net Revenues Available for Other Purposes Annual (Line 18 - Line 23)</b>	<b>\$779,162</b>	<b>\$537,695</b>	<b>\$505,009</b>	<b>\$591,572</b>	<b>\$310,985</b>
<b>CAPITAL IMPROVEMENT PROGRAM FUNDING</b>						
<b>Fund Sources</b>						
43	Connection Fees and AFPI	\$445,277	\$534,332	\$534,332	\$534,332	\$534,332
44	R&R Deposits	\$429,173	\$528,241	\$541,557	\$555,240	\$569,165
45	Net Revenues	\$779,162	\$537,695	\$505,009	\$591,572	\$310,985
46	Bond Proceeds (Deficiency Projects)	\$7,788,520	\$0	\$0	\$0	\$0
47	Bond Proceeds (Other Projects)	\$1,173,226	\$0	\$0	\$0	\$0
48	Parity Debt	\$0	\$0	\$4,300,000	\$0	\$0
49	Interest On Construction Funds	\$0	\$0	\$0	\$0	\$0
50	<b>Total Source of Funds</b>	<b>\$10,615,357</b>	<b>\$1,600,268</b>	<b>\$5,880,898</b>	<b>\$1,681,144</b>	<b>\$1,414,481</b>
<b>Capital Improvement Program</b>						
51	<b>Total Annual Capital Expenditures</b>	<b>\$2,801,947</b>	<b>\$3,329,939</b>	<b>\$2,894,564</b>	<b>\$2,789,293</b>	<b>\$5,455,232</b>
52	<b>Net Change In Fund Balances (Line 44 - Line 45)</b>	<b>\$7,813,410</b>	<b>(\$1,729,671)</b>	<b>\$2,986,334</b>	<b>(\$1,108,149)</b>	<b>(\$4,040,751)</b>
53	<b>Cumulative Fund Balance</b>	<b>\$7,813,410</b>	<b>\$6,083,739</b>	<b>\$9,070,073</b>	<b>\$7,961,924</b>	<b>\$3,921,173</b>
<b>Fund Balance Recap (1)</b>						
54	Operating Reserve Account	\$747,799	\$1,254,075	\$1,727,608	\$2,287,646	\$2,567,034
55	Renewals & Replacement Account	(\$5,120)	\$63,065	\$142,763	\$254,803	\$358,091
56	Construction Fund (Deficiency Projects)	\$5,908,000	\$4,281,000	\$3,854,000	\$3,427,000	\$0
57	Construction Fund (Upfront Capital Projects)	\$950,000	\$0	\$0	\$0	\$0
58	Construction Fund (Future Capital Projects)	\$0	\$0	\$2,550,000	\$1,000,000	\$0
59	Impact Fees (CIAC and AFPI)	\$212,731	\$485,599	\$795,702	\$992,475	\$996,049
60	<b>Total Funds Available</b>	<b>\$7,813,410</b>	<b>\$6,083,739</b>	<b>\$9,070,073</b>	<b>\$7,961,924</b>	<b>\$3,921,173</b>
<b>PROJECTED DEBT SERVICE COVERAGE</b>						
61	Debt Service Coverage (prior to transfers)	165.17%	139.48%	137.35%	140.76%	128.42%
62	Coverage after Transfers	140.13%	118.68%	116.86%	119.75%	109.25%

**EXHIBIT D**  
**CAPITAL IMPROVEMENT PLAN**

Florida Governmental Utility Authority Utility Systems  
Florida Water Acquisition

Projected 5 Year Capital Improvement Plan - Water and Wastewater System  
Citrus Grouping

Line No.	Description	2002 Class	Funding Source	02/03	03/04	04/05	05/06	06/07	Total
<b>PLANT SPECIFIC PROJECTS</b>									
<b>APACHE SHORES</b>									
			OTH	-	-	-	-	-	-
1	Total Plant Specific Projects			-	-	-	-	-	-
<b>ADDITIONS PER POST BUCKLEY</b>									
2	APACHE SHORES			-	-	-	-	-	-
3	Wastewater Lift Station Repair Program Additional	3	RR	6,000	6,000	6,000	6,000	6,000	30,000
4	Wastewater Lift Station Repair Program	3	RR	1,098	1,098	1,098	1,098	1,098	5,491
5	Additional R&R Contingency	3	Pur-Bond	30,000	-	-	-	-	30,000
6	Total Post Buckley Addition to Capital Budget			37,098	7,098	7,098	7,098	7,098	65,491
<b>PLANT SPECIFIC PROJECTS</b>									
<b>CITRUS SPRINGS</b>									
7	Interconnect w/ Fine Ridge PSI	4	Fut-Bond	-	-	185,000	-	-	185,000
8	Interconnect w/ Fine Ridge PSI R&R Portion	4	RR	-	-	-	-	-	-
9	Rehabilitate Digesters	3	OTH	-	-	-	-	-	-
10	Rehabilitate Digesters R&R Portion	3	RR	-	-	-	-	-	-
11	WWTP Upgrade	3	Pur-Bond	-	25,000	-	-	-	25,000
12	WWTP Upgrade R&R Portion	3	RR	-	-	-	-	-	-
13	Generator At Well # 3	3	Fut-Bond	-	-	-	-	100,000	100,000
14	Generator At Well # 3 R&R Portion	3	RR	-	-	-	-	-	-
15	Total Plant Specific Projects			-	25,000	185,000	-	100,000	310,000
<b>ADDITIONS PER POST BUCKLEY</b>									
16	CITRUS SPRINGS			-	-	-	-	-	-
17	WWTP Upgrade	3	Pur-Bond	-	25,000	-	-	-	25,000
18	Rehabilitate Digesters	3	Pur-Bond	-	175,000	-	-	-	175,000
19	Topeka Line Extension Agreement	4	Pur-Bond	212,367	212,367	-	-	-	424,734
20	Topeka Line Extension Agreement	4	Fut-Bond	-	-	212,367	212,367	212,367	637,101
21	LS R&R	3	RR	20,000	20,000	20,000	20,000	20,000	100,000
24	Wastewater Lift Station Repair Program	3	RR	6,704	6,704	6,704	6,704	6,704	33,520
25	Additional R&R Contingency	3	Pur-Bond	30,000	-	-	-	-	30,000
26	Total Post Buckley Addition to Capital Budget			269,071	439,071	239,071	239,071	239,071	1,425,355
<b>PLANT SPECIFIC PROJECTS</b>									
<b>GOLDEN TERRACE</b>									
27	Total Plant Specific Projects			-	-	-	-	-	-
<b>ADDITIONS PER POST BUCKLEY</b>									
28	GOLDEN TERRACE			-	-	-	-	-	-
29	Wastewater Lift Station Repair Program	3	RR	-	-	-	-	-	-
30	Additional R&R Contingency	3	Pur-Bond	30,000	-	-	-	-	30,000
31	Total Post Buckley Addition to Capital Budget			30,000	-	-	-	-	30,000
<b>PLANT SPECIFIC PROJECTS</b>									
<b>GOSPEL ISLAND ESTATES</b>									
32	2nd Well	4	GRO	-	-	-	65,000	-	65,000
33	2nd Well R&R Portion	4	RR	-	-	-	-	-	-
34	Total Plant Specific Projects			-	-	-	65,000	-	65,000
<b>ADDITIONS PER POST BUCKLEY</b>									
35	GOSPEL ISLAND ESTATES			-	-	-	-	-	-
35	Interconnect to Point O'Woods	4	GRO	-	-	-	55,000	-	55,000
36	Wastewater Lift Station Repair Program	3	RR	-	-	-	-	-	-
37	Additional R&R Contingency	3	Pur-Bond	30,000	-	-	-	-	30,000
38	Total Post Buckley Addition to Capital Budget			30,000	-	-	55,000	-	85,000
<b>PLANT SPECIFIC PROJECTS</b>									
<b>OAK FOREST</b>									
39	Total Plant Specific Projects			-	-	-	-	-	-



Florida Governmental Utility Authority Utility Systems  
Florida Water Acquisition

Proposed 5 Year Capital Improvement Plan - Water and Wastewater System  
Citrus Grouping

Line No.	Description	2002 Class	Funding Source	02/03	03/04	04/05	05/06	06/07	Total
<b>ADDITIONS PER POST BUCKLEY</b>									
40	OAK FOREST			-	-	-	-	-	-
41	Wastewater Lift Station Repair Program	3	RR	-	-	-	-	-	-
42	Additional R&R Contingency	3	Pur-Bond	30,000	-	-	-	-	30,000
43	<b>Total Post Buckley Addition to Capital Budget</b>			<b>30,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>30,000</b>
<b>PLANT SPECIFIC PROJECTS</b>									
<b>FINE RIDGE</b>									
44	Replace Well #4 Hydro Tank	1	OTH	-	-	-	-	-	-
45	Replace Well #4 Hydro Tank R&R Portion	1	RR	-	-	-	-	-	-
46	GST +HSP	4	Fut-Bond	-	-	-	50,000	600,000	650,000
47	GST +HSP R&R Portion	4	RR	-	-	-	-	-	-
48	<b>Total Plant Specific Projects</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>600,000</b>	<b>650,000</b>
<b>ADDITIONS PER POST BUCKLEY</b>									
49	PINE RIDGE			-	-	-	-	-	-
50	Topica Line Extension Agreement	4	GRO	187,337	187,337	187,337	187,337	187,337	936,684
51	Wastewater Lift Station Repair Program	3	RR	-	-	-	-	-	-
52	Additional R&R Contingency	3	Pur-Bond	30,000	-	-	-	-	30,000
53	<b>Total Post Buckley Addition to Capital Budget</b>			<b>217,337</b>	<b>187,337</b>	<b>187,337</b>	<b>187,337</b>	<b>187,337</b>	<b>966,684</b>
<b>PLANT SPECIFIC PROJECTS</b>									
<b>POINT O' WOODS</b>									
54	New Well And WTP	4	Fut-Bond	-	-	300,000	-	-	300,000
55	New Well And WTP R&R Portion	4	RR	-	-	-	-	-	-
56	<b>Total Plant Specific Projects</b>			<b>-</b>	<b>-</b>	<b>300,000</b>	<b>-</b>	<b>-</b>	<b>300,000</b>
<b>ADDITIONS PER POST BUCKLEY</b>									
57	POINT O' WOODS			-	-	-	-	-	-
58	LS Additional RR	3	RR	6,000	6,000	6,000	6,000	6,000	30,000
65	Wastewater Lift Station Repair Program	3	RR	1,550	1,550	1,550	1,550	1,550	7,751
66	Additional R&R Contingency	3	Pur-Bond	30,000	-	-	-	-	30,000
67	<b>Total Post Buckley Addition to Capital Budget</b>			<b>37,550</b>	<b>7,550</b>	<b>7,550</b>	<b>7,550</b>	<b>7,550</b>	<b>67,751</b>
<b>PLANT SPECIFIC PROJECTS</b>									
<b>ROLLING GREEN/ROSEMONT</b>									
68	Water Interconnect w/ Inverness	3	Pur-Bond	25,000	-	-	-	-	25,000
69	Water Interconnect w/ Inverness R&R Portion	3	RR	-	-	-	-	-	-
70	<b>Total Plant Specific Projects</b>			<b>25,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,000</b>
<b>ADDITIONS PER POST BUCKLEY</b>									
71	ROLLING GREEN/ROSEMONT			-	-	-	-	-	-
72	Well Field Expansion	4	GRO	75,000	-	-	-	-	75,000
73	Wastewater Lift Station Repair Program	3	RR	-	-	-	-	-	-
74	Additional R&R Contingency	3	Pur-Bond	30,000	-	-	-	-	30,000
75	<b>Total Post Buckley Addition to Capital Budget</b>			<b>105,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,000</b>
<b>PLANT SPECIFIC PROJECTS</b>									
<b>SUGARMILL WOODS</b>									
76	WWTP Expansion	4	Pur-Bond	25,000	175,000	500,000	-	-	700,000
77	WWTP Expansion R&R Portion	4	RR	-	-	-	-	-	-
78	Water & Sewer Extensions	4	GRO	50,000	50,000	-	-	-	100,000
79	Water & Sewer Extensions R&R Portion	4	RR	-	-	-	-	-	-
80	WTP No 2 Discharge Re-piping	3	Pur-Bond	-	142,600	-	-	-	142,600
81	WTP No 2 Discharge Re-piping R&R Portion	3	RR	-	-	-	-	-	-
82	LS # 20 Upgrade (R&R @ 50%)	3	Pur-Bond	-	-	-	-	-	-
83	LS # 20 Upgrade (R&R @ 50%) R&R Portion	3	Pur-Bond	-	-	-	-	-	-
84	Ground Storage Tank PSI + Construction	4	Pur-Bond	-	275,000	-	-	-	275,000
85	Ground Storage Tank PSI + Construction R&R Portion	4	Fut-Bond	-	-	500,000	-	-	500,000
86	LS Upgrades (R&R @ 50%)	3	RR	-	12,500	12,500	12,500	12,500	50,000
87	LS Upgrades (R&R @ 50%) R&R Portion	3	RR	-	12,500	12,500	12,500	12,500	50,000
88	Reuse to Golf Course	22	DEF	-	-	750,000	500,000	-	1,250,000
89	Reuse to Golf Course R&R Portion	22	DEF	-	-	-	-	-	-
90	<b>Total Plant Specific Projects</b>			<b>75,000</b>	<b>667,000</b>	<b>1,775,000</b>	<b>525,000</b>	<b>25,000</b>	<b>3,067,000</b>

Florida Governmental Utility Authority Utility Systems  
Florida Water Acquisition

Projected 5 Year Capital Improvement Plan - Water and Wastewater System  
Citrus Grouping

Line No.	Description	2002 Class	Funding Source	02/03	03/04	04/05	05/06	06/07	Total
<b>ADDITIONS PER POST BUCKLEY</b>									
91	SUGARMILL WOODS			-	-	-	-	-	-
92	LS Upgrades (R&R @ 50%)	3	OTH	-	100,000	100,000	-	-	200,000
93	WTP Expansion	4	Pur-Bond	84,000	84,000	672,000	-	-	840,000
94	WWTP Expansion (Oxidation Ditch and Clarifier	4	Pur-Bond	50,000	50,000	400,000	-	-	500,000
95	LS Upgrades (R&R @ 50%) Additions	3	Pur-Bond	80,000	80,000	-	-	-	160,000
96	LS Upgrades (R&R @ 50%) Additions	3	Fut-Bond	-	-	80,000	80,000	80,000	240,000
97	Water Hydraulic Analysis	4	Pur-Bond	100,000	-	-	-	-	100,000
98	Wastewater Lift Station Repair Program	3	RR	30,352	30,352	30,352	30,352	30,352	151,762
99	Additional R&R Contingency	3	Pur-Bond	30,000	-	-	-	-	30,000
100	Total Post Buckley Addition to Capital Budget			474,352	344,352	1,282,352	110,352	110,352	2,321,762
<b>PLANT SPECIFIC PROJECTS</b>									
<b>LAKESIDE</b>									
101	Total Plant Specific Projects			-	-	-	-	-	-
<b>ADDITIONS PER POST BUCKLEY</b>									
102	LAKESIDE			-	-	-	-	-	-
103	Wastewater Lift Station Repair Program	3	RR	-	-	-	-	-	-
104	Additional R&R Contingency	3	Pur-Bond	30,000	-	-	-	-	30,000
105	Total Post Buckley Addition to Capital Budget			30,000	-	-	-	-	30,000
<b>PLANT SPECIFIC PROJECTS</b>									
<b>SPRING GARDENS</b>									
106	Interconnect w/ Homosassa PSI + Construction	3	OTH	-	15,000	85,000	-	-	100,000
107	Interconnect w/ Homosassa PSI + Construction R&R Portion	3	RR	-	-	-	-	-	-
108	Total Plant Specific Projects			-	15,000	85,000	-	-	100,000
<b>ADDITIONS PER POST BUCKLEY</b>									
109	SPRING GARDENS			-	-	-	-	-	-
110	Interconnect with Citrus Springs	5	OTH	-	-	-	50,000	-	50,000
111	Wastewater Lift Station Repair Program Additional	3	RR	20,000	20,000	20,000	20,000	20,000	100,000
117	Wastewater Lift Station Repair Program	3	RR	1,253	1,253	1,253	1,253	1,253	6,264
118	Additional R&R Contingency	3	Pur-Bond	30,000	-	-	-	-	30,000
119	Total Post Buckley Addition to Capital Budget			51,253	21,253	21,253	71,253	21,253	186,264
<b>ALLOCATED BLANKET PROJECTS</b>									
120	Backflow	4	GRO	\$1,925	\$1,983	\$2,043	\$2,104	\$2,167	10,222
121	Hydrant Blanket	4	GRO	\$4,571	\$4,709	\$4,850	\$4,995	\$5,145	24,270
122	Hydrant Blanket R&R Portion	4	RR	\$4,571	\$4,709	\$4,850	\$4,995	\$5,145	24,270
123	Meter Blanket	4	GRO	\$17,716	\$18,247	\$18,795	\$19,359	\$19,939	94,056
124	Meter Blanket R&R Portion	4	RR	\$26,574	\$27,371	\$28,192	\$29,038	\$29,909	141,083
125	Services	4	GRO	\$42,056	\$43,318	\$44,617	\$45,956	\$47,334	223,281
126	Safety	1	OTH	\$1,375	\$1,417	\$1,459	\$1,503	\$1,548	7,302
127	Telemetry	3	OTH	\$0	\$0	\$0	\$0	\$0	-
128	West Area Lines	4	GRO	\$48,361	\$8,060	\$8,060	\$8,060	\$8,060	80,601
129	West Area Operations	3	RR	\$80,601	\$80,601	\$80,601	\$80,601	\$120,901	443,305
130	South Area Lines	4	GRO	\$0	\$0	\$0	\$0	\$0	-
131	South Area Operations	3	RR	\$0	\$0	\$0	\$0	\$0	-
132	Central Area Lines	4	GRO	\$0	\$0	\$0	\$0	\$0	-
133	Central Area Operations	3	RR	\$0	\$0	\$0	\$0	\$0	-
134	Total Blanket Projects			227,750	190,414	193,466	196,610	240,149	1,048,390
135	Allocated Overheads	4	GRO	\$92,681	\$108,375	\$232,137	\$126,333	\$111,557	671,083
137	TOTAL CAPITAL IMPROVEMENT PROJECTS			\$ 1,732,093	\$ 2,012,450	\$ 4,515,265	\$ 1,640,605	\$ 1,649,368	\$ 11,549,780
138	DEFICIENCIES	DEF	DEF	-	-	750,000	500,000	-	1,250,000
AMOUNT REMAINING TO BE FUNDED									
139	GROWTH	GRO	GRO	519,647	422,028	497,838	514,144	381,540	2,335,197
140	R&R	RR	RR	204,704	230,638	231,600	232,592	273,913	1,173,446
141	OTHER	OTH	OTH	1,375	116,417	186,459	51,503	1,548	357,302
142	CONSTRUCTION BOND (UPFRONT)	Pur-Bond	Pur-Bond	1,006,367	1,243,367	1,572,000	-	-	3,821,734
143	CONSTRUCTION BOND (FUTURE)	Fut-Bond	Fut-Bond	-	-	1,277,367	342,367	992,367	2,612,101
144				\$ 1,732,093	\$ 2,012,450	\$ 4,515,265	\$ 1,640,605	\$ 1,649,368	\$ 11,549,780

Florida Governmental Utility Authority Utility Systems  
Florida Water Acquisition

Projected 5 Year Capital Improvement Plan - Water and Wastewater System  
Charlotte / Lee Grouping

Line No.	Description	2002 Class	Funding Source	02/03	03/04	04/05	05/06	06/07	Total
<b>PLANT SPECIFIC PROJECTS</b>									
<b>BURNT STORE</b>									
1	RO WTP Expansion	4	GRO	50,000	-	-	-	-	50,000
2	RO WTP Expansion R&R Portion	4	RR	-	-	-	-	-	-
3	Wellfield Expansion	4	Pur-Bond	-	150,000	-	-	-	150,000
4	Wellfield Expansion R&R Portion	4	Fut-Bond	-	-	600,000	-	-	600,000
5	WWTP Expansion	22	DEF	465,452	700,000	-	-	-	1,165,452
6	WWTP Expansion	22	DEF	-	-	850,000	-	-	850,000
7	Injection Well Mods.	4	GRO	-	300,000	-	-	-	300,000
8	Injection Well Mods. (Funded with R&R Funds)	4	RR	-	120,000	-	-	-	120,000
9	New Force Main for LS 16-16	22	DEF	44,500	-	-	-	-	44,500
10	New Force Main for LS 16-16 R&R Portion	22	DEF	-	-	-	-	-	-
11	Reuse System	22	DEF	250,000	250,000	-	-	-	500,000
12	Reuse System R&R Portion	22	DEF	-	-	-	-	-	-
13	Smoke Test & Inspect Collection System	3	OTH	-	-	-	-	-	-
14	Smoke Test & Inspect Collection System R&R Portion	3	RR	13,220	25,000	25,000	50,000	50,000	163,220
15	<b>Total Plant Specific Projects</b>			<b>823,172</b>	<b>1,545,000</b>	<b>1,475,000</b>	<b>50,000</b>	<b>50,000</b>	<b>3,943,172</b>
<b>ADDITIONS PER POST BUCKLEY</b>									
16	<b>BURNT STORE</b>			-	-	-	-	-	-
17	WWTP Expansion	22	DEF	-	-	386,800	-	-	386,800
18	WWTP Expansion (.16 mgd) + Perc Ponds (Consent)	21	DEF	41,500	373,500	-	-	-	415,000
19	WWTP Expansion (.16 mgd) + Perc Ponds	4	Pur-Bond	41,500	41,500	-	-	-	83,000
20	WWTP Expansion (.16 mgd) + Perc Ponds	4	Fut-Bond	-	-	332,000	-	-	332,000
21	WTP Expansion Capacity	4	Pur-Bond	200,000	200,000	-	-	-	400,000
22	WTP Expansion Capacity	4	Fut-Bond	-	-	1,600,000	-	-	1,600,000
23	Wastewater Lift Station Repair Program	3	RR	11,495	11,495	11,495	11,495	11,495	57,475
24	Additional R&R Contingency	3	Pur-Bond	30,000	-	-	-	-	30,000
25	<b>Total Post Buckley Additions to Capital Budget</b>			<b>324,495</b>	<b>626,495</b>	<b>2,330,295</b>	<b>11,495</b>	<b>11,495</b>	<b>3,304,275</b>
<b>PLANT SPECIFIC PROJECTS</b>									
<b>DEEP CREEK</b>									
26	New 16" Force Main	4	Pur-Bond	-	200,000	-	-	-	200,000
27	New 16" Force Main	4	Fut-Bond	-	-	375,000	-	-	375,000
28	Interconnect w/Charlotte County	23	DEF	-	150,000	-	-	-	150,000
29	Interconnect w/Charlotte County R&R Portion	23	DEF	-	-	-	-	-	-
30	<b>Total Plant Specific Projects</b>			<b>-</b>	<b>350,000</b>	<b>375,000</b>	<b>-</b>	<b>-</b>	<b>725,000</b>
<b>ADDITIONS PER POST BUCKLEY</b>									
31	<b>DEEP CREEK</b>			-	-	-	-	-	-
32	Wastewater Lift Station Repair Program	3	RR	30,000	30,000	30,000	30,000	30,000	150,000
33	WTP Improvements - HSP & STD	24	Pur-Bond	390,000	910,000	-	-	-	1,300,000
34	Wastewater Lift Station Repair Program	3	RR	33,659	33,659	33,659	33,659	33,659	168,293
35	Additional R&R Contingency	3	Pur-Bond	30,000	-	-	-	-	30,000
36	<b>Total Post Buckley Addition to Capital Budget</b>			<b>483,659</b>	<b>973,659</b>	<b>63,659</b>	<b>63,659</b>	<b>63,659</b>	<b>1,648,293</b>
<b>ALLOCATED BLANKET PROJECTS</b>									
37	Backflow	4	GRO	\$1,474	\$1,519	\$1,564	\$1,611	\$1,659	7,828
38	Hydrant Blanket	4	GRO	\$3,501	\$3,606	\$3,714	\$3,825	\$3,940	18,585
39	Hydrant Blanket R&R Portion	4	RR	\$3,501	\$3,606	\$3,714	\$3,825	\$3,940	18,585
40	Meter Blanket	4	GRO	\$13,566	\$13,973	\$14,392	\$14,824	\$15,268	72,022
41	Meter Blanket R&R Portion	4	RR	\$20,349	\$20,959	\$21,588	\$22,235	\$22,902	108,033
42	Services	4	GRO	\$32,204	\$33,170	\$34,165	\$35,190	\$36,246	170,975
43	Safety	1	OTH	\$1,053	\$1,085	\$1,117	\$1,151	\$1,185	5,591
44	South Area Operations	3	RR	\$180,812	\$180,812	\$180,812	\$180,812	\$192,867	916,116
45	<b>Total Blanket Projects</b>			<b>256,459</b>	<b>258,728</b>	<b>261,066</b>	<b>287,582</b>	<b>302,116</b>	<b>1,365,951</b>
46	Allocated Overheads	4	GRO	\$107,103	\$221,039	\$240,895	\$11,999	\$10,759	591,795
47	<b>TOTAL CAPITAL IMPROVEMENTS PROJECTS</b>			<b>\$ 1,994,887</b>	<b>\$ 3,974,921</b>	<b>\$ 4,745,915</b>	<b>\$ 424,735</b>	<b>\$ 438,028</b>	<b>\$ 11,578,486</b>

Florida Governmental Utility Authority Utility Systems  
Florida Water Acquisition

Projected 5 Year Capital Improvement Plan - Water and Wastewater System  
Charlotte / Lee Grouping

Line No.	Description	2002 Class	Funding Source	02/03	03/04	04/05	05/06	06/07	Total
48	DEFICIENCIES AMOUNT REMAINING TO BE FUNDED	def	def	801,452	1,473,500	1,236,800	-	-	3,511,752
49	GROWTH	oro	oro	207,847	573,306	294,730	91,558	91,981	1,259,422
50	R&R	rr	rr	293,035	425,530	306,267	332,026	344,862	1,701,721
51	OTHER	oth	oth	1,053	1,085	1,117	1,151	1,185	5,591
52	CONSTRUCTION BOND (UPFRONT)	Par-Bond	Par-Bond	691,500	1,501,500	-	-	-	2,193,000
53	CONSTRUCTION BOND (FUTURE)	Fut-Bond	Fut-Bond	-	-	2,907,000	-	-	2,907,000
54				\$ 1,994,887	\$ 3,974,921	\$ 4,745,915	\$ 424,735	\$ 438,028	\$ 11,578,486

Florida Governmental Utility Authority Utility Systems  
Florida Water Acquisition

Projected 5 Year Capital Improvement Plan - Water and Wastewater System  
Lehigh Grouping

Line No.	Description	2002 Class	Funding Source	02/03	03/04	04/05	05/06	06/07	Total
<b>PLANT SPECIFIC PROJECTS</b>									
<b>LEHIGH</b>									
1	Lee Blvd Widening to Leeland	23	DEF	245,628	-	-	-	-	245,628
2	Lee Blvd Widening to Leeland R&R Portion	23	DEF	-	-	-	-	-	-
3	Reclaimed ASR Well	21	DEF	245,080	750,000	-	-	-	995,080
4	Reclaimed ASR Well R&R Portion	21	DEF	-	-	-	-	-	-
5	Perc Pond Improvements & Plant Modifications	21	DEF	-	-	-	-	-	-
6	Perc Pond Improvements & Plant Modifications R&R Portion	21	DEF	-	-	-	-	-	-
7	Reuse Expansion to Majestic G.C.	21	DEF	742,790	-	-	-	-	742,790
8	Reuse Expansion to Majestic G.C. R&R Portion	21	DEF	-	-	-	-	-	-
9	Water & WW Conv. Gas to Liquid Bldg.	0	OTH	-	-	-	-	-	-
10	Water & WW Conv. Gas to Liquid Bldg. R&R Portion	0	RR	-	-	-	-	-	-
11	WW Collection System Improvements	21	DEF	-	-	-	-	-	-
12	WW Collection System Improvements R&R Portion	21	DEF	200,000	200,000	50,000	50,000	50,000	550,000
13	Triad Projects (not included in carryover)	4	GRO	-	-	-	-	-	-
14	Triad Projects (not included in carryover) R&R Portion	4	RR	-	-	-	-	-	-
15	Woodridge Phase 2A	4	GRO	-	-	-	-	-	-
16	Woodridge Phase 2A R&R Portion	4	RR	-	-	-	-	-	-
17	Force Main Extension	4	GRO	-	-	-	-	-	-
18	Force Main Extension R&R Portion	4	RR	-	-	-	-	-	-
19	Zenon Phase II	4	Fut-Bond	-	-	800,000	-	-	800,000
20	Zenon Phase II R&R Portion	4	RR	-	-	-	-	-	-
21	Add Two Filters & Repipe	4	Fut-Bond	-	-	250,000	250,000	-	500,000
22	Add Two Filters & Repipe R&R Portion	4	Pur-Bond	-	300,000	-	-	-	300,000
23	WTP Electrical Improvements	22	DEF	247,022	-	-	-	-	247,022
24	WTP Electrical Improvements R&R Portion	22	DEF	-	-	-	-	-	-
25	Booster Pump & Wellfield Expansion	4	Fut-Bond	-	-	-	300,000	600,000	900,000
26	Booster Pump & Wellfield Expansion R&R Portion	4	Pur-Bond	143,226	-	-	-	-	143,226
27	Mirror Lakes Water Distribution System	4	Fut-Bond	-	-	200,000	200,000	-	400,000
28	Mirror Lakes Water Distribution System R&R Portion	4	Pur-Bond	-	250,000	-	-	-	250,000
29	WWWW System Hydraulic Analysis	5	RR	-	24,500	25,000	5,000	5,000	59,500
30	WWWW System Hydraulic Analysis R&R Portion	5	RR	-	-	-	-	-	-
31	Mirror Lakes GST & HSP & Wells	4	Fut-Bond	-	-	500,000	500,000	-	1,000,000
32	Mirror Lakes GST & HSP & Wells R&R Portion	4	Pur-Bond	-	-	-	-	-	-
33	Wellfield Water Collection System	4	Pur-Bond	50,000	400,000	-	-	-	450,000
34	Wellfield Water Collection System R&R Portion	4	Fut-Bond	-	-	-	300,000	400,000	700,000
35	Zenon Lease/Purchase Payment - Phase I	23	DEF	-	177,000	177,000	177,000	177,000	708,000
36	Zenon Lease/Purchase Payment - Phase I R&R Portion	23	DEF	-	-	-	-	-	-
37	Woodridge Lease Conversion	4	GRO	-	-	-	-	-	-
38	Woodridge Lease Conversion R&R Portion	4	RR	-	-	-	-	-	-
39	<b>Total Plant Specific Projects</b>			<b>1,873,746</b>	<b>2,101,500</b>	<b>2,002,000</b>	<b>1,782,000</b>	<b>1,232,000</b>	<b>8,991,246</b>
<b>ADDITIONS PER POST BUCKLEY</b>									
<b>LEHIGH</b>									
41	Reclaimed ASR Well	21	DEF	-	-	-	-	3,000,000	3,000,000
42	Perc Pond Improvements & Plant Modifications	21	DEF	-	300,000	-	-	-	300,000
43	WW Collection System Improvements	21	DEF	200,000	200,000	200,000	200,000	200,000	1,000,000
44	Wastewater Lift Station Repair Program	3	RR	72,706	72,706	72,706	72,706	72,706	363,529
45	Additional R&R Contingency	3	Pur-Bond	30,000	-	-	-	-	30,000
46	<b>Total Post Buckley Addition to Capital Budget</b>			<b>302,706</b>	<b>572,706</b>	<b>272,706</b>	<b>272,706</b>	<b>3,272,706</b>	<b>4,693,529</b>
<b>ALLOCATED BLANKET PROJECTS</b>									
47	Backflow	4	GRO	\$2,605	\$2,683	\$2,763	\$2,846	\$2,932	13,829
48	Hydrant Blanket	4	GRO	\$6,185	\$6,370	\$6,561	\$6,758	\$6,961	32,835
49	Hydrant Blanket R&R Portion	4	RR	\$6,185	\$6,370	\$6,561	\$6,758	\$6,961	32,835
50	Meter Blanket	4	GRO	\$23,967	\$24,686	\$25,427	\$26,190	\$26,975	127,245
51	Meter Blanket R&R Portion	4	RR	\$35,951	\$37,029	\$38,140	\$39,284	\$40,463	190,868
52	Services	4	GRO	\$56,897	\$58,603	\$60,362	\$62,172	\$64,038	302,071
53	Safety	1	OTH	\$1,861	\$1,916	\$1,974	\$2,033	\$2,094	9,878
54	Telemetry	3	OTH	\$29,502	\$29,502	\$29,502	\$29,502	\$29,502	147,511
55	West Area Lines	4	GRO	\$0	\$0	\$0	\$0	\$0	-
56	West Area Operations	3	RR	\$0	\$0	\$0	\$0	\$0	-
57	South Area Lines	4	GRO	\$0	\$0	\$0	\$42,594	\$42,594	\$5,187
58	South Area Operations	3	RR	\$319,451	\$319,451	\$319,451	\$319,451	\$340,748	1,618,553
59	Central Area Lines	4	GRO	\$0	\$0	\$0	\$0	\$0	-
60	Central Area Operations	3	RR	\$0	\$0	\$0	\$0	\$0	-
61	<b>Total Blanket Projects</b>			<b>482,603</b>	<b>486,612</b>	<b>490,742</b>	<b>537,589</b>	<b>563,267</b>	<b>2,560,813</b>
62	Allocated Overheads	4	GRO	\$142,892	\$169,121	\$129,117	\$196,999	\$387,259	1,025,388
63	<b>TOTAL CAPITAL IMPROVEMENT PROJECTS</b>			<b>\$ 2,801,947</b>	<b>\$ 3,329,939</b>	<b>\$ 2,894,564</b>	<b>\$ 2,789,293</b>	<b>\$ 5,455,232</b>	<b>\$ 17,230,976</b>

Florida Governmental Utility Authority Utility Systems  
Florida Water Acquisition

Projected 5 Year Capital Improvement Plan - Water and Wastewater System  
Lehigh Grouping

Line No.	Description	2002 Class	Funding Source	02/03	03/04	04/05	05/06	06/07	Total
64	DEFICIENCIES	DEF	DEF	1,880,520	1,627,000	427,000	427,000	3,427,000	7,788,520
	AMOUNT REMAINING TO BE FUNDED								
65	GROWTH	GRD	GRD	232,545	261,464	224,230	337,559	530,758	1,586,556
66	R&R	RR	RR	434,293	460,057	461,859	443,200	465,878	2,265,285
67	OTHER	OTH	OTH	31,363	31,419	31,476	31,535	31,596	157,389
68	CONSTRUCTION BOND (UPFRONT)	Fut-Bond	Fut-Bond	223,226	950,000	-	-	-	1,173,226
69	CONSTRUCTION BOND (FUTURE)	Fut-Bond	Fut-Bond	-	-	1,750,000	1,550,000	1,000,000	4,300,000
70				\$ 2,801,947	\$ 3,329,939	\$ 2,894,564	\$ 2,789,293	\$ 5,455,232	\$ 17,270,976

**EXHIBIT D**

**LIST OF FGUA BOARD MEMBERS**

**EXHIBIT D**

**FGUA BOARD MEMBERS**

**Polk County**

**Lea Ann Thomas, Chair**  
330 West Church Street  
Bartow, Florida 33830  
Tel: (863) 534-6031  
Fax: (863) 534-7069

**Alternate:**

**Darrell Gunn**  
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**Citrus County**

**Richard W. Wesch, Vice Chair**  
111 West Main Street, 3rd Floor  
Inverness, Florida 34450  
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Fax: (352) 341-6584

**Alternate:**

**Ken Saunders**  
3600 West Sovereign Path, Suite 267  
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**Osceola County**

**Robert "Bob" Nanni**  
1 Courthouse Square, Suite 4700  
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Fax: (407) 343-2381

**Alternate:**

**Kathy Wall**  
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Kissimmee, Florida 34741  
Tel: (407) 343-6400  
Fax: (407) 343-6401



**EXHIBIT E**

**NAMES AND LOCATIONS OF FGUA SYSTEMS**

**EXHIBIT E**

NAMES AND LOCATIONS OF FGUA SYSTEMS

<b>County</b>	<b>System Name</b>
Osceola-Polk	Poinciana
Hillsborough	Carrollwood
Collier	Golden Gate

FORMERLY OWNED BY FGUA AND TRANSFERRED TO LOCAL GOVERNMENTS

<b>County</b>	<b>System Name</b>
Sarasota	Southgate and Gulfgate
Brevard	Barefoot Bay

**EXHIBIT F**

**STATEMENT OF INTENDED FINANCING**

STATEMENT OF INTENDED FINANCING

The FGUA intends to finance the acquisition of the Florida Water systems in Charlotte County through the issuance of tax exempt, insured bonds at the lowest available interest rates. Post, Buckley, Schuh & Jernigan and Public Resources Management Group are preparing the required engineering and financial feasibility studies on an expedited basis in an attempt to issue bonds at the earliest possible date so as to secure the advantages of the current low interest rate environment. It is anticipated that the bonds will require levelized debt service payments over the 30 year life of the bonds.

**EXHIBIT G**  
**STATEMENT OF PUBLIC INTEREST**

## **EXHIBIT G**

The public interest findings previously made by the FGUA Board are contained in section 3 of Resolution 2003-06, a copy of which is provided as Exhibit C.

An overview of the FGUA's operations, maintenance and customer service plan for the Florida Water assets subsequent to acquisition is attached hereto as Appendix A. As indicated in Appendix A, the FGUA's plan is consistent with the plan which was implemented and successfully carried out in the FGUA's prior utility system acquisitions.

**OVERVIEW OF OPERATIONS, MAINTENANCE  
AND CUSTOMER SERVICES PLAN FOR THE  
FLORIDA WATER UTILITY ASSETS LOCATED  
IN CHARLOTTE COUNTY, FLORIDA**

Florida Water owns and operates water production and treatment systems and wastewater collection, treatment and disposal systems within Charlotte County which are more commonly known as follows:

1. Deep Creek
2. Burnt Store

The Florida Governmental Utility Authority (the "FGUA") currently owns and operates water and wastewater systems located in Osceola, Polk, Collier and Hillsborough Counties and has successfully operated these systems since 1999. The FGUA has no direct employees. Rather, all services provided by the FGUA are provided by contracts with third parties. Government Services Group, Inc. ("GSG") operates as the Systems Manager for the FGUA providing such services as financial management, budgeting and accounting services, administrative services, operations and customer service agreement monitoring, administration and oversight, environmental compliance monitoring services, capital planning, customer complaint resolution and other services related to the management and administration of the FGUA. The FGUA provides operations, maintenance, customer service and billing services to the systems it currently owns through an agreement with Severn Trent-Avatar Utility Services, LLC ("Severn Trent").

Similarly, upon acquisition of the Florida Water utility facilities, the FGUA intends to contract with GSG to provide the same services currently provided to the FGUA with regard to the systems currently owned and operated by the FGUA throughout Florida. The FGUA also has entered a utility system operations, maintenance and customer service agreement with Severn Trent pursuant to which Severn Trent shall provide all operations, maintenance, customer service and billing services for the utility facilities on behalf of the FGUA. Severn Trent is part of a family of companies which together comprise one of the largest utility providers in the nation. In addition to assisting in the FGUA's prior acquisition of private utility systems, Severn Trent has smoothly and successfully participated in the transition of utility assets and services from one utility to another on scores of occasions.

Upon acquisition by the FGUA, the utility facilities in Charlotte County will be financially self-supporting and possess the financial ability to provide water and wastewater services to the areas currently served through the contractual arrangements identified above.

**EXHIBIT H**

**FGUA COMPREHENSIVE ANNUAL  
FINANCIAL REPORT FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2002**





**Florida Governmental Utility Authority**

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# **Comprehensive Annual Financial Report**

**For the Fiscal Year Ended  
September 30, 2002**

FLORIDA GOVERNMENTAL UTILITY AUTHORITY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

Prepared by:  
Finance Department  
David R. Miles  
Chief Financial Officer

FLORIDA GOVERNMENTAL UTILITY AUTHORITY

Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2002

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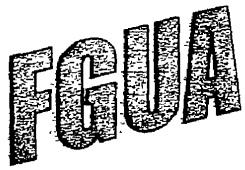
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FLORIDA GOVERNMENTAL UTILITY AUTHORITY

Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2002

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**Florida Governmental Utility Authority**

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# **Introductory Section**



## FLORIDA GOVERNMENTAL UTILITY AUTHORITY

1500 Mahan Drive, Suite 250, Tallahassee, Florida 32308, Ph: (850) 681-3717, Fax: (850) 224-7206, E-mail: FGUA@FGUA.com

February 12, 2003

Board of Directors  
Florida Governmental Utility FGUA  
1500 Mahan Drive, Suite 250  
Tallahassee, FL 32308

The Comprehensive Annual Financial Report of the Florida Governmental Utility Authority (FGUA) for the fiscal year Ended September 30, 2002 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the FGUA. To the best of our knowledge and belief, the encbsed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the FGUA. All disclosures necessary to enable the reader to gain an understanding to the FGUA's financial activities have been included.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Florida Governmental Utility Authority for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2001. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The FGUA Comprehensive Annual Financial Report is divided into four sections: introductory, financial, statistical, and other reports:

- I. The **Introductory Section**, which is unaudited, includes this letter of transmittal, an organizational chart, and a list of principal appointed officials.
- II. The **Financial Section** includes the combined and combining financial statements as well as the Independent Auditors' Report.
- III. The **Statistical Section**, which is unaudited, includes selected key financial and statistical information.
- IV. The **Other Reports Section** includes the Independent Auditors' Report on Compliance and on Internal Control based upon the Audit Performed

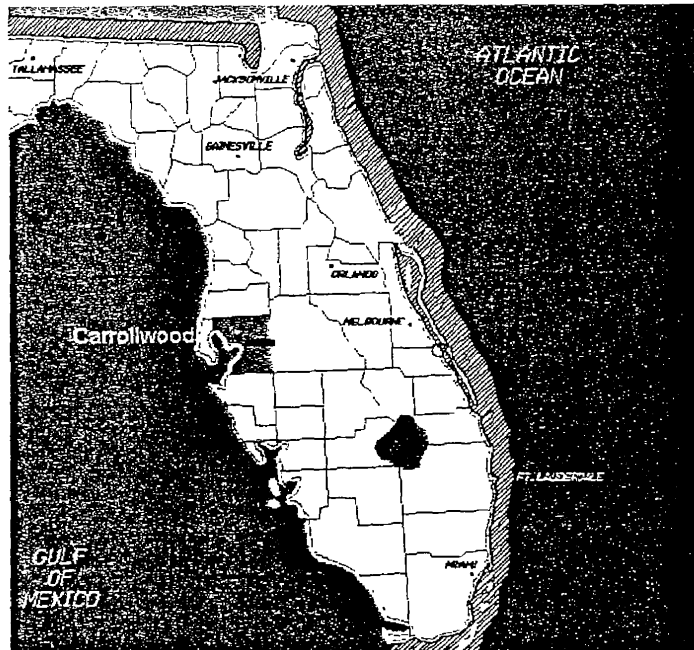
in Accordance with *Government Auditing Standards* and management's response.

The FGUA was formed as a legal entity and public body pursuant to Chapters 125, 163 and 166, Florida Statutes, and an Interlocal Agreement dated as of February 1, 1999 by and between Brevard County, Lee County, Polk County and Sarasota County, each a local government located in the State of Florida. The purpose of the FGUA is to enable its members to make the most efficient use of their common power to acquire, own, improve, operate and maintain water and wastewater facilities. In February 2000, Brevard County withdrew its membership subsequent to the formation of a utility district, which acquired the Barefoot Bay Utility System from the FGUA. In December 2000, Lee County withdrew its membership. In addition, in December 2000, the first amended and restated interlocal agreement was entered into which reconstituted the membership of the FGUA to consist of Citrus County, Nassau County, Polk County and Sarasota County, each a local government located in the State of Florida. On August 29, 2002, following transfer of the Sarasota System to Sarasota County Water Utilities earlier that month, Sarasota County withdrew from the FGUA. On January 16, 2003, the application for FGUA membership by Osceola County was accepted by the Board of Directors. The FGUA is governed by a four (4) member Board of Directors appointed by the county members of the FGUA. The members of the FGUA, and any other county which has an FGUA-owned utility within its boundaries, have the option of immediately acquiring the individual utility system located in their respective jurisdiction from the FGUA, deferring their acquisition of the system to some point in the future, or not acquiring the system, thereby leaving it with the FGUA to operate.

The FGUA does not have any employees. All services are provided on a contractual basis predicated on the management and operational needs of the FGUA. Overall management, including executive oversight, administration, financial management, capital planning and construction contract supervision, is provided by Government Services Group, Inc. Daily operations and maintenance, and customer service and billing, is provided by Severn Trent - Avatar Utility Services, LLC.

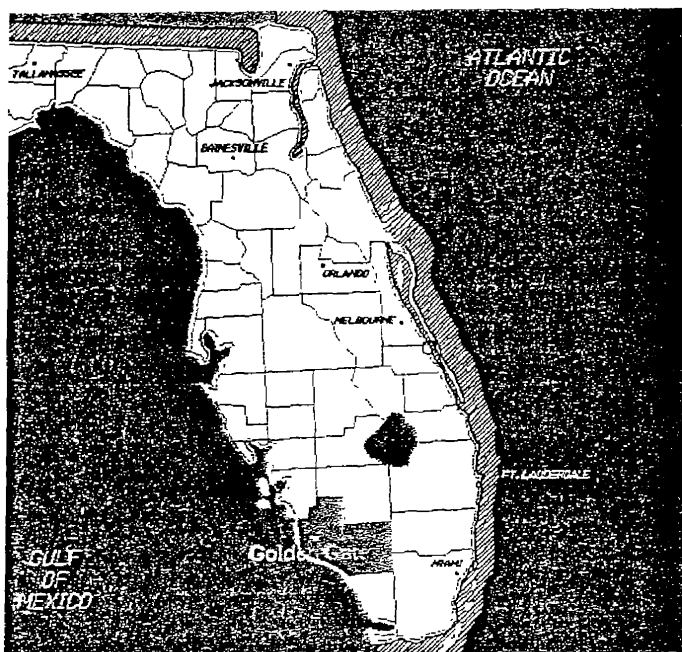
The FGUA began its operational and fiscal activities on the date of acquisition of five water and wastewater systems on April 15, 1999. These systems were acquired from Florida Cities Water Company and Poinciana Utilities, Inc., units of Avatar Properties. A sixth system located in Lee County was part of the acquisition discussions, but was directly purchased by Lee County on April 15, 1999. The Barefoot Bay Utility System was transferred to Brevard County in February 2000. The Sarasota Utility System was transferred to Sarasota County on August 8, 2002. This report therefore contains partial year data on the Sarasota System. As of September 30, 2002, the FGUA consisted of three separate water and wastewater systems located within four counties in central and southwest Florida. Each of the systems is accounted for as a separate enterprise fund of the FGUA.

The **Carrollwood System** is located in Hillsborough County, Florida, northwest of the City of Tampa. It is bounded on the west by Dale Mabry Highway, on the south by county road 580, on the north by Lake Lipsey and on the east by Lake Carroll and the City of Tampa. The Carrollwood System occupies just over one square mile of properties primarily developed as urban residential neighborhoods. The system serves the Carrollwood Subdivision, a development in excess of 1,000 lots. The majority of the service area consists of single-family residential housing, which was constructed approximately 25 years ago.



The Carrollwood System operates a water system including three wells and approximately 13.5 miles of water transmission and distribution lines. As of September 30, 2002 the system served 1,203 customers.

The wastewater system includes only collection and transmission facilities with wastewater treatment provided by Hillsborough County, Florida. The Carrollwood System contains approximately 11 miles of gravity sewer lines and 3 miles of force main. As of September 30, 2002 the system served 1,127 customers.



The **Golden Gate System** serves the Golden Gate community, which is located in an unincorporated area located between I-75, the Golden Gate main canal and county road 951, approximately 8 miles east of Naples in Collier County, Florida. Golden Gate is a series of large subdivisions occupying just over 4 square miles of developed urban residential and light commercial property, the majority of which are single-family residential.

The Golden Gate System serves about half of the Golden Gate development with water service, while serving less than half with wastewater services. Those



without central sewer service utilize individual on-site septic systems for treatment and disposal. The utility system is surrounded on all sides by the Collier County Water-Sewer District. The utility system is not located in the Collier County District, or in any area served by the District.

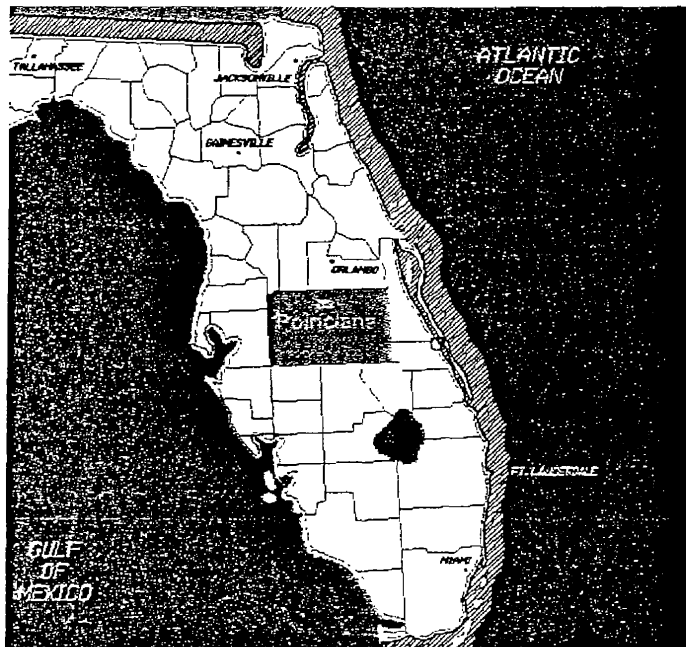
The supply for the Golden Gate water system comes from a series of shallow, surficial aquifer wells having a sustained capacity of 1.7 million gallons per day (mgpd). The system also has a 1.474 mgpd water treatment plant, three storage tanks, and approximately 40 miles of water transmission and distribution lines. As of September 30, 2002 the system served 3,633 customers.

The wastewater facilities in the utility system include a 0.950 mgpd treatment plant, approximately 22 miles of gravity sewer lines, 29 lift stations, and approximately 12 miles of force mains. The Golden Gate Wastewater Treatment Plant has two package systems. As of September 30, 2002 the system served 2,478 customers.

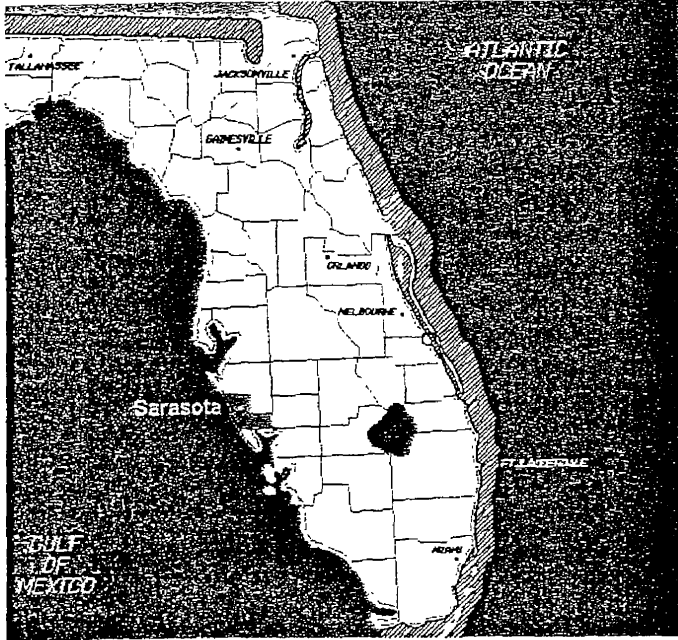
The *Poinciana System* service area is included in Polk and Osceola Counties, northwest of Lake Hatchineha. The area is southwest of the City of Kissimmee, Florida, in the general vicinity of the City of Orlando and the Walt Disney World Resort. The system occupies just over 30,000 acres of residential, light commercial and undeveloped areas. The majority of the developed properties are single-family residential homes. The utility system service area, which is extensive and within two counties, encompasses two natural boundaries – Reedy Creek and Marion Creek. Reedy Creek traverses across from the northwest to southeast and consist of a system of wetlands and preserved land. Marion Creek separates the northern part of the Polk County service area from Lake Hatchineha.

The water facilities include ten water supply wells, five water treatment plants, two storage tanks at each plant, and nearly 192 miles of water transmission and distribution lines. The water treatment plants have a total treatment capacity of 5.577 mgpd. As of September 30, 2002 the system served 11,794 customers.

The wastewater system includes four wastewater treatment plants with a total permitted treatment capacity of 3.650 mgpd, approximately 169 miles of gravity sewer lines, 70 lift stations and nearly 38 miles of force main. As of September 30, 2002 the system served 11,240 customers. The Poinciana System is the most rapidly expanding system within FGUA, requiring the construction of additional water and wastewater processing facilities.



The **Sarasota System** consists of two distinct services areas, designated as the southern and northern areas. The southern area, which includes both water and wastewater service, is situated primarily northeast of US 41, and occupies just over six square miles of developed urban residential and light commercial property. The northern area is southeast of the City of Sarasota with the system providing only wastewater service. Retail water service in the northern area is provided by either Sarasota County's Utility System or by South Gate Utilities, Inc., a privately-owned utility regulated by Sarasota County. The northern service area occupies approximately 2.5 square miles of developed urban residential and light commercial property. The majority of the properties in both service areas are single-family residential with commercial development consisting of support facilities to the surrounding residents.



The finished water supply for the system is provided by Sarasota County pursuant to a wholesale bulk service agreement. The system does not own or operate any water treatment facilities. However, the system does own and operate one 0.25 million gallon storage tank and there are approximately 80 miles of water distribution lines. The system was serving 5,891 customers as of July 31, 2002, just prior to transfer to Sarasota County.

The wastewater system includes two wastewater treatment plants with a total permitted treatment capacity of 3.160 mgpd, approximately 70 miles of gravity sewer lines, 84 lift stations and nearly 28 miles of force main. As of July 31, 2002, the system served 9,044 customers, either directly or through bulk sales contracts.

All assets of the Sarasota Utility System were transferred to Sarasota County on August 8, 2002. Sarasota County assumed responsibility for payment of all outstanding debt principal and interest for the two Revenue Bond Issues used to acquire and upgrade the system. Sarasota County issued \$26,585,000 in parity Utility System 2002 Revenue Bonds to the FGUA, with the same payment and interest terms as the outstanding FGUA debt, to pay for the system. The Sarasota County bonds are secured by a pledge of all revenues of the Sarasota Utility System.

There are no potential component units of the FGUA that are not included in this Comprehensive Annual Financial Report.

### **MAJOR INITIATIVES FOR FISCAL YEAR 2002**

The fiscal year ended September 30, 2002 represented the third full fiscal year of the FGUA. During this period the following objectives were accomplished:

- Completed a revenue bond refunding issue in March 2002 for the Carrollwood System and issued an assessment note payable in May 2002 for the Golden Gate Utility System in the amounts of \$4,850,000 and \$415,000, respectively. The proceeds of the Carrollwood bond issue were used to refund the initial acquisition bond issue for the Carrollwood System, which matured April 1, 2002. The Golden Gate note provided funding for extension of water and sewer lines to approximately 55 lots owned by a single developer.
- Applied for loans from the State of Florida Drinking Water and Wastewater Revolving Funds to be used to upgrade and expand the Golden Gate water and wastewater treatment plants. The wastewater loan has been approved for \$1,546,461 and the drinking water loan is pending. Engineering and design was completed in FY 2002, with construction slated for FY 2003.
- Completed construction of a 12-mile long reuse pipeline from Poinciana wastewater treatment plants 2, 3 and 5 to the City of Kissimmee for reuse purposes.
- Completed expansion of Poinciana wastewater treatment plant number 3 from 0.35 to 0.85 mgpd.
- Completed the addition of a 4-mile long, 16-inch water interconnect pipeline between Poinciana water plants 2, 3 and 5.
- Started construction on expansion of Poinciana wastewater plant 2 from 1.0 to 3.0 mgpd and water treatment plant 5 from 0.9 to 3.5 mgpd capacity. Both plants are scheduled to be completed in early 2003. Expansion of wastewater plant 1 from 0.35 to 0.50 mgpd is being accomplished by a developer for donation to the FGUA.
- Renewed the contracts with Severn Trent– Avatar Utility Services for operating, maintenance, billing and customer services for the Carrollwood and Sarasota systems. The Sarasota contract was assumed by Sarasota County upon System transfer.
- Completed the operational and financial process necessary to transfer the assets of the Sarasota System to Sarasota County on August 8, 2002.
- Completed construction initiatives in the Sarasota system begun in FY 2001, which included adding over one mile of water pipe to connect over 350 new customers in the Sunhaven/Kai Drive area; expansion of major transmission lines to interconnect the Gulf Gate and South Gate wastewater plants; and installing transmission lines to connect to the Sarasota County Utility System to furnish reclaimed water to its customers. All projects were substantially completed upon transfer of the system to Sarasota County.
- Continued negotiations with Florida Water Systems, Inc. to purchase 171 water and wastewater sites, broken into twelve systems, and located in sixteen counties throughout the State of Florida. To date, these negotiations have not been successfully concluded.

## MAJOR INITIATIVES FOR THE FUTURE

### *Capital Improvement Program*

The FGUA has adopted a five-year Capital Improvement Program (CIP) for the years 2003 to 2007, which outlines additions and improvements to its utility systems. The FGUA reviews and updates this five-year plan annually, authorizing appropriations for those projects scheduled to be started during the ensuing fiscal year. The cost of all new

projects for fiscal year 2003 is approximately \$14.9 million. The completion of projects funded in FY 2002 and prior years from the proceeds of the Golden Gate, Poinciana and Sarasota bond issues and other system resources, totaled \$20.04 million in FY 2002. The CIP for each system is segregated into five major program areas, as follows:

- Water Production – This program ensures that the FGUA is able to deliver water to its customers during peak periods by expanding current production capabilities. This program also includes a comprehensive renewal program, which provides for maintenance of water tanks, well pump facilities, well power systems and filtration equipment.
- Water Distribution – This program calls for improvements to existing water lines as well as the addition of new lines as the customer base increases
- Wastewater Treatment/Disposal – This program seeks to increase existing capacity as well as upgrade existing facilities. The objectives of this program are to promote reuse of reclaimed water, protect the environment, ensure that treatment capacity is available for growth, and ensure that facilities are in compliance with regulations of the United States Environmental Protection Agency and the State of Florida Department of Environmental Protection.
- Wastewater Collection - This program calls for improvements to existing wastewater lines as well as the addition of new lines as the customer base increases. This program also calls for renewal of the existing system by repairing lines that allow infiltration/inflow and the rehabilitation of lift stations.
- General Projects – This program includes miscellaneous repair and replacement, meter change-out, and other miscellaneous projects.

A total of \$43.3 million in new capital improvements are slated for funding during the FY 2003 to 2007 planning period. The successful implementation of FGUA's Capital Improvement Program calls for a portion of funding to be provided through the issuance of bonds, with the remaining amounts to be funded from operating revenues and impact fees.

### ***System Withdrawals***

Carrollwood System – Hillsborough County has indicated its desire to acquire the Carrollwood System. An agreement between Hillsborough County and the Tampa Bay Water Authority prohibits Hillsborough County from owning water supply; therefore, the FGUA has initiated negotiations with both Tampa Bay Water Authority (for the sale of the water supply) and Hillsborough County (for the sale of the remaining system). Pending approval of the agreements, it is anticipated that the system will transfer on or about March 31, 2004.

Sarasota System – Sarasota County has assumed ownership of its system as of August 8, 2002.

### ***System Additions***

The FGUA is actively pursuing the acquisition of additional private and/or public systems. This includes ongoing negotiations with Florida Water Systems, Inc. and Citrus County for the acquisition and/or operation of water and wastewater systems.

## FINANCIAL INFORMATION

### *Internal Control*

Management of the FGUA is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the FGUA are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management. The System Manager's contract with Government Services Group, Inc. provides for the operational oversight of the operations, maintenance, billing and customer service functions performed under contract by Severn Trent-Avatar Utility Services, Inc. (ST-AUS). ST-AUS is required in its contract to maintain an adequate system of internal controls to protect FGUA's physical plant assets and financial resources.

### *Budgetary Control*

The FGUA maintains a sound system of budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board. The level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is at the fund level. The FGUA also maintains an encumbrance system as one method of maintaining budgetary control. Encumbered amounts lapse at year end; however, outstanding encumbrances are re-appropriated as part of the following year's budget.

The budget process begins in the spring by the staff development of proposed capital projects and operating budgets, including input from the Director of Operations and ST-AUS. A planning retreat by the Board of Directors and senior staff in February or March of each year is used to establish long-range system goals. Detailed budgets are presented by staff to the Systems Manager in late May. The Systems Manager's budget is forwarded to the Board of Directors in June. Any adjustments to the budget, to include public hearings for any necessary rate changes, are conducted in July and August. Board of Directors approval of the final budget is held at a public hearing in September for the new fiscal year that begins October 1.

As demonstrated by the statements and schedules included in the financial section of this report, the FGUA meets its responsibility for sound financial management.

### *Operations*

All operations for this special purpose government are in the area of physical environment. Net operating revenues increased 9.16 percent from \$16,470,429 in FY 2001, the second full year of operations, to \$17,979,078 in FY 2002. Operating expenses (exclusive of depreciation and amortization) increased 10.31 percent from \$9,607,939 in FY 2001 to \$10,598,875 in FY 2002. Net operating income (exclusive of depreciation and amortization) increased 7.5 percent from \$6,862,490 in FY 2001 to \$7,380,203 in FY 2002. This increase in net operating income resulted primarily from

previously approved rate adjustments and system growth providing the resources necessary for ongoing expansion of services.

Overall, FY 2002 was financially successful for the FGUA. Net income grew from \$2,652,220 in FY 2001 to \$14,651,174 in FY 2002, a growth of 452.41 percent. During the same period, total FGUA retained earnings grew from \$2,926,361 to a healthy \$17,577,535, which was 115.63 percent of FY 2002 operating expenses. Cash and cash equivalents amount to \$21,957,697, with unrestricted cash balances of \$4,770,153. All of these factors point to a financially healthy, successful utility system operation with good liquidity.

The Poinciana System produced net income of \$13,427,159. This was due in large measure to \$11,450,176 in developer donations, primarily from Avatar Properties, Inc. The donation included the water distribution and wastewater collection systems in several newly developed neighborhoods, which were deeded to the FGUA in FY 2002.

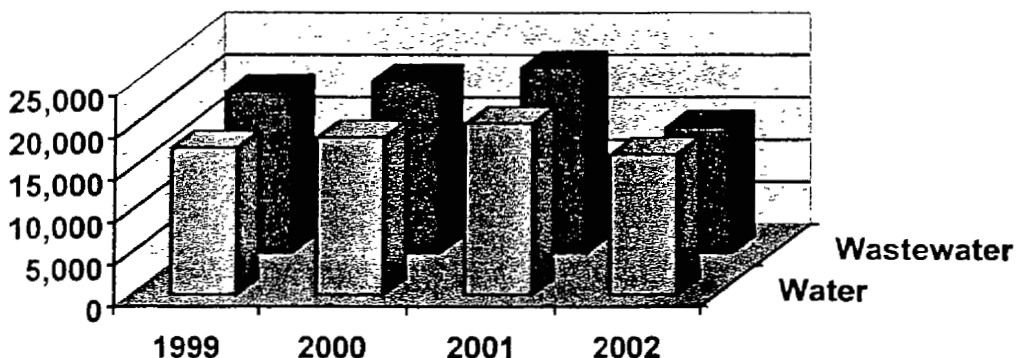
The Sarasota System produced net income of \$1,513,604, due to a gain on the sale of the system to Sarasota County of \$1,799,847. This gain represented the net operating loss of the Sarasota System since the inception of the FGUA operations in April 1999.

The Golden Gate System sustained a minor net loss of \$24,473. This was due to the decline in non-operating revenue, as impact fees for water and wastewater capacity declined from \$1,007,408 in FY 2001 to \$358,378 in FY 2002, offsetting a substantial improvement in operating net revenue. In FY 2001, the Heritage Apartment complex contributed most of these one-time fees. No similar large development occurred in FY 2002.

The Carrollwood System continued to lose money with a net loss of \$265,116 in FY 2002. The operating portion of this loss of \$76,997 was in line with projections. The refunding of the Carrollwood debt service in April 2002, the 4.02 percent rate increase effective October 2002, and the reduction in Severn Trent-Avatar contractual costs approved in an October 2002 contract revision are all designed to stem these losses in FY 2003.

The FGUA's customer base for the three remaining systems continued to climb, primarily fueled by explosive growth in the Poinciana Utility System's service area. This growth was offset by the loss of 5,891 water and 9,044 wastewater customers on August 8, 2002, when Sarasota County assumed ownership of its system. Water customers declined from 20,319 at the end of FY 2001 to 16,630 at the end of FY 2002, a decrease of 3,689 (-18.16%). Wastewater customers declined from 21,924 on September 30, 2001 to 14,845 on September 30, 2002, a decrease of 7,079 (-32.29%).

### CUSTOMERS

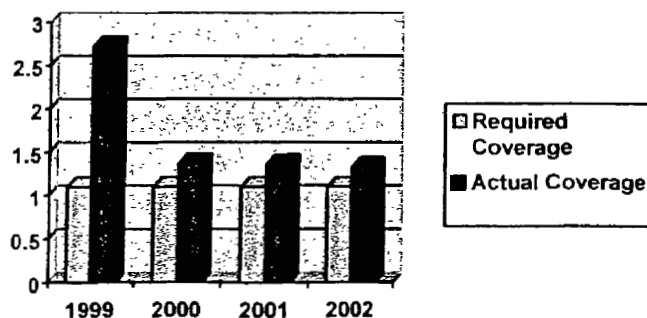


The FGUA is prohibited by Chapter 163.1, Florida Statutes from raising ad valorem and non-ad valorem property taxes. In addition, it is further prohibited from issuance of general obligation debt. It is, however, authorized to impose special assessments upon property owners, whose property will benefit from water and wastewater system improvements. The first special assessments were approved in the Golden Gate system in FY 2000, with the collection of \$82,600 occurring in FY 2002. An additional special assessment district was added in FY 2002, which will increase collections in FY 2003 and thereafter. The revenues from these districts are pledged to meet the debt service requirements for the funds obtained to provide the necessary capital improvements.

### Debt Administration

At September 30, 2002, the FGUA had revenue bonds and assessment notes payable outstanding in the amount of \$121,093,937. During the fiscal year ended September 30, 2002, the FGUA made debt service payments of \$8,072,629 (principal of \$1,702,186 and interest of \$6,370,443). During the year, a new bond and assessment note payable were issued for refunding and capital improvements to the Carrollwood and Golden Gate utility systems in the amounts of \$4,895,000 and \$415,000, respectively. All outstanding bond issues are fully insured via a municipal bond insurance policy issued by Ambac Assurance Corporation, except three small issues placed directly with banking institutions.

FGUA's debt service coverage is presented in the following chart.



### ***Cash Management***

In accordance with the FGUA's investment policy, cash temporarily idle during the year was invested in money market accounts or overnight repurchase agreements. The FGUA received investment income of \$1,557,055 on all investments for the year ended September 30, 2002.

The FGUA's investment policy is to minimize credit and market risk while maintaining a competitive yield on its investments. All deposits were entirely covered by either federal depository insurance or pooled collateral held by the State Treasurer pursuant to Chapter 280, Florida Statutes.

### ***Risk Management***

The Board of Directors of the FGUA has managed risk in two manners. The first, and perhaps most unique method, has been the contracting out of all operational, financial management, and managerial oversight functions of the FGUA. This transfers substantial operational risks to the contractors, who must ensure the efficient operation of the system within predetermined cost factors. With no employees, the FGUA has no contingent workers compensation risk. For property, general liability, public officials, pollution and flood liabilities, the FGUA maintains adequate commercial insurance with the American International Insurance Group and other insurers, thereby protecting its rate payers from tort liability and natural disaster costs.

## **OTHER INFORMATION**

### ***Independent Audit***

The Interlocal Agreement and bond resolutions require an annual audit by independent certified public accountants. The accounting firm of Deloitte & Touche, LLP was selected by the Board to conduct this audit. 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, were used by the auditors in conducting the engagement. The auditors' report on the combined financial statements and combining statements is included in the financial section of this report. The auditors' report on compliance and on internal control over financial reporting based upon the audit performed in accordance with *Government Auditing Standards* is included in the other reports section.



**Acknowledgements**

The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial staff. Appreciation is expressed to all those who assisted and contributed to its preparation and to the Board for its interest and support in planning and conducting the operations of the FGUA in a responsible manner.

Respectfully submitted,

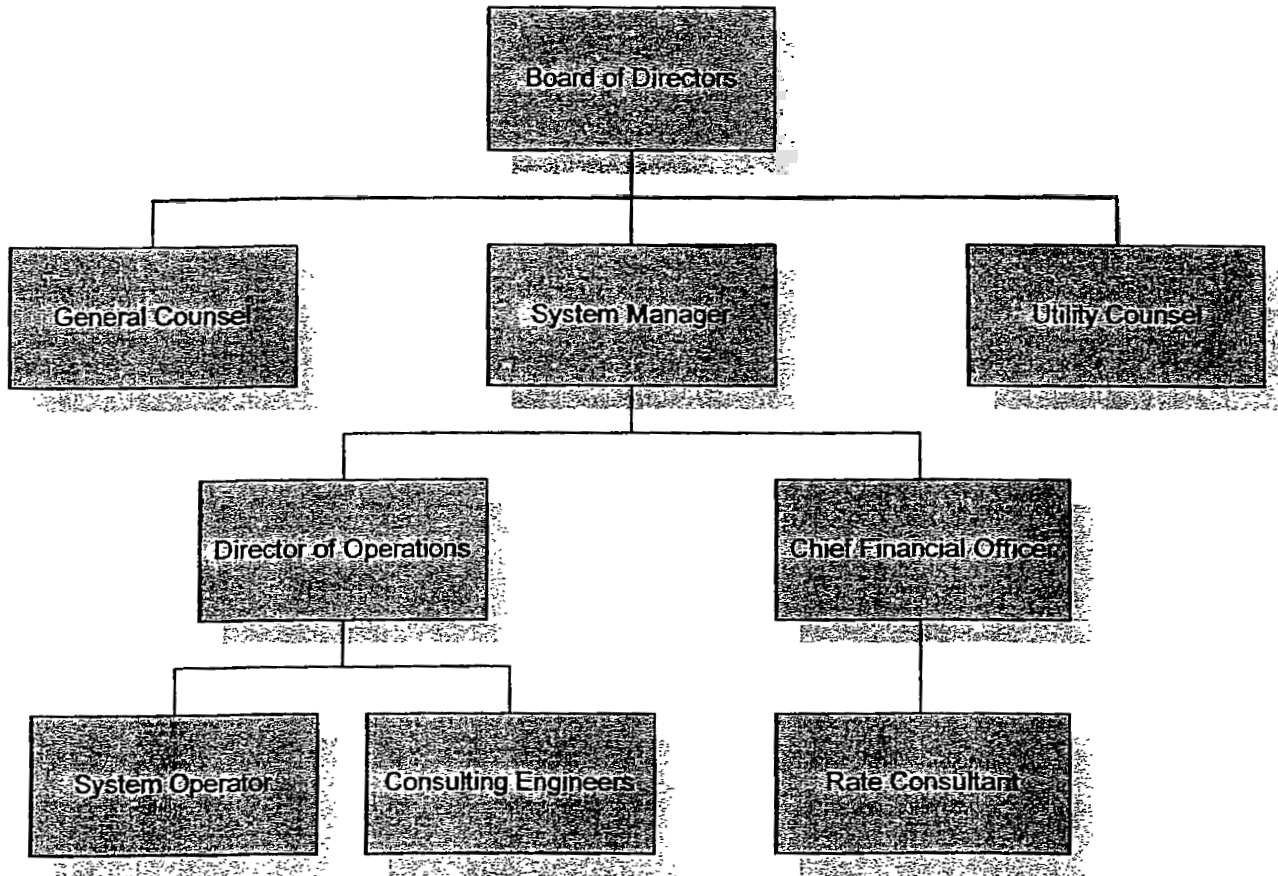


Robert E. Sheets, System Manager



David R. Miles, CGFO  
Chief Financial Officer

# Florida Governmental Utility Authority Organizational Chart



# Florida Governmental Utility Authority List of Principal Officials

## Board Members

<u>Name</u>	<u>Local Government</u>	<u>Title</u>
Lee Ann Thomas, Chairman	Polk County	Assistant County Manager
Warren Wagner, Vice Chairman	Sarasota County (Until August 29, 2002)	General Manager, Environmental Services
Richard W. Wesch	Citrus County	County Administrator
Walter Gossett	Nassau County	County Coordinator

## System Manager

Government Services Group, Inc  
Robert E. Sheets, President  
Charles L. Sweat, Director of Operations  
David R. Miles, Chief Financial Officer

## General Counsel

Pennington, Moore, Wilkinson, Bell & Dunbar, P.A.  
John C. Pelham

## Utility Counsel

Nabors, Giblin & Nickerson, P.A.  
Heather Encinosa

## Utility System Operator

Severn Trent – Avatar Utility Services, Inc.  
Edward Goscicki, President

## Consulting Engineers

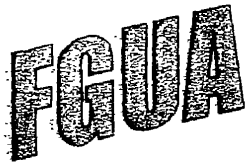
ARCADIS G & M, Inc.  
William H. Lynch, P.E., Associate Vice President

Hazen and Sawyer, P.C.  
Patrick A. Davis, Vice President

Malcolm Pirnie, Inc.  
Victor A. Hurlburt, P.E. Associate

## Rate Consultant

Public Resources Management Group, Inc.  
Robert J. Ori, President



**Florida Governmental Utility Authority**

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# Financial Section

Deloitte & Touche LLP  
Certified Public Accountants  
Suite 2801  
One Independent Drive  
Jacksonville, Florida 32202-5034

Tel: (904) 665 1400  
Fax: (904) 355 9104  
www.deloitte.com

**Deloitte  
& Touche**

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Florida Governmental Utility Authority  
Tallahassee, Florida

We have audited the accompanying combined financial statements of the Florida Governmental Utility Authority (the "Authority") as of and for the years ended September 30, 2002 and 2001, as listed in the foregoing table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2002 and 2001, and the results of its operations and its cash flows the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining financial statements listed in the foregoing table of contents, are presented for the purpose of additional analysis and are not a required part of the financial statements of the Authority. These combining financial statements are also the responsibility of the management of the Authority. Such additional information has been subjected to the auditing procedures applied in our audits of the combined financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the combined financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2003 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Deloitte & Touche LLP*

January 27, 2003

Deloitte  
Touche  
Tohmatsu

# FLORIDA GOVERNMENTAL UTILITY AUTHORITY

## COMBINED BALANCE SHEETS AS OF SEPTEMBER 30, 2002 AND 2001

	2002	2001
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 4,770,153	\$ 3,925,974
Accounts receivable, net of allowance for doubtful accounts of \$67,256 and \$62,861	1,626,414	2,075,791
Prepaid expenses	<u>78,710</u>	<u>28,119</u>
Total current assets	6,475,277	6,029,884
<b>RESTRICTED ASSETS:</b>		
Cash and cash equivalents	17,187,544	36,407,877
Bonds receivable	42,263,730	16,753,825
Interest receivable	402,695	406,511
Due from Avatar	<u>1,038</u>	<u>1,038</u>
Total restricted assets	59,855,007	53,569,251
<b>PLANT PROPERTY:</b>		
Land	2,700,179	3,844,434
Utility plants	<u>50,020,412</u>	<u>53,195,840</u>
	52,720,591	57,040,274
Less accumulated depreciation	<u>(9,150,626)</u>	<u>(9,637,623)</u>
	43,569,965	47,402,651
Construction in progress	<u>20,986,412</u>	<u>9,101,386</u>
	64,556,377	56,504,037
DEFERRED CHARGES, net of accumulated amortization of \$372,773 and \$251,644	2,082,865	2,994,785
EXCESS OF COST OVER FAIR VALUE OF ACQUIRED ASSETS, net of accumulated amortization of \$1,575,058 and \$1,130,811	<u>11,994,672</u>	<u>12,438,919</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 144,964,198</u></b>	<b><u>\$ 131,536,876</u></b>
<b>LIABILITIES AND RETAINED EARNINGS (DEFICIT)</b>		
<b>LIABILITIES:</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and other accrued expenses	\$ 1,296,933	\$ 1,145,786
Conservation payable	12,277	57,991
Customer deposits payable	<u>794,089</u>	<u>901,471</u>
Total current liabilities	2,103,299	2,105,248
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>		
Accounts payable and other accrued expenses	1,643,348	1,370,882
Accrued interest payable	2,546,079	2,934,933
Current portion of bonds and note payable	<u>1,855,571</u>	<u>6,542,388</u>
Total current liabilities payable from restricted assets	6,044,998	10,848,203
LONG-TERM PORTION OF BONDS PAYABLE, net of unamortized discount of \$955,431 and \$987,820	<u>119,238,366</u>	<u>115,657,064</u>
Total liabilities	127,386,663	128,610,515
<b>COMMITMENTS AND CONTINGENCIES (Note 8)</b>		
<b>RETAINED EARNINGS (DEFICIT):</b>		
Reserved for debt service	453,867	1,330,811
Reserved for renewals and replacements	830,251	748,667
Reserved for water facility improvements	2,148,039	1,955,721
Reserved for wastewater facility improvements	4,214,234	3,548,434
Unreserved	<u>9,931,144</u>	<u>(4,657,272)</u>
Total retained earnings (deficit)	17,577,535	2,926,361
<b>TOTAL LIABILITIES AND RETAINED EARNINGS (DEFICIT)</b>	<b><u>\$ 144,964,198</u></b>	<b><u>\$ 131,536,876</u></b>

The accompanying notes to the combined financial statements are an integral part of these statements.

# FLORIDA GOVERNMENTAL UTILITY AUTHORITY

## COMBINED STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN RETAINED EARNINGS YEARS ENDED SEPTEMBER 30, 2002 AND 2001

	2002	2001
OPERATING REVENUES:		
Water and wastewater revenues	\$ 19,566,253	\$ 18,318,667
Purchased water and wastewater	(2,416,146)	(2,663,775)
Special Assessment	82,600	75,321
Connection fees	<u>746,371</u>	<u>740,216</u>
Net operating revenues	17,979,078	16,470,429
OPERATING EXPENSES:		
Contractual services	8,987,808	8,037,760
Depreciation and amortization	4,603,292	4,453,336
Other operating expenses	<u>1,611,067</u>	<u>1,570,179</u>
Total operating expenses	15,202,167	14,061,275
OPERATING INCOME	2,776,911	2,409,154
NONOPERATING REVENUES (EXPENSES):		
Impact fees	2,361,903	3,627,590
Interest income	1,164,436	1,170,382
Interest expense	(4,961,841)	(4,554,906)
Gain on sale of Sarasota Utility System	<u>1,799,847</u>	<u>-</u>
Total nonoperating revenues (expenses), net	364,345	243,066
DEVELOPER CONTRIBUTIONS FOR CAPITAL PROJECTS	<u>11,509,918</u>	<u>-</u>
NET INCOME	14,651,174	2,652,220
RETAINED EARNINGS:		
Beginning of year	<u>2,926,361</u>	<u>274,141</u>
End of year	<u>\$ 17,577,535</u>	<u>\$ 2,926,361</u>

The accompanying notes to the combined financial statements are an integral part of these statements.

# FLORIDA GOVERNMENTAL UTILITY AUTHORITY

## COMBINED STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2002 AND 2001

	2002	2001
<b>OPERATING ACTIVITIES:</b>		
Cash received from customers, including customer deposits	\$ 20,265,981	\$ 19,110,286
Cash payments for water and wastewater	(2,543,208)	(2,636,225)
Cash payments for contractual and other services	<u>(8,825,585)</u>	<u>(8,377,197)</u>
Net cash provided by operating activities	<u>8,897,188</u>	<u>8,096,864</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from issuance of revenue bonds, net	4,895,000	27,384,412
Proceeds from issuance of assessment notes	415,000	-
Proceeds from issuance of DEP loan	114,281	-
Payment for refunding of revenue bonds	(4,860,000)	-
Payment of bond issuance costs	(47,000)	(993,902)
Principal paid on revenue bond and assessment note maturities	(1,702,186)	(1,601,728)
Interest paid on revenue bonds and assessment note	(6,370,443)	(4,682,272)
Accrued interest received on revenue bonds	-	111,377
Payments to acquire and construct plant property	(17,727,235)	(9,300,129)
Impact fees and other receipts	2,363,911	3,627,589
Cash transferred upon sale of System	<u>(6,206,725)</u>	<u>-</u>
Net cash (used in) provided by capital and related financing activities	<u>(29,125,397)</u>	<u>14,545,347</u>
<b>INVESTING ACTIVITIES:</b>		
Proceeds from bond maturities	295,000	285,000
Interest received	<u>1,557,055</u>	<u>2,058,678</u>
Net cash provided by investing activities	<u>1,852,055</u>	<u>2,343,678</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(18,376,154)	24,985,889
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>40,333,851</u>	<u>15,347,962</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 21,957,697</u>	<u>\$ 40,333,851</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income	\$ 2,776,911	\$ 2,409,154
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization expense	4,603,292	4,453,336
Changes in assets and liabilities, net of effects of sale of System:		
Increase in accounts receivable	(217,862)	(176,987)
Decrease in due from Avatar	-	23,413
Increase in prepaid expenses	(50,591)	(28,119)
Increase in accounts payable and other accrued expenses	1,727,718	1,292,100
Decrease in due to Avatar	-	(29,102)
Decrease in conservation payable	(45,714)	(16,802)
Increase in customer deposits payable	<u>103,434</u>	<u>169,871</u>
Total adjustments	<u>6,120,277</u>	<u>5,687,710</u>
Net cash provided by operating activities	<u>\$ 8,897,188</u>	<u>\$ 8,096,864</u>
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>		
Change in fair value of investments	\$ 2,398	\$ 2,587
Amortization of deferred charges	121,129	113,787
Amortization of excess of cost over fair value of acquired assets	444,247	452,324
Bond discount amortization	32,389	23,447
Write-off of deferred financing charges due to sale of System	837,791	-
Plant property contributed by developers	11,509,918	-

The accompanying notes to the financial statements are an integral part of these statements.



**FLORIDA GOVERNMENTAL UTILITY AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2002 AND 2001**

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**1. REPORTING ENTITY**

The Florida Governmental Utility Authority (the "Authority") was formed as a legal entity and public body pursuant to Chapters 125, 166 and 163, Florida Statutes and an Interlocal Agreement dated February 1, 1999 (the "Interlocal Agreement") initially by and between Brevard County, Lee County, Polk County and Sarasota County (the "Authority Members"), each a local government located in the State of Florida. The Interlocal Agreement was amended and restated on December 1, 2000, and is currently by and between Citrus County, Nassau County and Polk County. Sarasota County was a member of the Interlocal Agreement, but withdrew effective August 29, 2002, after assuming ownership of the Authority's assets and liabilities related to the Sarasota Utility System. The purpose of the Authority is to enable the Authority Members to make the most efficient use of their common power to acquire, own, improve, operate and maintain water and wastewater facilities. It is not expected that the Authority will have any employees. All services will be on a contractual basis predicated on the operational needs of the utility systems owned by the Authority.

The Authority has adopted Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, for the purpose of evaluating its financial statements. Based on the criteria in Statement No. 14, the Authority has determined that there are no other units that meet the criteria for inclusion in the Authority's financial statements.

The Authority has also adopted GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. This statement requires proprietary funds to apply all applicable GASB pronouncements as well as those Statements and Interpretations of the Financial Accounting Standards Board ("FASB"), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure, issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. As also provided by GASB Statement No. 20, the Authority has elected not to adopt any FASB statements issued after November 30, 1989 unless so directed by the GASB.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting systems of the Authority are organized on the basis of funds, each of which is considered an accounting entity having a self-balancing set of accounts for recording its assets, liabilities, fund equity, revenues and expenses. The utility systems comprising the Authority are reported as proprietary funds.

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

*Enterprise Fund* - The Enterprise Fund is used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing

# FLORIDA GOVERNMENTAL UTILITY AUTHORITY

## NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (Continued)

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body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The assets, liabilities, fund equity and results of operations of the five utility systems (Barefoot Bay Utility System, Carrollwood Utility System, Golden Gate Utility System, Poinciana Utility System and Sarasota Utility System) (collectively the "Utility Systems") comprising the Authority are combined in the accompanying financial statements. See Note 3 regarding the sale of the Sarasota Utility System to Sarasota County on August 8, 2002, and the sale of the Barefoot Bay Utility System to Brevard County on February 2, 2000.

**Basis of Accounting** - Basis of accounting refers to the timing of recognition of revenues and expenses in the accounts and reporting in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. Proprietary Funds utilize the accrual basis of accounting. Under this method, revenues are recognized when they are earned and expenses are recognized when they are incurred.

**Cash and Cash Equivalents** - Cash and cash equivalents consists of cash on hand and on deposit in banks, money market accounts and overnight repurchase agreements. Investments with a maturity of three months or less when purchased are considered to be cash equivalents.

**Investments** - Investments are carried at fair value.

**Accounts Receivable** - The Authority's accounts receivable consist of amounts due from consumers. The Utility Systems perform credit evaluations on their consumers and generally require collateral deposits from them.

**Restricted Assets** - Certain assets are required to be segregated from other assets due to various bond indenture agreements. These assets are legally restricted for specific purposes such as debt service, construction and renewals and replacements.

**Fixed Assets** - Fixed assets are recorded at historical cost. Construction period interest cost, net of interest earned on the unexpended proceeds of tax-exempt borrowings, is capitalized as part of fixed asset cost. Depreciation, on a straight-line basis, is charged over estimated useful lives ranging from 5 to 25 years.

**Excess of Cost Over Fair Value of Acquired Assets** - The excess cost over fair value of acquired assets is being amortized, on a straight-line basis, over 20 years.

**Bond Discounts and Issuance Costs** - Bond discounts and issuance costs are deferred and amortized over the term of the bonds using the interest method and straight-line method, respectively.

**Revenue Recognition** - Operating revenue consists of water and wastewater services and connection fees. Nonoperating revenue includes impact fees. These amounts are recognized in revenue as follows:

# FLORIDA GOVERNMENTAL UTILITY AUTHORITY

## NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (Continued)

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*Water and Wastewater Services* - Revenue consists of billings to customers for water and wastewater service. Billings are included in revenue as meters are read on a cycle basis throughout each month. Unbilled revenues are accrued based on estimated consumption since the last billing.

*Connection Fees* - Connection fees are imposed by the Utility Systems for the costs associated with installation of the service meter and tapping into the water and/or wastewater service main. Connection fees revenue is recognized when connection services are performed.

*Impact Fees* - Impact fees are imposed by the Utility Systems to acquire, construct, equip or expand the capacity of the water and/or wastewater facilities in order to serve new users of the facilities and new development within the service area of the Utility Systems. Impact fees revenue is recognized when the related connection services are performed.

*Developer Contributions for Capital Projects* - This revenue source represents contributions of certain water distribution and wastewater collection systems. Such contributions are recognized as revenue in the period they are received.

*Derivative Financial Instruments* - The Authority does not engage in derivatives trading, market making or other speculative activities. During 2002, the Authority entered into an agreement to manage certain exposures to fluctuations in interest rates.

*Use of Estimates* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

*Risk Management* - The Authority participates in various insurance programs for property and casualty losses. Coverages include property, general liability, and public officials. The Authority retains conventional insurance coverage for loss on structures and equipment through American International Insurance Group, and its affiliated companies, with reinsurance through Lloyds of London on its flood insurance policy. Settled claims have not exceeded insurance coverage during the last three fiscal years.

*New Accounting Standards* - In December 1998, the GASB issued Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as amended by Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues - an amendment of GASB Statement No. 33*. The Authority adopted Statement No. 33, as amended, effective October 1, 2000. Adoption of this statement did not have a material effect on the Authority's financial position, results of operations or cash flows.

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Generally, this statement establishes financial reporting standards for state and local governments, including states, cities, towns, villages, and special-purpose governments such as school districts and public utilities. It establishes that the basic financial statements and required supplementary information for general purpose governments should consist of: management's discussion and analysis, basic financial statements, and required supplementary

# FLORIDA GOVERNMENTAL UTILITY AUTHORITY

## NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (Continued)

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information. The requirements of this statement will be effective for the Authority in the year ending September 30, 2003. Management has reviewed the effect of this statement on its financial statements and has determined that the impact will not be significant, except for the addition of the management's discussion and analysis.

### 3. SALE OF UTILITY SYSTEMS

*Sarasota Utility System* - Effective August 8, 2002, Sarasota County, Florida, acquired all the assets and assumed all operating liabilities of the Sarasota Utility System at net book value. This transaction resulted in a gain of approximately \$1,800,000, equal to the accumulated deficit of the Sarasota Utility System at the sale date. In payment for the Sarasota Utility System, Sarasota County issued the Sarasota County Utility System Revenue Bonds Series 2002A in the amount of \$16,785,000 and Series 2002B in the amount of \$9,800,000 (the "Series 2002 Bonds"). The respective interest rates and maturities of the Series 2002 Bonds are identical to the Florida Governmental Utility Authority Utility System Revenue Bonds (Sarasota Utility System), Series 1999 and Series 2001 Bonds. The Series 1999 Bonds were issued by the Authority at the acquisition of the Sarasota Utility System and the Series 2001 Bonds were issued for capital improvements to the Sarasota Utility System. Both the Series 1999 Bonds and the Series 2001 Bonds remain outstanding. The trust estate as defined in the Series 2002 Bonds trust indenture secures the Series 2002 Bonds. This trust estate has replaced the net revenues of the Sarasota Utility System as the pledged revenue source securing the Series 1999 and 2001 Bonds. The Series 2002 Bonds are included in restricted assets in the combined balance sheet of the Authority.

*Barefoot Bay Utility System* - Effective February 2, 2000, Barefoot Bay Water and Sewer District (the "District"), a component unit of Brevard County, Florida, acquired all the assets and assumed all operating liabilities of the Barefoot Bay Utility System at net book value. This transaction resulted in a gain of approximately \$250,000, equal to the accumulated deficit of the Barefoot Bay Utility System at the sale date. In payment for the Barefoot Bay Utility System, the District issued Barefoot Bay Water and Sewer District Utility Revenue Bonds Series 2000 (the "Series 2000 Bonds") in the amount of \$17,135,000. The respective interest rates and maturities of the Series 2000 Bonds are identical to the Florida Governmental Utility Authority Utility System Revenue Bonds (Barefoot Bay Utility System), Series 1999 Bonds issued at the acquisition of the Barefoot Bay Utility System by the Authority and which remain outstanding. The trust estate as defined in the Series 2000 Bonds trust indenture secures the Series 2000 Bonds. This trust estate has replaced the net revenues of the Barefoot Bay Utility System as the pledged revenue source securing the Series 1999 Bonds. The Series 2000 Bonds are included in restricted assets in the combined balance sheet of the Authority.

### 4. CASH, CASH EQUIVALENTS AND INVESTMENTS

At September 30, 2002, the carrying amount of the Authority's cash on deposit in its bank account was \$372,094 and the related bank balance was \$892,211, all of which was insured by Federal deposit insurance or collateralized pursuant to Chapter 280, Florida Statutes. All collateralized deposits are considered insured.

# FLORIDA GOVERNMENTAL UTILITY AUTHORITY

## NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (Continued)

GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, provides for the classification of investments to give an indication of the level of credit risk assumed by the Authority. Category 1 credit risk investments include investments that are insured or registered or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 credit risk investments include uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name. Category 3 credit risk investments include uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the Authority's name.

At September 30, 2002, the Authority's investments and cash and cash equivalents consist of the following:

	1	Category 2	3	Fair Value
<b>Investments</b>				
Bonds receivable	\$ 42,263,730			\$ 42,263,730
Commercial paper *	614,949			614,949
Money market mutual funds (uncategorized) *				<u>20,970,654</u>
Total investments	<u>42,878,679</u>			63,849,333
<b>Cash</b>				
Cash on deposit				<u>372,094</u>
Total cash and investments (unrestricted and restricted)				<u>\$ 64,221,427</u>

\* Commercial paper and money market funds are considered to be cash equivalents for balance sheet presentation.

The Authority's investment practices are governed by Chapter 280, Florida Statutes, and various legal covenants related to the outstanding bond issues.

Chapter 280, Florida Statutes, generally requires public funds to be deposited in a bank or savings association that is designated by the State Treasurer as authorized to receive deposits in the State and that meets the collateral requirements. Collateral in the amount of the greater of (i) the average daily balance of public deposits multiplied by the depository's minimum collateral pledging level, established by the State Treasurer, (ii) 25 percent of the average monthly balance of public deposits or (iii) 125 percent of the average daily balance of public deposits greater than capital, is required to be deposited with the State Treasurer as security for public deposits. Collateral may be held by another custodian with approval of the State Treasurer if conditions are met which protect the State's interests. The amount of collateral may be increased to 125 percent of the average daily balance of public deposits if specified conditions exist.

Eligible collateral includes federal, federally-guaranteed, state and local government obligations and corporate bonds. Section 280.08(3), Florida Statutes, provides that if the loss to public depositors is not covered by deposit insurance and the proceeds from the sale of securities pledged by the defaulting

# FLORIDA GOVERNMENTAL UTILITY AUTHORITY

## NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (Continued)

depository, the difference will be provided by an assessment levied against other qualified public depositories of the same type as the depository in default.

### 5. PLANT PROPERTY

Changes in the Authority's plant property for the year ended September 30, 2002 are shown below:

	Beginning Balance	Additions	Transfers	Sale of Sarasota Utility System	Ending Balance
Land	\$ 3,844,434	\$ -	\$ -	\$ (1,144,255)	\$ 2,700,179
Utility plant	53,195,840	9,734,903	493,650	(13,403,981)	50,020,412
Construction in progress	9,101,386	20,160,641	(493,650)	(7,781,965)	20,986,412
Accumulated depreciation	<u>(9,637,623)</u>	<u>(4,037,378)</u>	<u>-</u>	<u>4,524,375</u>	<u>(9,150,626)</u>
	<u>\$ 56,504,037</u>	<u>\$ 25,858,166</u>	<u>\$ -</u>	<u>\$ (17,805,826)</u>	<u>\$ 64,556,377</u>

Depreciation expense for the years ended September 30, 2002 and 2001 was \$4,037,378 and \$3,887,123, respectively.

Interest expense from the 2001 and 1999 bond issues and 2000A assessment note is capitalized to the extent that such proceeds are used for construction purposes. Net interest costs of \$658,929 and \$89,979 were capitalized as part of fixed assets for the years ended September 30, 2002 and 2001, respectively. The amounts capitalized include interest costs incurred during the years ended September 30, 2002 and 2001 of \$1,049,740 and \$976,515, respectively, net of \$390,811 and \$886,536, respectively, of interest earned on related investments acquired with revenue bond and note proceeds.

### 6. BONDS AND NOTE PAYABLE

Bonds and notes payable as of September 30, 2002 and 2001 are as follows:

#### Barefoot Bay Utility System

	2002	2001
\$4,215,000 Series 1999 Serial Bonds due in annual installments of \$305,000 to \$435,000, October 1, 2002 through October 1, 2011; interest at rates ranging from 3.55% to 4.50%	\$ 3,635,000	\$ 3,930,000
\$3,715,000 5.25% 1999 Series Term Bonds due October 1, 2018, subject to mandatory sinking fund requirements in varying annual principal amounts beginning October 1, 2012	3,715,000	3,715,000
\$9,205,000 5.00% 1999 Series Term Bonds due October 1, 2029, subject to mandatory sinking fund requirements in varying annual principal amounts beginning October 1, 2019	9,205,000	9,205,000

# FLORIDA GOVERNMENTAL UTILITY AUTHORITY

## NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (Continued)

### Carrollwood Utility System

\$4,895,000 Series 2002 Revenue Refunding Bonds; due March 31, 2004; interest payable quarterly at a variable rate; variable rate fixed through interest rate swap agreement at 4.56%	\$ 4,895,000	\$ -
\$5,035,000 Series 1999 Serial Bonds due in installments of \$90,000 to \$4,860,000, October 1, 2001 through April 1, 2002; interest at a rate of 5.50%	-	4,950,000

### Golden Gate Utility System

\$7,150,000 Series 1999 Serial Bonds due in annual installments of \$545,000 to \$745,000, July 1, 2003 through July 1, 2011; interest at rates ranging from 3.65% to 4.50%	5,730,000	6,240,000
\$6,385,000 5.25% 1999 Series Term Bonds due July 1, 2018, subject to mandatory sinking fund requirements in varying annual principal amounts beginning July 1, 2012	6,385,000	6,385,000
\$15,815,000 5.00% 1999 Series Term Bonds due July 1, 2029, subject to mandatory sinking fund requirements in varying annual principal amounts beginning July 1, 2019	15,815,000	15,815,000
\$415,000 6.63% Series 2002A Special Assessment Note; payments of \$22,493 including interest due semi-annually beginning November 1, 2003 through November 1, 2017; interest only payment of \$27,102 due May 1, 2003	415,000	-
\$484,000 7.82% Series 2000A Special Assessment Note; payments of approximately \$36,500 including interest due semi-annually through April 1, 2010	405,087	462,272
\$179,089 3.05% Florida Department of Environmental Protection Clean Water State Revolving Fund Loan; payments of \$6,014 including interest due semi-annually beginning October 15, 2004	114,281	-

# FLORIDA GOVERNMENTAL UTILITY AUTHORITY

## NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (Continued)

### Poinciana Utility System

	2002	2001
\$6,900,000 Series 2001 Serial Bonds due in annual installments of \$340,000 to \$525,000, October 1, 2003 through October 1, 2014; interest at rates ranging from 3.60% to 4.70%	\$ 5,055,000	\$ 5,055,000
\$4,465,000 5.00% 2001 Series Term Bonds due October 1, 2021, subject to mandatory sinking fund requirements in varying annual principal amounts beginning October 1, 2015	4,465,000	4,465,000
\$4,270,000 5.125% 2001 Series Term Bonds due October 1, 2026, subject to mandatory sinking fund requirements in varying annual principal amounts beginning October 1, 2022	4,270,000	4,270,000
\$4,275,000 5.125% 2001 Series Term Bonds due October 1, 2030, subject to mandatory sinking fund requirements in varying annual principal amounts beginning October 1, 2027	4,275,000	4,275,000
\$6,900,000 Series 1999 Serial Bonds due in annual installments of \$500,000 to \$710,000, October 1, 2002 through October 1, 2011; interest at rates ranging from 3.55% to 4.50%	5,950,000	6,430,000
\$6,075,000 5.25% 1999 Series Term Bonds due October 1, 2018, subject to mandatory sinking fund requirements in varying annual principal amounts beginning October 1, 2012	6,075,000	6,075,000
\$15,060,000 5.00% 1999 Series Term Bonds due October 1, 2029, subject to mandatory sinking fund requirements in varying annual principal amounts beginning October 1, 2019	15,060,000	15,060,000



# FLORIDA GOVERNMENTAL UTILITY AUTHORITY

## NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (Continued)

### Sarasota Utility System

	2002	2001
\$2,885,000 Series 2001 Serial Bonds due in annual installments of \$175,000 to \$280,000, October 1, 2002 through October 1, 2014; interest at rates ranging from 3.30% to 4.70%	\$ 2,885,000	\$ 2,885,000
\$2,385,000 4.75% 2001 Series Term Bonds due October 1, 2021, subject to mandatory sinking fund requirements in varying annual principal amounts beginning October 1, 2015	2,385,000	2,385,000
\$2,265,000 5.125% 2001 Series Term Bonds due October 1, 2026, subject to mandatory sinking fund requirements in varying annual principal amounts beginning October 1, 2022	2,265,000	2,265,000
\$2,265,000 5.125% 2001 Series Term Bonds due October 1, 2030, subject to mandatory sinking fund requirements in varying annual principal amounts beginning October 1, 2027	2,265,000	2,265,000
\$4,195,000 Series 1999 Serial Bonds due in annual installments of \$310,000 to \$440,000, October 1, 2002 through October 1, 2011; interest at rates ranging from 3.55% to 4.50%	3,680,000	3,950,000
\$3,770,000 5.25% 1999 Series Term Bonds due October 1, 2018, subject to mandatory sinking fund requirements in varying annual principal amounts beginning October 1, 2012	3,770,000	3,770,000
\$9,335,000 5.00% 1999 Series Term Bonds due October 1, 2029, subject to mandatory sinking fund requirements in varying annual principal amounts beginning October 1, 2019	<u>9,335,000</u>	<u>9,335,000</u>
Total bonds outstanding	122,049,368	123,187,272
Less unamortized bond discount	<u>(955,431)</u>	<u>(987,820)</u>
	121,093,937	122,199,452
Less current portion	<u>(1,855,571)</u>	<u>(6,542,388)</u>
	<u>\$ 119,238,366</u>	<u>\$ 115,657,064</u>

# FLORIDA GOVERNMENTAL UTILITY AUTHORITY

## NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (Continued)

Debt service requirements to maturity are as follows at September 30, 2002:

<b>Barefoot Bay Utility System</b>			
<b>1999 Bonds Debt Service</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2003	\$ 305,000	\$ 792,165	\$ 1,097,165
2004	315,000	780,668	1,095,668
2005	325,000	768,318	1,093,318
2006	340,000	755,058	1,095,058
2007	355,000	740,858	1,095,858
Thereafter	<u>14,915,000</u>	<u>9,829,288</u>	<u>24,744,288</u>
	<u>\$ 16,555,000</u>	<u>\$ 13,666,355</u>	<u>\$ 30,221,355</u>

<b>Carrollwood Utility System</b>			
<b>2002 Bonds Debt Service</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2003	\$ -	\$ 223,212	\$ 223,212
2004	<u>4,895,000</u>	<u>111,606</u>	<u>5,006,606</u>
	<u>\$ 4,895,000</u>	<u>\$ 334,818</u>	<u>\$ 5,229,818</u>

<b>Golden Gate Utility System</b>			
<b>1999 Bonds Debt Service</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2003	\$ 545,000	\$ 1,354,819	\$ 1,899,819
2004	565,000	1,334,401	1,899,401
2005	585,000	1,312,483	1,897,483
2006	605,000	1,289,206	1,894,206
2007	630,000	1,264,463	1,894,463
Thereafter	<u>25,000,000</u>	<u>16,474,353</u>	<u>41,474,353</u>
	<u>\$ 27,930,000</u>	<u>\$ 23,029,725</u>	<u>\$ 50,959,725</u>

<b>Golden Gate Utility System</b>			
<b>2002A Special Assessment Note</b>			
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2003	\$ -	\$ -	\$ -
2004	17,761	27,225	44,986
2005	18,958	26,028	44,986
2006	20,237	24,749	44,986
2007	21,600	23,386	44,986
Thereafter	<u>336,444</u>	<u>135,918</u>	<u>472,362</u>
	<u>\$ 415,000</u>	<u>\$ 237,306</u>	<u>\$ 652,306</u>

# FLORIDA GOVERNMENTAL UTILITY AUTHORITY

## NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (Continued)

Golden Gate Utility System 2000A Special Assessment Note			
	Principal	Interest	Total
2003	\$ 20,571	\$ 16,015	\$ 36,586
2004	43,587	29,721	73,308
2005	47,062	26,118	73,180
2006	50,815	22,314	73,129
2007	54,866	18,207	73,073
Thereafter	<u>188,186</u>	<u>26,602</u>	<u>214,788</u>
	<u>\$ 405,087</u>	<u>\$ 138,977</u>	<u>\$ 544,064</u>

Golden Gate Utility System DEP Loan			
	Principal	Interest	Total
2003	\$ -	\$ -	\$ -
2004	-	-	-
2005	-	12,028	12,028
2006	-	12,028	12,028
2007	4,833	7,195	12,028
Thereafter	<u>109,448</u>	<u>55,781</u>	<u>165,229</u>
	<u>\$ 114,281</u>	<u>\$ 87,032</u>	<u>\$ 201,313</u>

Poinciana Utility System 2001 Bonds Debt Service			
	Principal	Interest	Total
2003	\$ -	\$ 872,021	\$ 872,021
2004	340,000	859,781	1,199,781
2005	350,000	846,831	1,196,831
2006	365,000	833,144	1,198,144
2007	375,000	818,613	1,193,613
Thereafter	<u>16,635,000</u>	<u>11,571,831</u>	<u>28,206,831</u>
	<u>\$ 18,065,000</u>	<u>\$ 15,802,221</u>	<u>\$ 33,867,221</u>

# FLORIDA GOVERNMENTAL UTILITY AUTHORITY

## NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (Continued)

Poinciana Utility System 1999 Bonds Debt Service			
	Principal	Interest	Total
2003	\$ 500,000	\$ 1,295,943	\$ 1,795,943
2004	515,000	1,277,145	1,792,145
2005	535,000	1,256,815	1,791,815
2006	555,000	1,235,170	1,790,170
2007	580,000	1,211,970	1,791,970
Thereafter	<u>24,400,000</u>	<u>16,080,585</u>	<u>40,480,585</u>
	<u>\$ 27,085,000</u>	<u>\$ 22,357,628</u>	<u>\$ 49,442,628</u>

Sarasota Utility System 2001 Bonds Debt Service			
	Principal	Interest	Total
2003	\$ 175,000	\$ 458,490	\$ 633,490
2004	180,000	452,010	632,010
2005	190,000	444,980	634,980
2006	195,000	437,668	632,668
2007	200,000	429,918	629,918
Thereafter	<u>8,860,000</u>	<u>6,080,128</u>	<u>14,940,128</u>
	<u>\$ 9,800,000</u>	<u>\$ 8,303,194</u>	<u>\$ 18,103,194</u>

Sarasota Utility System 1999 Bonds Debt Service			
	Principal	Interest	Total
2003	\$ 310,000	\$ 803,190	\$ 1,113,190
2004	320,000	791,510	1,111,510
2005	330,000	778,970	1,108,970
2006	345,000	765,515	1,110,515
2007	355,000	751,315	1,106,315
Thereafter	<u>15,125,000</u>	<u>9,970,093</u>	<u>25,095,093</u>
	<u>\$ 16,785,000</u>	<u>\$ 13,860,593</u>	<u>\$ 30,645,593</u>

**Refunding** - In March 2002, the Carrollwood Utility System issued the \$4,895,000 Florida Governmental Utility Authority Variable Rate Utility Refunding Revenue Bond (Carrollwood Utility System), Series 2002 (the "Series 2002 Bonds"). The bond proceeds were used to refund \$4,860,000 of the Florida Governmental Utility Authority Utility Revenue Bond (Carrollwood Utility System), Series 1999. The remaining proceeds of \$35,000 were used to pay the debt issuance costs.

**Interest Rate Swap Agreement** - In connection with the issuance of the Series 2002 Bonds, the Carrollwood Utility System entered an interest rate swap agreement to manage its exposure to changes in interest rates and to convert the variable rate on the Series 2002 Bonds to a fixed rate of 4.56%. The interest rate swap agreement is recorded using settlement accounting. Expenses are recorded based on the

# FLORIDA GOVERNMENTAL UTILITY AUTHORITY

## NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (Continued)

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actual payments made to settle the contract on each quarterly settlement date. At September 30, 2002, the contract/notional amount of the Carrollwood Utility System's interest rate swap agreement was \$4,895,000.

As is customary for these types of instruments, the Carrollwood Utility System does not require collateral or other security from other parties to these instruments. By their nature all such instruments involve risk, including the credit risk of nonperformance by counterparties. However, at September 30, 2002, in management's opinion there was no significant risk of loss in the event of nonperformance of the counterparties to these financial instruments.

*Special Assessment Notes* - The Authority has made a subordinated pledge of the general revenue of the Golden Gate Utility System as a secondary pledge to the Special Assessments placed on the property owners in the three Golden Gate Special Assessment Districts. In the event of default by the property owners, the general ratepayers would be responsible for any shortfall. This pledge is subordinate to the pledge made to other revenue bondholders of the Golden Gate Utility System.

### 7. RETAINED DEFICIT

At September 30, 2002, the Carrollwood Utility System had retained deficit balance of \$813,707. This retained deficit will be corrected by future expected operating revenues. A rate increase of 4.02% was approved September 19, 2002 and became effective October 1, 2002, to begin curing the retained deficit.

### 8. COMMITMENTS AND CONTINGENCIES

*Severn Trent - Avatar Utility Services, LLC* - As a requirement of the transfer of each of the Utility Systems to the Authority by Avatar, the Authority entered into the Barefoot Bay Utility System Operations, Billing and Customer Service Agreement; the Carrollwood Utility System Operations, Billing and Customer Service Agreement, as amended June 1, 2000; the Golden Gate Utility System Operations, Billing and Customer Service Agreement, as amended June 1, 2000; the Poinciana Utility System Operations, Billing and Customer Service Agreement; and the Sarasota Utility System Operations, Billing and Customer Service Agreement, as amended June 1, 2000 (collectively the "Operations and Billing Agreements") with Severn Trent - Avatar Utility Services, LLC ("STAUS"). As defined in the Operations and Billing Agreements, STAUS is to provide water treatment, water distribution, wastewater treatment and wastewater disposal services to the Utility Systems' customers without unnecessary interruption. In addition, STAUS is responsible for all operating and maintenance services for each Utility System. The Operations and Billing Agreement for Barefoot Bay was terminated as of February 2, 2000, the date of transfer to Brevard County. The Operations and Billing Agreement for Sarasota was terminated effective August 8, 2002, the date of the transfer to Sarasota County. The Operations and Billing Agreement for Carrollwood, which expired September 30, 2002, was extended through March 31, 2004, based on a contract amendment dated October 17, 2002. The Operations and Billing Agreements for Golden Gate and Poinciana expire May 31, 2004 and March 31, 2004, respectively, and may be extended for an additional 5 years upon the mutual agreement of the parties. STAUS receives an annual fixed fee for services provided to the Utility Systems of \$5,959,487 paid in monthly installments. Fees in future years, for the Poinciana Utility System, are adjusted as defined in the Poinciana Operations and

# FLORIDA GOVERNMENTAL UTILITY AUTHORITY

## NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (Continued)

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*Billing Agreement.* The Carrollwood, Golden Gate and Poinciana Operations and Billing Agreements also provide for additional payments to STAUS for renewals and replacements and for capital improvements. Such additional payments are to be at STAUS's cost plus a specified profit percentage. Total amounts paid to STAUS for the years ended September 30, 2002 and 2001 for all services were approximately \$8,615,100 and \$10,348,000, respectively. At September 30, 2002, amounts payable to STAUS totaled approximately \$1,083,700.

*Government Services Group, Inc.* - In order to execute the powers of the Authority pursuant to the Interlocal Agreement and the responsibilities of the Authority, the Authority retained Government Services Group, Inc. ("GSG"), a private contractor, for the overall management of the Authority. The Management Services Agreement between the Authority and GSG defines the general functions GSG will carry out and expires May 31, 2003. The Authority has the option to extend the term of the Management Services Agreement. GSG receives an annual fixed fee for services provided to the Authority of \$550,000. Additional payments are made for capital project management and inspection, and other services approved by the Authority's Board of Directors. Total amounts paid to GSG for the years ended September 30, 2002 and 2001 were approximately \$1,260,200 and \$1,231,700, respectively. At September 30, 2002, amounts payable to GSG totaled approximately \$72,400.

*Contracts* - Commitments on outstanding contracts for improvements and maintenance of the Utility Systems totaled approximately \$2,889,400 at September 30, 2002.

*Pending Litigation* - The Utility Systems are contingently liable with respect to regulatory inquiries and other claims incidental to the ordinary course of its operations. In the opinion of management, based on the advice of legal counsel, the ultimate disposition of these regulatory inquiries and claims will not have a material adverse effect on the financial position or results of operations of the Utility Systems.

*Other Contingency* - On November 28, 2000, the Authority received a notice of violation ("NOV") from the Florida Department of Environmental Protection (the "FDEP") as a result of the Sarasota Utility System's failure to meet certain effluent toxicity test levels and other operational problems. A fine of \$40,520 was paid to the FDEP in June 2002. The responsibility for the remaining actions to resolve this issue, including in-kind mitigating projects was assumed by Sarasota County upon sale of the Sarasota Utility System to Sarasota County effective August 8, 2002. The Authority has no remaining obligation to resolve the NOV.

### 9. RELATED PARTY TRANSACTIONS

Prior to December 31, 2001, GSG was partially owned by Nabors, Giblin & Nickerson, P.A., ("NGN") which is serving as Bond Counsel with respect to the Series 2002, 2001 and 1999 Bonds and Special Authority Counsel of each of the Utility Systems. This direct interest ended through a buyout of NGN shares by GSG, although some partners in NGN retain individual ownership interests in GSG. Amounts paid to NGN for the years ended September 30, 2002 and 2001, totaled approximately \$187,200 and \$276,500, respectively. At September 30, 2002, amounts payable to NGN totaled approximately \$24,300.

# FLORIDA GOVERNMENTAL UTILITY AUTHORITY

## NOTES TO COMBINED FINANCIAL STATEMENTS YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (Concluded)

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### 10. SUBSEQUENT EVENT

On December 23, 2002, the Osceola County Board of County Commissioners adopted Resolution No. 02/03-043R, approving the membership of Osceola County into the Authority's Interlocal Agreement. On January 16, 2003, the Authority's Board of Directors accepted Osceola County as a new member of the Authority.

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# FLORIDA GOVERNMENTAL UTILITY AUTHORITY

COMBINING BALANCE SHEETS  
AS OF SEPTEMBER 30, 2002  
(With Comparative Totals For 2001)

	Barefoot Bay Utility System	Carrollwood Utility System
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$	\$ 3,326
Accounts receivable, net		194,445
Prepaid expenses		7,913
Total current assets		205,684
<b>RESTRICTED ASSETS:</b>		
Cash and cash equivalents		185,771
Bonds receivable	16,461,223	
Interest receivable	402,695	
Due from Avatar		
Total restricted assets	16,863,918	185,771
<b>PLANT PROPERTY:</b>		
Land		65,700
Utility plants		4,711,712
		4,777,412
Less accumulated depreciation		(1,151,701)
		3,625,711
Construction in progress		249,993
		3,875,704
<b>DEFERRED CHARGES, net</b>		26,250
<b>EXCESS OF COST OVER FAIR VALUE OF ACQUIRED ASSETS, net</b>		
<b>TOTAL ASSETS</b>	<b>\$ 16,863,918</b>	<b>\$ 4,293,409</b>
<b>LIABILITIES AND RETAINED EARNINGS (DEFICIT)</b>		
<b>LIABILITIES:</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and other accrued expenses	\$	\$ 137,055
Due to Avatar		
Conservation payable		12,277
Customer deposits payable		6,981
Total current liabilities		156,313
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>		
Accounts payable and other accrued expenses		
Accrued interest payable	402,695	55,803
Current portion of bonds and notes payable	305,000	
Total current liabilities payable from restricted assets	707,695	55,803
<b>LONG-TERM PORTION OF BONDS AND NOTES PAYABLE, net</b>	<b>16,156,223</b>	<b>4,895,000</b>
Total liabilities	16,863,918	5,107,116
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>RETAINED EARNINGS (DEFICIT):</b>		
Reserved for debt service		4,396
Reserved for renewals and replacements		123,239
Reserved for water facility improvements		707
Reserved for wastewater facility improvements		1,626
Unreserved		(943,675)
Total retained earnings (deficit)		(813,707)
<b>TOTAL LIABILITIES AND RETAINED EARNINGS (DEFICIT)</b>	<b>\$ 16,863,918</b>	<b>\$ 4,293,409</b>



Golden Gate Utility System	Poinciana Utility System	Sarasota Utility System	Totals	
			2002	2001
\$ 970,113	\$ 3,796,714	\$	\$ 4,770,153	\$ 3,925,974
510,176	890,894	30,899	1,626,414	2,075,791
12,331	58,466		78,710	28,119
<u>1,492,620</u>	<u>4,746,074</u>	<u>30,899</u>	<u>6,475,277</u>	<u>6,029,884</u>
3,269,341	12,608,202	1,124,230	17,187,544	36,407,877
		25,802,507	42,263,730	16,753,825
			402,695	406,511
1,038			1,038	1,038
<u>3,270,379</u>	<u>12,608,202</u>	<u>26,926,737</u>	<u>59,855,007</u>	<u>53,569,251</u>
500,000	2,134,479		2,700,179	3,844,434
12,948,296	32,360,404		50,020,412	53,195,840
13,448,296	34,494,883		52,720,591	57,040,274
(2,946,923)	(5,052,002)		(9,150,626)	(9,637,623)
10,501,373	29,442,881		43,569,965	47,402,651
1,766,913	18,969,506		20,986,412	9,101,386
<u>12,268,286</u>	<u>48,412,387</u>		<u>64,556,377</u>	<u>56,504,037</u>
775,579	1,281,036		2,082,865	2,994,785
11,994,672			11,994,672	12,438,919
<u>\$ 29,801,536</u>	<u>\$ 67,047,699</u>	<u>\$ 26,957,636</u>	<u>\$ 144,964,198</u>	<u>\$ 131,536,876</u>
\$ 332,504	\$ 827,374	\$	1,296,933	\$ 1,145,786
			12,277	57,991
281,162	505,946		794,089	901,471
<u>613,666</u>	<u>1,333,320</u>		<u>2,103,299</u>	<u>2,105,248</u>
66,592	1,545,857	30,899	1,643,348	1,370,882
355,494	1,092,857	639,230	2,546,079	2,934,933
565,571	500,000	485,000	1,855,571	6,542,388
<u>987,657</u>	<u>3,138,714</u>	<u>1,155,129</u>	<u>6,044,998</u>	<u>10,848,203</u>
28,138,776	44,245,860	25,802,507	119,238,366	115,657,064
<u>29,740,099</u>	<u>48,717,894</u>	<u>26,957,636</u>	<u>127,386,663</u>	<u>128,610,515</u>
11,244	438,227		453,867	1,330,811
311,291	395,721		830,251	748,667
912,244	1,235,088		2,148,039	1,955,721
779,917	3,432,691		4,214,234	3,548,434
(1,953,259)	12,828,078		9,931,144	(4,657,272)
<u>61,437</u>	<u>18,329,805</u>		<u>17,577,535</u>	<u>2,926,361</u>
<u>\$ 29,801,536</u>	<u>\$ 67,047,699</u>	<u>\$ 26,957,636</u>	<u>\$ 144,964,198</u>	<u>\$ 131,536,876</u>

# FLORIDA GOVERNMENTAL UTILITY AUTHORITY

## COMBINING STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN RETAINED EARNINGS (DEFICIT) YEAR ENDED SEPTEMBER 30, 2002 (With Comparative Totals For 2001)

	Barefoot Bay Utility System	Carrollwood Utility System
<b>OPERATING REVENUES:</b>		
Water and wastewater revenues	\$	\$ 1,358,571
Purchased water and wastewater		(517,937)
Special assessment		
Connection fees		735
Net operating revenues		841,369
<b>OPERATING EXPENSES:</b>		
Contractual services		451,183
Depreciation and amortization		347,866
Other operating expenses		119,317
Total operating expenses		918,366
OPERATING INCOME (LOSS)		(76,997)
<b>NONOPERATING REVENUES (EXPENSES):</b>		
Impact fees		2,310
Interest and other income	805,390	1,196
Interest expense	(805,390)	(239,614)
Gain on sale of Sarasota Utility System		
Total nonoperating revenues (expenses), net		(236,108)
DEVELOPER CONTRIBUTIONS FOR CAPITAL PROJECTS		47,989
NET (LOSS) INCOME		(265,116)
<b>RETAINED EARNINGS (DEFICIT):</b>		
Beginning of year		(548,591)
End of year	\$	\$ (813,707)

Golden Gate Utility System	Poinciana Utility System	Sarasota Utility System	Total	
			2002	2001
\$ 4,091,271	\$ 7,324,512	\$ 6,791,899	\$ 19,566,253	\$ 18,318,667
		(1,898,209)	(2,416,146)	(2,663,775)
82,600			82,600	75,321
22,872	686,566	36,198	746,371	740,216
<u>4,196,743</u>	<u>8,011,078</u>	<u>4,929,888</u>	<u>17,979,078</u>	<u>16,470,429</u>
1,665,616	4,070,668	2,800,341	8,987,808	8,037,760
1,335,387	1,726,520	1,193,519	4,603,292	4,453,336
273,465	737,917	480,368	1,611,067	1,570,179
<u>3,274,468</u>	<u>6,535,105</u>	<u>4,474,228</u>	<u>15,202,167</u>	<u>14,061,275</u>
922,275	1,475,973	455,660	2,776,911	2,409,154
358,378	1,951,199	50,016	2,361,903	3,627,590
41,251	117,094	199,505	1,164,436	1,170,382
(1,358,130)	(1,567,283)	(991,424)	(4,961,841)	(4,554,906)
		1,799,847	1,799,847	
<u>(958,501)</u>	<u>501,010</u>	<u>1,057,944</u>	<u>364,345</u>	<u>243,066</u>
<u>11,753</u>	<u>11,450,176</u>		<u>11,509,918</u>	
(24,473)	13,427,159	1,513,604	14,651,174	2,652,220
85,910	4,902,646	(1,513,604)	2,926,361	274,141
<u>\$ 61,437</u>	<u>\$ 18,329,805</u>	<u>\$</u>	<u>\$ 17,577,535</u>	<u>\$ 2,926,361</u>

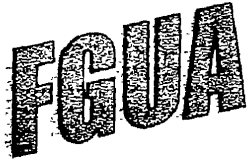
FLORIDA GOVERNMENTAL UTILITY AUTHORITY

COMBINING STATEMENTS OF CASH FLOWS  
 YEAR ENDED SEPTEMBER 30, 2002  
 (With Comparative Totals For 2001)

	Barefoot Bay Utility System	Carrollwood Utility System
<b>OPERATING ACTIVITIES:</b>		
Cash received from customers, including customer deposits	\$	\$ 1,354,937
Cash payments for water and wastewater		(519,922)
Cash payments for contractual and other services		(535,744)
Net cash provided by operating activities		<u>299,271</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from issuance of revenue bonds, net		4,895,000
Proceeds from issuance of assessment notes		
Proceeds from issuance of DEP loan		
Payment for refunding of revenue bonds		(4,860,000)
Payment of debt issuance costs		(35,000)
Principal paid on revenue bond and assessment note maturities	(295,000)	(90,000)
Interest paid on revenue bonds and assessment note	(809,206)	(329,408)
Accrued interest received on revenue bonds		
Payments to acquire and construct plant property		(39,335)
Impact fees and other receipts		2,310
Cash transferred upon sale of System		
Net cash (used in) provided by capital and related financing activities	<u>(1,104,206)</u>	<u>(456,433)</u>
<b>INVESTING ACTIVITIES:</b>		
Proceeds from bond maturities	295,000	
Interest received	809,206	2,447
Net cash provided by investing activities	<u>1,104,206</u>	<u>2,447</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(154,715)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>		<b>343,812</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$</b>	<b>\$ 189,097</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating (loss) income	\$	\$ (76,997)
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:		
Depreciation and amortization expense		347,866
Changes in assets and liabilities, net of effects of sale of System:		
Decrease (increase) in accounts receivable		38,404
Decrease in due from Avatar		
(Increase) decrease in prepaid expenses		(4,668)
Increase in accounts payable and other accrued expenses		37,439
Decrease in due to Avatar		
Decrease in conservation payable		(45,714)
Increase (decrease) in customer deposits payable		2,941
Total adjustments		<u>376,268</u>
Net cash provided by operating activities	<u>\$</u>	<u>\$ 299,271</u>
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>		
Change in fair value of investments	\$ 2,398	
Amortization of deferred charges		\$ 18,094
Amortization of excess of cost over fair value of acquired assets		
Bond discount amortization	2,398	
Write-off of deferred charges due to sale of System		
Plant property contributed by developers		47,989

Golden Gate Utility System	Poinciana Utility System	Sarasota Utility System	Totals	
			2002	2001
\$ 4,220,313	\$ 7,837,129	\$ 6,853,602	\$ 20,265,981	\$ 19,110,286
(1,869,046)	(3,571,999)	(2,023,286)	(2,543,208)	(2,636,225)
<u>2,351,267</u>	<u>4,265,130</u>	<u>(2,848,796)</u>	<u>(8,825,585)</u>	<u>(8,377,197)</u>
		<u>1,981,520</u>	<u>8,897,188</u>	<u>8,096,864</u>
			4,895,000	27,384,412
415,000			415,000	
114,281			114,281	
			(4,860,000)	
(12,000)			(47,000)	(993,902)
(567,186)	(480,000)	(270,000)	(1,702,186)	(1,601,728)
(1,432,602)	(2,379,081)	(1,420,146)	(6,370,443)	(4,682,272)
				111,377
(1,168,959)	(10,494,517)	(6,024,424)	(17,727,235)	(9,300,129)
360,031	1,951,199	50,371	2,363,911	3,627,589
		<u>(6,206,725)</u>	<u>(6,206,725)</u>	
<u>(2,291,435)</u>	<u>(11,402,399)</u>	<u>(13,870,924)</u>	<u>(29,125,397)</u>	<u>14,545,347</u>
			295,000	285,000
61,495	333,224	350,683	1,557,055	2,058,678
<u>61,495</u>	<u>333,224</u>	<u>350,683</u>	<u>1,852,055</u>	<u>2,343,678</u>
121,327	(6,804,045)	(11,538,721)	(18,376,154)	24,985,889
4,118,127	23,208,961	12,662,951	40,333,851	15,347,962
<u>\$ 4,239,454</u>	<u>\$ 16,404,916</u>	<u>\$ 1,124,230</u>	<u>\$ 21,957,697</u>	<u>\$ 40,333,851</u>
\$ 922,275	\$ 1,475,973	\$ 455,660	2,776,911	\$ 2,409,154
1,335,387	1,726,520	1,193,519	4,603,292	4,453,336
(43,334)	(211,790)	(1,142)	(217,862)	(176,987)
				23,413
(6,924)	(47,651)	8,652	(50,591)	(28,119)
76,959	1,284,237	329,083	1,727,718	1,292,100
				(29,102)
			(45,714)	(16,802)
66,904	37,841	(4,252)	103,434	169,871
<u>1,428,992</u>	<u>2,789,157</u>	<u>1,525,860</u>	<u>6,120,277</u>	<u>5,687,710</u>
<u>\$ 2,351,267</u>	<u>\$ 4,265,130</u>	<u>\$ 1,981,520</u>	<u>\$ 8,897,188</u>	<u>\$ 8,096,864</u>
			2,398	\$ 2,587
\$ 30,274	\$ 46,693	\$ 26,068	121,129	113,787
444,247			444,247	452,324
5,926	14,634	9,431	32,389	23,447
		837,791	837,791	
11,753	11,450,176		11,509,918	

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**Florida Governmental Utility Authority**

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# **Statistical Section**

**FLORIDA GOVERNMENTAL UTILITY AUTHORITY  
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS**

Golden Gate Utility System

<u>Fiscal Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessments Collected (1)</u>
1999	\$0	\$0
2000	0	0
2001	77,010	75,321
2002 (2)	86,170	82,600

- (1) Includes prepayments. Golden Gate Special Assessment Districts 2000 A and B were approved March 16, 2000. First billings were in FY 2001.
- (2) Golden Gate Special Assessment District 2002 C was approved May 16, 2002. First billings will be in FY 2003



**FLORIDA GOVERNMENTAL UTILITY AUTHORITY  
REVENUE BOND COVERAGE**

Carrollwood Utility System

<u>Fiscal Year</u>	<u>Gross Revenues (2)</u>	<u>Operating Expenses (3)</u>	<u>Net Revenues</u>	<u>Debt Service (4)</u>	<u>Calculated Coverage</u>	<u>Required Coverage</u>
1999 (1)	\$ 641,222	\$ 451,040	\$ 190,182	\$ 125,274	1.52	1.10
2000	814,108	484,496	329,612	262,375	1.26	1.10
2001	919,107	532,298	386,809	346,558	1.12	1.10
2002 (5)	841,369	570,500	270,869	329,614	0.82	1.10

Golden Gate Utility System

<u>Fiscal Year</u>	<u>Gross Revenues (2)</u>	<u>Operating Expenses (3)</u>	<u>Net Revenues</u>	<u>Debt Service (4)</u>	<u>Calculated Coverage</u>	<u>Required Coverage</u>
1999 (1)	\$ 1,549,288	\$ 640,053	\$ 909,235	\$ 456,011	1.99	1.10
2000	3,685,216	1,513,168	2,172,048	1,701,478	1.28	1.10
2001	3,795,579	1,757,676	2,037,903	1,842,217	1.11	1.10
2002	4,196,743	1,939,081	2,257,662	1,925,316	1.17	1.10

- (1) Amounts shown for the period April 16, 1999 (date of inception) through September 30, 1999.
- (2) Includes revenue from the sale of water and wastewater, meter tapping, service charges, and miscellaneous operating revenues.
- (3) Excludes depreciation and amortization expenses.
- (4) Debt service requirements initially funded from bond proceeds (capitalized interest) not included
- (5) Excluding principal payments on retired 1999 Revenue Bonds, calculated coverage on 2002 Carrollwood System Refunding Revenue Bonds was 1.13 on the new bond issue.

**FLORIDA GOVERNMENTAL UTILITY AUTHORITY  
REVENUE BOND COVERAGE**

Poinciana Utility System

Fiscal Year	Gross Revenues (2)	Operating Expenses (3)	Net Revenues	Debt Service (4)	Calculated Coverage	Required Coverage
1999 (1)	\$ 2,328,871	\$ 1,135,733	\$ 1,193,138	\$ 336,087	3.55	1.10
2000	5,429,210	2,555,710	2,873,500	1,249,573	2.30	1.10
2001	6,752,319	3,492,022	3,260,297	1,890,792	1.72	1.10
2002	8,011,078	4,808,585	3,202,493	2,047,283	1.56	1.10

Sarasota Utility System

Fiscal Year	Gross Revenues (2)	Operating Expenses (3)	Net Revenues	Debt Service (4)	Calculated Coverage	Required Coverage
1999 (1)	\$ 2,897,800	\$ 2,162,489	\$ 735,311	\$ 207,712	3.54	1.10
2000	4,625,661	3,206,669	1,418,992	623,395	2.28	1.10
2001	5,003,424	3,825,943	1,177,481	976,457	1.21	1.10
2002 (5)	4,929,888	3,280,709	1,649,179	1,261,424	1.31	1.10

- (1) Amounts shown for the period April 16, 1999 (date of inception) through September 30, 1999.
- (2) Includes revenue from the sale of water and wastewater, meter tapping, service charges, and miscellaneous operating revenues.
- (3) Excludes depreciation and amortization expenses.
- (4) Debt service requirements initially funded from bond proceeds (capitalized interest) not included.
- (5) Calculation based upon accrued revenues and expenses through date of Sarasota System sale, August 8, 2002.

FLORIDA GOVERNMENTAL UTILITY AUTHORITY  
 Carrollwood Utility System  
 As of September 30

Schedule of Water Customers by Class

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Multi-Family</u>	<u>Mobile Home</u>	<u>Public Authority</u>	<u>Total</u>
1999	1,069	84	44	0	2	1,199
2000	1,069	84	44	0	2	1,199
2001	1,071	83	44	0	2	1,200
2002	1,074	83	44	0	2	1,203

Schedule of Wastewater Customers by Class

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Multi-Family</u>	<u>Mobile Home</u>	<u>Public Authority</u>	<u>Total</u>
1999	1,030	51	44	0	1	1,126
2000	1,029	51	44	0	1	1,125
2001	1,029	50	44	0	1	1,124
2002	1,033	49	44	0	1	1,127

**FLORIDA GOVERNMENTAL UTILITY AUTHORITY**  
**Golden Gate Utility System**  
**As of September 30**

Schedule of Water Customers by Class

Fiscal Year	Residential	Commercial	Multi-Family	Mobile Home	Public Authority	Total
1999	2,665	253	93	0	10	3,021
2000	2,753	258	104	0	10	3,125
2001	2,841	269	105	0	10	3,225
2002	3,233	274	115	1	10	3,633

Schedule of Wastewater Customers by Class

Fiscal Year	Residential	Commercial	Multi-Family	Mobile Home	Public Authority	Total
1999	1,759	188	72	0	8	2,027
2000	1,805	194	83	0	8	2,090
2001	1,848	199	83	0	8	2,138
2002	2,174	204	91	1	8	2,478

FLORIDA GOVERNMENTAL UTILITY AUTHORITY  
Poinciana Utility System  
As of September 30

Schedule of Water Customers by Class

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Multi-Family</u>	<u>Mobile Home</u>	<u>Public Authority</u>	<u>Total</u>
1999	7,469	98	7	0	7	7,581
2000	8,546	107	7	0	12	8,672
2001	10,041	133	7	2	12	10,195
2002	11,621	152	7	2	12	11,794

Schedule of Wastewater Customers by Class

<u>Fiscal Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Multi-Family</u>	<u>Mobile Home</u>	<u>Public Authority</u>	<u>Total</u>
1999	6,918	74	7	0	6	7,005
2000	8,084	84	8	0	11	8,187
2001	9,496	99	8	2	11	9,616
2002	11,097	122	8	2	11	11,240

FLORIDA GOVERNMENTAL UTILITY AUTHORITY  
Sarasota Utility System  
As of September 30

Schedule of Water Customers by Class

Fiscal Year	Residential	Commercial	Multi-Family	Mobile Home	Public Authority	Total
1999	4,860	544	207	9	5	5,625
2000	4,889	550	208	9	5	5,661
2001	4,905	570	210	9	5	5,699
2002(1)	0	0	0	0	0	0

Schedule of Wastewater Customers by Class

Fiscal Year	Residential	Commercial	Multi-Family	Mobile Home	Public Authority	Total
1999	7,859	812	241	12	8	8,932
2000	7,880	824	241	12	8	8,965
2001	7,947	838	241	12	8	9,046
2002(1)	0	0	0	0	0	0

(1) The Sarasota System was sold to Sarasota County on August 8, 2002

FLORIDA GOVERNMENTAL UTILITY AUTHORITY  
 WATER PRODUCTION/TREATMENT PLANT FLOWS  
 (Millions of Gallons)

Fiscal Year	Carrollwood Utility System			Golden Gate Utility System			Poinciana Utility System		
	Average Daily Flow	Capacity	% Capacity	Average Daily Flow	Capacity	% Capacity	Average Daily Flow	Capacity	% Capacity
2000	0.565	1.200	47.08	1.130	1.474	76.66	3.155	3.407	92.60
2001	0.542	1.200	45.17	1.196	1.474	81.14	3.304	4.487	73.63
2002	0.500	1.200	41.67	1.287	1.474	87.31	3.626	5.577	65.02

**FLORIDA GOVERNMENTAL UTILITY AUTHORITY  
WASTEWATER TREATMENT PLANT FLOWS  
(Millions of Gallons)**

Fiscal Year	Golden Gate Utility System			Poinciana Utility System			Sarasota Utility System		
	Average Daily Flow	Capacity	% Capacity	Average Daily Flow	Capacity	% Capacity	Average Daily Flow	Capacity	% Capacity
2000	0.770	0.950	81.05	2.023	2.400	84.29	2.642	3.160	83.61
2001	0.943	0.950	99.26	2.323	2.900	80.10	2.558	3.160	80.95
2002	1.158	0.950	121.89	2.793	3.650	76.52	2.484	3.160	78.61



FLORIDA GOVERNMENTAL UTILITY AUTHORITY  
 SCHEDULE OF INSURANCE  
 September 30, 2002

<u>Name of Company</u>	<u>Coverage</u>	<u>Amount of Coverage</u>
American International South Insurance Co.	Blanket Building & Contents	\$34,457,350
	Business Interruption	\$2,500,000
	General Liability	
	All Lines Aggregate	\$2,000,000 aggregate
	General Liability	\$1,000,000 per occurrence
	Fire	\$100,000 per premises
	Medical Expense	\$5,000 per person
	Personal Injury	\$1,000,000 per occurrence
	Automobile	\$1,000,000 per occurrence
National Union Fire Insurance Company of Pittsburg, PA	Public Officials	\$1,000,000 aggregate
	Commercial Umbrella	\$8,000,000 aggregate \$8,000,000 per occurrence
Zurich Insurance Co.	Pollution Liability	\$10,000,000 aggregate
		\$5,000,000 per occurrence
Lloyds of London	Flood	\$4,454,110 per occurrence



**Florida Governmental Utility Authority**

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# Other Reports

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**Deloitte  
& Touche**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED UPON THE AUDIT PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Florida Governmental Utility Authority  
Tallahassee, Florida

We have audited the combined financial statements of the Florida Governmental Utility Authority (the "Authority") as of and for the years ended September 30, 2002, and have issued our report thereon dated January 27, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the Florida Governmental Utility Authority on pages 38-41.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche LLP*

January 27, 2003

## EXHIBIT

During our audit, we noted the following internal control items that Florida Governmental Utility Authority management should consider addressing with its service providers.

### PRIOR YEAR COMMENTS

#### STATUS OF PRIOR YEAR RECOMMENDATIONS

During the course of our audit, we reviewed management's responses to recommendations presented in connection with our audit of the financial statements for the year ended September 30, 2001 and determined that, except for the items noted below, management has adequately addressed such recommendations.

#### ACCOUNTING STAFF

*Observation* - During the performance of the 2001 audit, we noted a number of accounting errors in substantially all areas of testing.

*Recommendation* - The Authority should request Government Services Group, Inc. ("GSG") to review the accounting volume of work required to perform the services needed by the Authority and if necessary revise the responsibilities assigned, add additional staff and /or modify the accounting policies used in recording Authority activity.

*Update for Fiscal Year 2002* - The Authority's accounting records were not fully prepared for the audit process. We received several versions of the trial balances during the audit, which began on November 4, 2002. The final trial balances for all the Utility Systems other than the Sarasota Utility System ("Sarasota") were received on January 12, 2003. The final trial balance for Sarasota was received on January 23, 2003. There were material differences from the trial balances received on November 4, 2002 to the final trial balances received.

The majority of the differences in accounting records were due to corrections to the recording of fixed assets. The Authority expenses all fixed asset purchases throughout the year, and then at year-end the expenses are reversed and the fixed assets are recorded. The fixed asset entries were not recorded at the beginning of the audit, and then were recorded incorrectly to the retained earnings account instead of against the related expense account. In addition, several adjustments were made as a result of audit work related to due to / due from accounts, accounts receivable and customer deposits. See additional comments below.

Based on the audit for fiscal year 2002, the Authority should request GSG to review the accounting volume of work required to perform the services needed by the Authority and if necessary revise the responsibilities assigned, add additional staff and /or modify the accounting policies used in recording Authority activity. Additional personnel would help to address the timeliness and completeness of the information provided during the audit.

## RECONCILIATIONS

**Observation** - During our testing of revenues for each utility system, we noted that a reconciliation of payments deposited to the Monthly Activity Reports provided by Severn Trent - Avatar Utility Services, LLC ("STAUS") is not performed. The Monthly Activity Reports detail customer activity for each month.

**Recommendation** - The daily deposits reported by the division offices should be reconciled to the Monthly Activity Reports to ensure the activity to customer accounts is properly recorded and all payments are deposited. Analysis of the billing activity should be performed to identify unusual fluctuations.

**Update for Fiscal Year 2002** - Although progress has been made in this area, the Authority's financial staff is unable to completely reconcile the daily deposits reported by the STAUS division offices to the Monthly Activity Reports provided by STAUS to ensure the activity to customer accounts is properly recorded and all payments are deposited. Further efforts need to be focused in this area until the reconciliation of this data is completed. Additional resources may need to be allocated to this process by the Authority.

## CURRENT YEAR COMMENTS

### CASH

**Observation** - During the testing of cash, it was noted that the reconciliations for the Carrollwood revenue account and the Authority's holding account were not prepared on a timely basis. These accounts represent two of the Authority's thirty-one cash accounts. Management of the Authority was not aware that these reconciliations had not been completed until the items were requested during the audit. The reconciliations were not completed until the end of December 2002. As part of the completion of the reconciliation process, the due to and due from accounts were completely reconciled. The due to and due from accounts are used to track the transactions of the various Utility Systems with the holding account, which receives all of the revenue cash for the Utility Systems.

**Recommendation** - Timely reconciliations should be performed for all cash accounts. Although a review is performed of all completed reconciliations, a checklist-type procedure should be put in place to ensure that all accounts are reconciled each month. This will help to identify and resolve errors in the accounting records and/or the bank statements.

### ACCOUNTS RECEIVABLE AND CUSTOMER DEPOSITS

**Observation** - During the testing of accounts receivable and customer deposits, we noted that the balances in these accounts did not agree to the supporting detail of the accounts provided by STAUS. In addition, the Authority uses suspense account to record certain transactions related to accounts receivable and customer deposits. These suspense accounts were not cleared or reconciled prior to the beginning of the audit.

**Recommendation** - The detail accounts receivable and customer deposit reports received from STAUS should be reviewed and reconciled to the balance recorded in the general ledger. Any significant differences should be researched and resolved with STAUS. All suspense accounts should be reconciled and cleared on a timely basis.

## RETAINED EARNINGS

*Observation* - During the audit, it was noted that beginning retained earnings for Sarasota did not agree to the prior year ending balance. The difference of \$82,122 was due to an entry to record revenue that was posted by the Authority on October 31, 2001 with an effective date of September 30, 2001. This entry should have been recorded in the 2001 financial statements, but was not provided to the auditors for adjustment to the trial balance that had already been provided for the 2001 audit. The entry is reflected in the 2002 financial statements.

*Recommendation* - A review procedure should be established to ensure that all audit entries are posted on a timely basis. A review of the balance in the retained earnings account will provide a quick check as to the posting of all entries that effected income. If the balance does not agree to the balance reported in the CAFR, further analysis is needed by staff to resolve the problem prior to the start of the audit. In addition, extreme care should be taken so that no entries are posted to the general ledger once the trial balances have been provided to the auditors for testing. A control procedure should be implemented to ensure that all staff are aware of the timing of the audit and the cutoff of recording entries to the general ledger for the year under audit.

## POLICIES AND PROCEDURES MANUAL FOR ALL DIVISIONS

*Observation* - During our testing of internal controls, we noted that there are no formal policies and procedures documented for each of the divisions. Employees at the divisions are following procedures passed down from prior ownership at individual locations. The procedures followed by the locations are not uniform for re-read guidelines, adjustment limits, daily cash receipts, and approval procedures. This could lead to reporting variances from the divisions to the general office, which may result in financial reporting discrepancies. The lack of procedures for reporting cash receipts could lead to general ledger misclassifications at the general office.

*Recommendation* - Formal policies and procedures should be documented and distributed to each division addressing these issues, as well as any other issued deemed appropriate by the Authority. Procedures need to be applied consistently across all divisions. Control testing should be performed to ensure that the divisions are complying with the policies and procedures.

## COMPUTER CONTROLS - ACCOUNTS RECEIVABLE

*Observation* - Within the computer system, we noted a lack of a safeguard against customers opening new accounts if they have an outstanding receivables balance. Per discussion with STAUS employees, agents are not supposed to open new accounts if they notice an outstanding receivable balance, but no control within the system prevents them from doing so. This lack of controls could lead to fraud and/or additional bad debt.

*Recommendation* - A control safeguard should be implemented within the accounts receivable system preventing account openings or re-openings for any customers with an outstanding receivable balance.

## **GOLDEN GATE UTILITY SYSTEM**

*Observation* - During our testing of internal controls, we noted that the customer re-read reports were not maintained at the Golden Gate division office. Additionally, we noted that the files for cash receipts and adjustments were not organized in a manner that is orderly or easily accessible. As a result, it is virtually impossible to recreate the historical trail of customer transactions. Revenue recognition could be affected if disputes occur. In addition, the lack of organization in the files could lead to misplaced checks or adjustments, which could affect the recording of revenue.

*Recommendation* - The Golden Gate division office should maintain its re-read reports for a specified period of time, as determined by the Authority. Also, procedures should be implemented to ensure proper filing for the documents. If storage space is limited, the documents could be scanned and stored using imaging software.

*Observation* - During our planning procedures, concern was expressed by the Authority's staff related to the timeliness of cash deposits at the Golden Gate division office. The Authority's staff has noted instances in which a week of deposits are taken to the bank at one time.

*Recommendation* - The Golden Gate division office should make daily deposits for all amounts received related to the Authority. This will ensure that amounts are recorded on a timely basis and that assets are properly safeguarded by the bank.



February 13, 2003

Board of Directors  
Florida Governmental Utility Authority  
1500 Mahan Drive, Suite 250  
Tallahassee, FL 32308

RE: Management Response Letter

As a result of the annual audit of the FGUA's financial statements for the year ended September 30, 2002, our auditors, Deloitte & Touche, LLP, have issued their observations and recommendations on compliance and internal control over financial reporting.

We appreciate the suggestions made by the auditors and are pleased with the results of their evaluation of compliance and internal controls of financial accounting and reporting by the FGUA. All comments and recommendations made by the auditors have been carefully considered and our response to each is listed below.

**Prior Year Comments:**

**Accounting Staff:**

Concur. The need to complete multiple trial balances resulted from the need to accomplish a complete from inception clearing of the Due To/ Due From accounts in all Systems and the Treasury Fund. The fixed-asset posting referenced in this observation was changed with minimal workload, involving one journal voucher. The need to accomplish monthly reconciliation of numerous cash accounts at three banks, accounts receivable and customer deposit balances, and due to/due from accounts is recognized by management. One additional part time staff member was added in early January 2003 to address these needs.

**Reconciliations:**

Concur. This observation has been the subject of numerous discussions between FGUA (GSG) and STAUS management. A complete review of the accounts receivable function was recently completed by the FGUA and the resultant report is now being reviewed, prior to transmittal to the Board of Directors by March 2003. This report provides specific recommendations to address this issue.



## **Current Year Comments:**

### **Cash:**

Concur. All FGUA cash accounts are reconciled monthly by a GSG staff member. Twenty-nine (29) of the thirty-one (31) accounts were reconciled for the month of September 2002 upon arrival of the audit team in the first week of November 2002. Two (2) accounts required a detailed review and reconciliation by the FGUA Chief Financial Officer. Each account had a separate issue and was reconciled as described below.

The Carrollwood Revenue account is the main operating account of the Carrollwood System. Due to inadequate working capital in this System, which impacted cash flows, repeated adjustments were made during FY 2002 among Carrollwood accounts to maintain liquidity in this account. Resultant posting errors by the FGUA and trustee staff required detailed examination to resolve. The account was reconciled by mid-December. The FGUA Board of Directors has been apprised of the serious financial condition of the Carrollwood System. Steps already approved by the Board that will gradually resolve the underlying working capital issues of this system include:

1. Refunding the acquisition debt and reducing interest costs by 94 basis points was completed in April 2002.
2. Approval of a 4.02 percent rate increase was effective in October 2002.
3. Amendment of the STAUS contract, to reduce operating costs by \$36,000 on an annualized basis beginning in November 2002.

The Holding Account in the Treasury Fund was reconciled to a credit balance in late December 2002. This led to a complete reconciliation and clearing of Due To and Due From accounts for all four systems and the Treasury Fund from FGUA inception. Numerous small bank fee and interest revenue items for all systems were cleared to cash as part of this reconciliation, resulting in the Treasury Fund cash position reconciling to zero, as it should. Several trial balances were generated as part of this process. All Due To and Due From transactions were cleared or reconciled by mid-January. These items will be reconciled and cleared monthly to preclude a recurrence.

### **Accounts Receivable and Customer Deposits:**

Concur. The reconciliation of accounts receivable and deposit reports received from STAUS has been separately addressed above. Effective, January 1, 2003, the use of suspense accounts for accounts receivables and customer deposits was eliminated by the FGUA financial staff. All entries are now booked directly to accounts receivable and customer deposit accounts. The related suspense accounts are being balanced, cleared and inactivated.

**Retained Earnings:**

Concur. A single journal voucher entry for \$82,122 was made on October 31, 2001, effective September 30, 2001, while the auditors were completing FY 2001 audit field work. Steps were taken during the FY 2002 audit to preclude a recurrence.

**Policies and Procedures Manual for All Divisions:**

Concur. The STAUS management has developed and updated many policies in December 2002. In January 2003, a new position of Customer Service Manager was created and filled to oversee both Customer Service Offices. Management is committed to upgrade the uniformity of procedures and provide adequate policy guidance to all employees.

**Computer Controls- Accounts Receivable:**

Concur. Policies will be implemented to strengthen existing controls to preclude re-opening of customer accounts with outstanding balances. Management will review the implementation of automated controls to identify and eliminate exceptions as they occur.

**Golden Gate Utility System:**

Concur in both observations. As part of the policy documentation addressed above, both offices will receive guidance consistent with State of Florida records retention criteria for maintaining file copies of meter re-read reports. Sporadically throughout FY 2002, late deposits and deposit reports occurred in the Golden Gate office. This situation prompted oral and written management direction from the FGUA financial staff to STAUS management. To their credit, action to strengthen the Golden Gate office staff was taken by STAUS management in September 2002. This problem has since been resolved.

Respectfully submitted,



Robert E. Sheets, Systems Manager



David R. Miles, CGFO  
Chief Financial Officer

**EXHIBIT 1**

**STATEMENT CONFIRMING NO CHANGE IN RATE BASE**



## EXHIBIT I

The Florida Governmental Utility Authority (the "FGUA") is a governmental authority which provides water and wastewater service to its customers as a public service, not to achieve profits. As a government utility operation, the concepts of rate base and acquisition adjustments do not apply to the FGUA. For this reason, those sections of the FPSC's rules and regulations which refer to requested changes in rate base, requests for an acquisition adjustment, and related issues are not applicable to the transfer of Florida Water's systems in Charlotte County to the FGUA.

**EXHIBIT J**

**FIRST AMENDED AND RESTATED INTERLOCAL AGREEMENT  
RELATING TO ESTABLISHMENT OF THE FLORIDA  
GOVERNMENTAL UTILITY AUTHORITY**

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**FIRST AMENDED AND RESTATED  
INTERLOCAL AGREEMENT RELATING TO  
ESTABLISHMENT OF THE  
FLORIDA GOVERNMENTAL UTILITY AUTHORITY**

---

**Among**

**Citrus County, Florida  
Nassau County, Florida  
Polk County, Florida  
Sarasota County, Florida**

**Dated as of December 1, 2000**

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**FIRST AMENDED AND RESTATED  
INTERLOCAL AGREEMENT RELATING TO  
ESTABLISHMENT OF THE  
FLORIDA GOVERNMENTAL UTILITY AUTHORITY**

**THIS FIRST AMENDED AND RESTATED INTERLOCAL AGREEMENT**, dated as of December 1, 2000 (the "Interlocal Agreement"), entered into among a certain number of local governmental units executing this Interlocal Agreement, each one constituting either a county or municipal corporation located in the State of Florida, and constituting a "public agency" under Part I of Chapter 163, Florida Statutes, which shall on the date hereof be Citrus County, Florida, Nassau County, Florida, Polk County, Florida and Sarasota County, Florida (collectively, the "Authority Members"), as evidenced by the signatures of their authorized representatives hereby amends and restates in its entirety that certain Interlocal Agreement, dated as of February 1, 1999, among certain of the Authority Members (the "Original Agreement");

**W I T N E S S E T H:**

**WHEREAS**, pursuant to the Original Agreement certain of the Authority Members created the Authority for the purposes provided therein; and

**WHEREAS**, the Authority has determined to amend the Original Agreement in certain respects and to expand the membership in the Authority to include Nassau County, Florida and Citrus County, Florida; and

**WHEREAS**, it is necessary and desirable to amend and restate in its entirety the Original Agreement in order to amend the Original Agreement and to expand the Authority;

**NOW, THEREFORE**, in consideration of the mutual covenants herein, the Original Agreement is hereby amended and restated in its entirety to read as follows:

**WHEREAS**, each of the Authority Members have the power to acquire, own, improve, operate and maintain water and wastewater utility facilities pursuant to their Florida Constitutional powers of local self government, Section 125.01, Florida Statutes (in the case of counties), or Section 166.021, Florida Statutes (in the case of municipal corporations); and

**WHEREAS**, Part I of Chapter 163, Florida Statutes (the "Interlocal Act"), permits the Authority Members, as public agencies under the Interlocal Act, to enter into interlocal agreements with each other to jointly exercise any power, privilege or authority which such Authority Members share in common and which each might exercise separately, permitting

the Authority Members to make the most efficient use of their powers by enabling them to cooperate on a basis of mutual benefit and thereby provide services and facilities in a manner and pursuant to forms of governmental organization that will best serve geographic, economic, population and other factors influencing the needs and development of such Authority Members; and

**WHEREAS**, Section 163.01(7)(g), Florida Statutes, authorizes the Authority Members pursuant to an interlocal agreement to create a separate legal entity to exercise the common power of the Authority Members to acquire, own, improve, operate and maintain water and wastewater utility facilities; and

**WHEREAS**, the Authority Members have determined that it is in their best interests to create such a legal entity to acquire, own, improve, operate and maintain water and wastewater utilities, initially consisting of certain utility facilities owned and/or controlled by Avatar Holdings, Inc., and its subsidiaries (collectively, "Avatar"), for the following reasons:

(1) Avatar has heretofore determined and made known that it will not entertain any offer to purchase its utility assets on a piecemeal basis. It will sell all of its utility assets or none of them. From the public perspective, the most cost effective manner of acquiring such assets is through a legal entity created pursuant to the Interlocal Act. The acquisition of the assets by said legal entity will be at a purchase price which will enable the Authority to charge the then existing rates, fees and charges paid by the customers of Avatar so that those rates, fees and charges will not be increased solely as a direct result of the acquisition by the Authority of such utility assets. In addition, the level and standard of services provided by the Authority to such customers will be maintained or improved.

(2) All Authority Members must meet the comprehensive planning requirements of Chapter 163, Florida Statutes, which mandate that Florida local governments, including the Authority Members, coordinate their plans for future growth with available sources of funding and the availability of infrastructure. The provision of water and wastewater utilities is a major factor in such infrastructure coordination. Public ownership of water and wastewater utility facilities is more desirable and more readily allows for Florida local governments to meet their statutory mandate with respect to the utilities element of their respective comprehensive plans.

(3) The establishment of such legal entity, in the form of the hereinafter described Authority, will ensure that the customers of the water and wastewater facilities owned by the Authority are provided the best, most cost effective service and assure that proper future

expansion of the water and wastewater facilities will occur to meet the demands of development of each affected local government.

**NOW, THEREFORE,** in consideration of the foregoing and the covenants herein, it is mutually agreed and understood by and among the Authority Members, that now or may hereafter execute this Interlocal Agreement, that the "Florida Governmental Utility Authority," a legal entity and public body and a unit of local government with all of the privileges, benefits, powers and terms of the hereinafter defined Act and this Interlocal Agreement, is hereby created for the purposes described herein, as follows:

## ARTICLE I

### DEFINITIONS

**SECTION 1.01. DEFINITIONS.** The following definitions shall govern the interpretation of this Interlocal Agreement:

"**Act**" shall mean, collectively, Section 125.01, Florida Statutes (in the case of counties), Section 166.021, Florida Statutes (in the case of municipal corporations), the Interlocal Act, any Charters of Authority Members, and other applicable provisions of law.

"**Assessable Improvements**" shall mean improvements to the Authority Facilities of a local nature and of special benefit to the premises or lands served thereby.

"**Authority**" shall mean the Florida Governmental Utility Authority, a legal entity and public body created pursuant to the provisions of this Interlocal Agreement and the Act.

"**Authority Facilities**" shall mean the Authority's water production, transmission, treatment and distribution facilities and property, and the Authority's wastewater treatment, collection and disposal facilities and property, including reuse and reclaimed water facilities, as they may be modified, improved or expanded from time to time, which are owned, leased, operated, managed and/or used, from time to time, by the Authority to provide public water and wastewater services. The Authority Facilities shall include all Utility Systems. Authority Facilities shall include all property, real or personal, tangible or intangible, now or hereafter owned, leased, operated or managed by the Authority in connection with the provision of public water and wastewater services.

"**Authority Member**" or "**Authority Members**" shall mean the member or members of the Authority, from time to time, as shall be provided for by this Interlocal Agreement. The Authority Members shall on the date hereof be Citrus County, Florida, Nassau County, Florida, Polk County, Florida and Sarasota County, Florida.

"**Avatar**" shall mean Avatar Holdings, Inc., its subsidiaries and affiliate entities, and any successors or assigns thereto.

"**Avatar Facilities**" shall mean the water and wastewater facilities, property and assets owned by Avatar which shall be acquired by the Authority.

**"Board"** shall mean the governing board of the Authority, consisting of the Directors appointed hereunder.

**"Connection Fees "** shall mean fees and charges imposed by the Authority to acquire, construct, equip or expand the capacity of the Authority Facilities 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 Authority Facilities or expansion thereof in order to serve new users of the facilities of the Authority Facilities and new development within the Service Areas served by the Authority Facilities. Such Connection Fees may include interest carrying costs associated with the Authority Facilities.

**"Cost"** when used in connection with a Project, shall mean (1) the Authority's cost of construction; (2) costs of acquisition by or for the Authority of such Project; (3) costs of land and interests thereon and the cost of the Authority incidental to such acquisition; (4) the cost of any indemnity and/or surety bonds and premiums for insurance during construction; (5) all interest due to be paid on the Obligations relating to the Project during the period of acquisition and construction of such Project and for a reasonable period subsequent to completion of acquisition and construction as the Board may determine by resolution; (6) engineering, legal and other consulting fees and expenses; (7) costs and expenses of the financing incurred for such Project, including audits, fees and expenses of any paying agent, registrar, trustee, consultants, attorneys, engineers, credit enhancers or depository; (8) payments, when due (whether at the maturity of principal or the due date of interest or upon redemption) on any interim or temporary indebtedness incurred for such Project; (9) costs of machinery, equipment, supplies and spare parts required by the Authority for the commencement of operation of such Project or continuation of operation of such Project; and (10) any other costs properly attributable to such Project or to the issuance of Obligations which finance such Project, as determined by generally accepted accounting principles applicable to such Project, and shall include reimbursement to the Authority for any such items of cost paid by the Authority prior to issuance of the Obligations issued to finance such Project. Additional items of cost may be provided pursuant to the Financing Documents.

**"Director"** shall mean that individual appointed in accordance with the provisions hereof to serve as part of the Board. "Director" shall also include an alternate who is appointed to fill such role by an Authority Member.

**"Equivalent Residential Connection"** shall mean the standard water and wastewater unit used to calculate demand upon either water or wastewater system capacity, based respectively upon usage of 350 gallons per day of water treatment capacity and 275

gallons per day of wastewater disposal capacity or such other daily usage standard applicable to a Utility System as determined by resolution of the Board.

**"Financing Documents"** shall mean the resolution or resolutions duly adopted by the Authority, as well as any indenture of trust, trust agreement or other instrument relating to the issuance or security of the Obligations.

**"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 determined by the Board.

**"General Manager"** shall mean the individual or entity selected and employed by the Board to serve the Authority in such capacity.

**"Interlocal Act"** shall mean Part I of Chapter 163, Florida Statutes.

**"Interlocal Agreement"** shall mean this Interlocal Agreement, including any amendments or supplements hereto, executed and delivered in accordance with the terms hereof.

**"Obligations"** shall mean a series of bonds or other evidence of indebtedness, including, but not limited to, notes, commercial paper, capital leases or any other obligations of the Authority issued hereunder and pursuant to the Financing Documents.

**"Pledged Funds"** shall mean (1) the revenues, fees, charges, special assessments and other moneys received by the Authority or its designee relating to its ownership or operation of the Authority Facilities, or some portion thereof, (2) until applied in accordance with the terms of the Financing Documents, all moneys in the funds, accounts and subaccounts established thereby, including investments therein, and (3) such other property, assets and moneys of the Authority as shall be pledged pursuant to the Financing Documents; in each case to the extent provided by the Board pursuant to the Financing Documents. The Pledged Funds pledged to one series of Obligations may be different than the Pledged Funds pledged to other series of Obligations.

**"Project"** shall mean any structure, property or facility which the Authority, from time to time, may determine to construct or acquire as part of its Authority Facilities, together with all improvements, equipment, structures and other facilities necessary or appropriate in connection therewith. This term is to be broadly construed so as to include any lawful undertaking which will accrue to the benefit of the Authority Facilities, including joint ventures and acquisitions of partial interests or contractual rights. "Project" shall

include, but not be limited to, acquisition of the Avatar Facilities, and the construction of any improvements thereto. "Project" may also include working capital, as well as any costs or judgments associated with litigation.

**"Public Agencies"** shall mean any "public agency", as defined in the Interlocal Act.

**"Service Area"** shall mean the geographic boundaries within which each Utility System provides or is otherwise authorized to provide water and/or wastewater services.

**"State"** shall mean the State of Florida.

**"Utility Acquisition Agreement"** shall mean an agreement between the Authority and an Authority Member, other Public Agency or entity, if applicable, relating to the disposition of a Utility System, or portion thereof, which is located within the jurisdiction of such Authority Member or Public Agency.

**"Utility System"** shall mean the Authority Facilities comprising a separate water and/or wastewater system, which shall be accounted for separately from any other Authority Facilities. A Utility System may consist of utility facilities which are located in more than one Public Agency and which may or may not be contiguous with each other. Each Utility System shall be designated as such by the Board.

Whenever any words are used in this Interlocal Agreement in the masculine gender, they shall be construed as though they were also used in the feminine or neuter gender in all situations where they would so apply, and whenever any words are used in this Interlocal Agreement in the singular form, they shall be construed as though they were also used in the plural form in all situations where they would so apply.



## ARTICLE II

### THE AUTHORITY

**SECTION 2.01. CREATION.** The Authority Members hereby create and establish the "Florida Governmental Utility Authority", a legal entity and public body and a unit of local government, with all of the privileges, benefits, powers and terms provided for herein and by the Act.

**SECTION 2.02. PURPOSES.** (A) The purpose of this Interlocal Agreement is for the establishment of the Authority in order to: (i) acquire water and/or wastewater utility facilities and systems throughout the State of Florida, including, but not limited to, the Avatar Facilities and to make improvements to such facilities and systems which are acquired by the Authority; (ii) acquire, construct, own, improve, operate, manage and/or maintain the Authority Facilities; (iii) provide the most economic and efficient water and wastewater utility services throughout the Service Area of each Utility System in a non-discriminatory manner; (iv) make provision for rates whereby rates from one Utility System will not subsidize improvements, operation and maintenance costs or other expenses of another Utility System; and (v) dispose, from time to time, of such portions of the Authority Facilities to Authority Members, other Public Agencies or entities as it deems appropriate in accordance with the terms hereof, the Financing Documents and the terms of any Utility Acquisition Agreements.

(B) The Authority Members do hereby consent and agree to the acquisition of the Avatar Facilities within their respective jurisdictions by the Authority and consent to the Authority acquiring, owning, improving, operating and maintaining the Avatar Facilities within their respective jurisdictions in accordance with the terms of this Interlocal Agreement, sound engineering practices and applicable law.

(C) The creation and organization of the Authority and the fulfillment of its objectives serves a public purpose, and is in all respects for the benefit of the people of this State, affected Public Agencies and their constituents, and the persons or entities served by the Authority Facilities. The Authority is performing an essential governmental function. All property of the Authority is and shall in all respects be considered to be public property, and the title to such property shall be held by the Authority for the benefit of the public. The use of such property shall be considered to serve a public purpose, until disposed of upon such terms as the Authority may deem appropriate. Insofar as provided for by law, all Obligations and interest or income thereon and all the property, facilities, services, activities and revenues of the Authority are declared to be nontaxable for any and all purposes by the

State or federal government or any unit of the State or federal government to the same extent as if owned or issued by or on behalf of the Authority Members or a Public Agency.

**SECTION 2.03. AUTHORITY MEMBERS.** The Authority Members shall consist of those Public Agencies as provided in Article III hereof.

**SECTION 2.04. DURATION OF AUTHORITY.** The Authority shall exist so long as any portion of the Authority Facilities is owned, operated, leased or managed by the Authority or the Authority has Obligations outstanding. At such time as the Authority no longer owns, operates, leases or manages any portion of the Authority Facilities and no Obligations are outstanding, the Authority may dissolve by majority vote of the Board. In the event of dissolution, any assets of the Authority shall be allocated among the Authority Members based upon the number of Equivalent Residential Connections of each Authority Member at the time of such termination.

**SECTION 2.05. TRANSFER OF UTILITY SYSTEMS TO OTHER AUTHORITIES.** The Authority may transfer Utility System(s) and any Obligations relating thereto to another governmental utility authority upon satisfaction of the following conditions:

(A) Such governmental utility authority has been duly created pursuant to Section 163.01(7)(g), Florida Statutes, with substantially the same powers provided herein and such authority assumes all responsibilities and liabilities in regard to such transfer.

(B) Such transfer is approved by two-thirds (2/3) of the Directors, which includes the Authority Member Director where such Utility System is located.

(C) Such transfer shall be approved by the governing body of any Authority Member in whose jurisdiction the Utility System is located.

(D) The Authority receives an opinion of nationally recognized bond counsel to the effect that the transfer of such Utility System and Obligations will not adversely affect the tax-exempt status of such Obligations.

## ARTICLE III

### MEMBERSHIP AND REPRESENTATION

**SECTION 3.01. MEMBERSHIP.** (A) Membership in the Authority shall consist of those Public Agencies selected pursuant to this Article III.

(B) The Authority Members shall on the date hereof consist of: Citrus County, Florida, Nassau County, Florida, Polk County, Florida and Sarasota County, Florida.

(C) To the extent permitted by the Interlocal Act, the Authority may admit any Public Agency to membership upon application of such Public Agency and the affirmative vote of the majority plus one of all Directors at a duly called meeting of the Authority. This Interlocal Agreement need not be amended in order to admit any Public Agency as an Authority Member. Approval of the governing bodies of the Authority Members shall not be required to admit a new Authority Member.

(D) As a precondition to membership in the Authority, each Authority Member shall constitute a Florida municipality, county or such other Public Agency which is permitted by the Interlocal Act to be a member of the Authority. Such new Authority Member shall execute, deliver and record a duly authorized counterpart to this Interlocal Agreement. Authority Members may be admitted regardless of whether any Authority Facilities are located within the jurisdiction of such Authority Member.

**SECTION 3.02. REPRESENTATION.** (A) Each Authority Member shall appoint one Director to act on its behalf on the Board. Each Director shall be an individual who shall be appointed specifically by name or by position. In addition, each Authority Member may appoint an alternate Director to serve in the absence or unavailability of the Director.

(B) In the event the Director of an Authority Member shall resign or be removed, such Authority Member shall appoint a new Director within thirty (30) calendar days. In the event such Authority Member does not appoint a new Director within thirty (30) calendar days of resignation or removal and such Authority Member has appointed an alternate Director, such alternate Director shall serve in the capacity as Director. In the event such Authority Member does not appoint a new Director within thirty (30) calendar days of resignation or removal and such Authority Member has not appointed an alternate Director, the Board may appoint such Director who shall serve until such time as such affected Authority Member shall appoint a new Director; provided any new Director appointed by

the Board shall be a resident of such Authority Member. Any Director who is absent for three (3) consecutive meetings of the Board shall be deemed to have resigned.

(C) Each Authority Member, in its sole discretion, may remove its Director at any time and may appoint a new Director to serve on the Board upon notice being given to the Authority as provided by Section 3.06(A) hereof for resignation of a Director.

(D) No Director may be an elected official of an Authority Member. Directors may be employees of an Authority Member.

(E) Any Director may be removed upon the affirmative vote of at least two-thirds (2/3) of all Directors at a duly called meeting of the Authority.

**SECTION 3.03. ACTION.** (A) The affairs, actions and duties of the Authority shall be undertaken at a duly called meeting pursuant to Section 3.08 hereof.

(B) At any meeting of the Authority at which any official action is to be taken, a majority of all Directors shall constitute a quorum. A majority vote of a quorum of the Directors present at a duly called meeting shall constitute an act of the Authority, except as otherwise provided herein.

(C) Any action taken by the Board authorizing the acquisition, lease or sale of a Utility System or portion thereof in the jurisdiction of an Authority Member shall require the affirmative vote of the Director representing such Authority Member. Any swap, hedge or other similar arrangement relating to Obligations described in Section 4.05(M) hereof shall require the affirmative vote of the Director of any Authority Member where a Utility System or portion thereof, the revenues of which are pledged to the payment of such Obligations, is located.

(D) A certificate, resolution or instrument signed by the Chairman, Vice-Chairman or such other person of the Authority as may be hereafter designated and authorized by the Board shall be evidence of the action of the Authority and any such certificate, resolution or other instrument so signed shall conclusively be presumed to be authentic. Likewise, all facts and matters stated therein shall conclusively be presumed to be accurate and true.

**SECTION 3.04. ELECTION OF OFFICERS.** Once a year, and at such other time as may be necessary to fill a vacancy, at a duly called meeting of the Board called for the purpose thereof, the Authority through its Directors shall elect a Chairman, a Vice-Chairman and Secretary-Treasurer to conduct the meetings of the Authority and to perform such other functions as herein provided. At the discretion of the Board, the General

Manager (or representative thereof) may be appointed as the Secretary-Treasurer. Said Chairman, Vice-Chairman and Secretary-Treasurer shall serve one (1) year terms unless they resign from the Authority or such officer is replaced by the Board.

**SECTION 3.05. AUTHORITY OF OFFICERS.** (A) The Chairman and the Vice-Chairman shall take such actions, have all such powers and sign all documents on behalf of the Authority and in furtherance of the purposes of this Interlocal Agreement as may be approved by resolution of the Board adopted at a duly called meeting.

(B) The Secretary-Treasurer, or his designee, shall keep minutes of all meetings, proceedings and acts of the Board, but such minutes need not be verbatim. Copies of all minutes of the meetings of the Authority shall be sent by the Secretary-Treasurer or his designee to all Directors to the Authority. The Secretary-Treasurer may also attest to the execution of documents. The Secretary-Treasurer shall have such other powers as may be approved by resolution of the Board adopted at a duly called meeting.

**SECTION 3.06. RESIGNATION.** (A) Any Director may resign from all duties or responsibilities hereunder by giving at least thirty (30) calendar days prior written notice sent by registered mail to the General Manager. Such notice shall state the date said resignation shall take effect and such resignation shall take effect on that date.

(B) Any resigning Director who is an officer of the Authority shall immediately turn over and deliver to the General Manager any and all records, books, documents or other property in his possession or under his control which belong to the Authority.

**SECTION 3.07. POWERS AND DUTIES OF THE BOARD.** The Board shall act as the governing board of the Authority and shall have, in addition to all other powers and duties described herein, the following powers and duties:

(A) To fix the time and place or places at which its regular meetings shall be held, and to call and hold special meetings.

(B) To make and pass rules, regulations, resolutions and orders not inconsistent with the Constitution of the United States or of the State, or to the provisions of the Interlocal Act or this Interlocal Agreement, necessary for the governance and management of the affairs of the Authority, for the execution of the powers, obligations and responsibilities vested in the Authority, and for carrying into effect the provisions of this Interlocal Agreement.

(C) To fix the location of the principal place of business of the Authority and the location of all offices maintained thereunder.

(D) To create any and all necessary offices in addition to Chairman, Vice-Chairman and Secretary-Treasurer; to establish the powers, duties and compensation of all employees; and to require and fix the amount of all official bonds necessary for the protection of the funds and property of the Authority.

(E) To select and employ a General Manager, who shall administer the affairs and manage the staff of the Authority with Board approval, and perform all other administrative duties as directed by the Board.

(F) To employ or hire such attorneys or firm(s) of attorneys as it deems appropriate to provide legal advice and/or other legal services to the Authority.

(G) To amend the Authority's name, as permitted by law.

**SECTION 3.08. MEETINGS.** (A) The Board shall convene at a meeting duly called by either a majority of the Directors or the Chairman. The Directors may establish regular meeting times and places. Meetings shall be conducted at such locations as may be determined by the majority of the Directors or the Chairman. Notice of a special meeting, unless otherwise waived, shall be furnished to each Director by the General Manager not less than seven (7) calendar days prior to the date of such meeting; provided the Chairman or, in his absence or unavailability, the Vice-Chairman, may call a meeting upon twenty-four (24) hours written notice, if such officer determines an emergency exists. All meetings shall be noticed in accordance with applicable law.

(B) Within thirty (30) calendar days of the creation of the Authority, the duly appointed Directors shall hold an organizational meeting to elect officers and perform such other duties as are provided for under this Interlocal Agreement.

**SECTION 3.09. WITHDRAWAL OR DISMISSAL OF AUTHORITY MEMBERS.** (A) Any Authority Member may withdraw from the Authority at any time, if the following conditions are satisfied: (i) there shall be at least two (2) Authority Members remaining in the Authority subsequent to withdrawal, and (ii) a certified resolution from the Authority Member's governing body setting forth its intent to withdraw is presented to the Authority. Upon satisfaction of the foregoing conditions, such withdrawal shall be effective.

(B) In the event the Authority does not own, operate, lease or manage a Utility System, or portion thereof, within the jurisdiction of an Authority Member, such Authority Member may be dismissed from the Authority by majority vote of all Directors unless subsequent to dismissal there shall be less than two (2) Authority Members remaining in the Authority.

**SECTION 3.10. EXPENSES.** The Authority may establish, from time to time, procedures for reimbursement for reasonable expenses incurred by Authority Members, Directors and employees of the Authority.

**SECTION 3.11. LIABILITY.** No Director, agent, officer, official or employee of the Authority shall be liable for any action taken pursuant to this Interlocal Agreement in good faith or for any omission, except gross negligence, or for any act of omission or commission by any other Director, agent, officer, official or employee of the Authority.

## ARTICLE IV

### POWERS AND DUTIES

**SECTION 4.01. POWERS.** (A) The Authority shall have all powers to carry out the purposes of this Interlocal Agreement, including the following powers which shall be in addition to and supplementing any other privileges, benefits and powers granted by the Act:

(i) To acquire, construct, own, lease, operate, manage, maintain, dispose of, improve and expand the Authority Facilities, and to have the exclusive control and jurisdiction thereof.

(ii) To the extent permitted by law, to provide for mandatory water and wastewater connections of potential customers located in a Service Area upon availability of service by the Authority.

(iii) To fix, levy and collect rates, fees and other charges (including Connection Fees) from persons or property, or both, for the use of the services, facilities and product of the Authority Facilities or to pay the operating or financing costs of the Authority Facilities available to potential users; to fix and collect charges for making connections with the Authority Facilities and, to the extent provided by law, to provide for reasonable penalties to be imposed on any users or property for any such rates, fees or charges that are delinquent, all as more specifically described in Section 4.04 hereof.

(iv) To contract for the service of engineers, accountants, attorneys and other experts or consultants, and such other agents and employees as the Board may require or deem appropriate from time to time.

(v) To acquire such lands and rights and interests therein, including lands under water and riparian rights and to acquire such personal property as the Authority may deem necessary and appropriate in connection with the acquisition, ownership, expansion, improvement, operation and maintenance of the Authority Facilities and to hold and dispose of all real and personal property under its control. To the extent the power of eminent domain is available to the Authority in accordance with applicable law, in particular the Interlocal Act, such power may be exercised by the Authority both within and outside the Service Areas of the Authority Facilities for the purpose of carrying out the intent of this Interlocal Agreement.



(vi) To exercise exclusive jurisdiction, control and supervision over the Authority Facilities and to make and enforce such rules and regulations for the maintenance, management and operation of the Authority Facilities as may be, in the judgment of the Board, necessary or desirable for the efficient operation of the Authority Facilities in accomplishing the purposes of this Interlocal Agreement.

(vii) To enter into other interlocal agreements or join with any other special purpose or general purpose local governments, public agencies or authorities in the exercise of common powers or to assist the Authority in acquiring land and rights or interests therein.

(viii) To contract with private or public entities or persons to provide, treat or receive water or to provide or receive wastewater disposal, collection or treatment. To contract with any private or public entity or person for the operation or management of the Authority Facilities.

(ix) To prescribe methods of pretreatment of industrial wastes not amenable to treatment with domestic wastewater before accepting such wastes for treatment and to refuse to accept such industrial wastes when not sufficiently pretreated as may be prescribed, and, to the extent permitted by law, to prescribe penalties for the refusal of any person or corporation to so pretreat such industrial wastes.

(x) To the extent provided by law, to require and enforce the use of services, products and facilities of the Authority whenever and wherever they are accessible, and to require and enforce the installation and dedication to the Authority of water and wastewater facilities or easements as a condition precedent to the provision of service by the Authority or by another entity authorized by the Authority to provide interim service until Authority services, products and facilities are available.

(xi) To sell or otherwise dispose of the effluent, sludge or other by-products as a result of wastewater treatment.

(xii) To accomplish construction directly or by letting construction contracts to other entities, whether public or private, for all or any part of the construction of improvements to the Authority Facilities as determined by the Board in accordance with applicable law.

(xiii) To construct, maintain and operate connecting, intercepting, or outlet wastewater and wastewater mains and pipes and water mains, conduits or pipelines in, along or under any streets, alleys, highways or other public places or ways regulated by or under the jurisdiction of the State or any political subdivision or municipal corporation when necessary or convenient for the purposes of the Authority.

(xiv) Subject to such provisions and restrictions as may be set forth in any Financing Document, to enter into contracts with the government of the United States or any agency or instrumentality thereof, the State, or with any municipality, county, district, authority, political subdivision, private corporation, partnership, association or individual providing for or relating to the treatment, collection and disposal of wastewater, or the treatment, supply and distribution of water and any other matters relevant thereto or otherwise necessary to effect the purposes of this Interlocal Agreement. To receive and accept from any federal or State agency, grants or loans for or in aid of the planning, construction, reconstruction or financing of improvements, additions or extensions to the Authority Facilities and to receive and accept aid or contributions or loans from any other source of either money, labor or other things of value, to be held, used and applied only for the purpose for which such grants, contributions or loans may be made.

(xv) To assume the ownership, lease, operation, management and/or control of any publicly or privately owned water and wastewater facilities, including the assumption of the financial liabilities associated with such water and wastewater facilities.

(xvi) To divide the Authority Facilities into separate units, benefit areas, subsystems or subdistricts, including Utility Systems, for imposing special assessments, setting rates, accounting or financing improvements or additions, or any other purpose.

(xvii) To appoint advisory boards and committees to assist the Board in the exercise and performance of the powers and duties provided in this Interlocal Agreement.

(xviii) To sue and be sued in the name of the Authority.

(xix) To adopt and use a seal and authorize the use of a facsimile thereof.

(xx) To contract with any public or private entity or person to manage and operate the Authority Facilities, or any portion thereof, upon such terms as the Board deems appropriate.

(xxi) Subject to such provisions and restrictions as may be set forth herein and in any Financing Document, to sell or otherwise dispose of the Authority Facilities, or any portion thereof, upon such terms as the Board deems appropriate. To enter into Utility Acquisition Agreements to effect such dispositions.

(xxii) To acquire, by purchase, gift, devise or otherwise, and to dispose of, real or personal property, or any estate therein.

(xxiii) To make and execute contracts or other instruments necessary or convenient to the exercise of its powers.

(xxiv) To provide such retirement benefits and program as the Board deems appropriate.

(xxv) To maintain an office or offices at such place or places as the Board may designate from time to time.

(xxvi) To hold, control and acquire by donation or purchase, or dispose of, any public easements, dedications to public use, platted reservations for public purposes, or any reservations for those purposes authorized by this Interlocal Agreement and to make use of such easements, dedications and reservations for any of the purposes authorized by this Interlocal Agreement.

(xxvii) To lease, as lessor or lessee, to or from any person, firm, corporation, association or body, public or private, facilities or property of any nature to carry out any of the purposes authorized by this Interlocal Agreement.

(xxviii) To borrow money and issue bonds, certificates, warrants, notes, obligations or other evidence of indebtedness.

(xxix) To assess, levy, impose, collect and enforce special assessments to provide Assessable Improvements upon all or any portion of the lands located within a Service Area. Such special assessments may be apportioned among benefitted property in a manner proportionate with the benefits received or commensurate with the burdens alleviated by the maintenance and use of property based upon such factors or combination of factors as determined by resolution of the Board. Such

special assessments may, in the discretion of the Board, be imposed, collected and enforced using any methods and procedures authorized by law, including Section 197.3632, Florida Statutes; or the Board may adopt by resolution its own method or procedures or use any other method or means for levy, imposition, collection and enforcement not inconsistent with law.

(xxx) To apply for and accept grants, loans and subsidies from any governmental entity for the acquisition, construction, operation and maintenance of the Authority Facilities, and to comply with all requirements and conditions imposed in connection therewith.

(xxxii) To the extent allowed by law and to the extent required to effectuate the purposes hereof, to exercise all privileges, immunities and exemptions accorded municipalities and counties of the State under the provisions of the constitution and laws of the State.

(xxxiii) To invest its moneys in such investments as directed by the Board in accordance with State law and which shall be consistent in all instances with the applicable provisions of the Financing Documents.

(xxxiiii) To purchase such insurance as it deems appropriate.

(xxxv) To do all acts and to exercise all of the powers necessary, convenient, incidental, implied or proper in connection with any of the powers, duties or purposes authorized by this Interlocal Agreement or the Act.

(B) In exercising the powers conferred by this Interlocal Agreement the Board shall act by resolution or motion made and adopted at duly noticed and publicly held meetings in conformance with applicable law.

(C) The provisions of Chapter 120, Florida Statutes, shall not apply to the Authority.

**SECTION 4.02. ACQUISITION OF UTILITY SYSTEMS BY AUTHORITY MEMBERS.** (A) To the extent not inconsistent with the applicable Financing Documents, each Authority Member in whose jurisdiction the Authority owns a Utility System, or portion thereof, shall have the exclusive right to acquire such Utility System, or portion thereof. The terms of such acquisition and purchase price thereof shall be established pursuant to the Financing Document relating thereto or the Utility Acquisition Agreement between the Authority and the respective Authority Member.

(B) The Authority agrees that each Authority Member shall have the exclusive right to acquire any Utility System, or portion thereof, located within the jurisdiction of such Authority Member in the event the Authority, in its sole discretion, determines to sell such Utility System, or portion thereof, and the Authority and Authority Member have not entered into a Utility Acquisition Agreement in regard to such Utility System. The purchase price for such Utility System, or portion thereof, shall be consistent with the applicable Financing Documents and shall be an amount mutually agreed upon by the Authority and the Authority Member.

**SECTION 4.03. ANNUAL BUDGET.** (A) Prior to October 1 of each year the Board will adopt an annual budget for the Authority and for each Utility System. Such budget shall be prepared within the time periods required for the adoption of a tentative and final budget for county governments under general law. The annual budget shall contain an estimate of receipts by source and an itemized estimation of expenditures anticipated to be incurred to meet the financial needs and obligations of the Authority and each Utility System. The General Manager shall prepare the annual budget. The annual budget shall contain a five-year capital improvement plan for each Utility System.

(B) The Board shall publish a notice of the meeting in which the annual budget is to be adopted, which notice shall be published once a week for two (2) consecutive weeks thirty (30) days prior to the date of the hearing in a newspaper qualified to accept legal advertisement within each county in the jurisdiction of the Authority in which a Utility System is located. A copy of the proposed budget indicating the five-year capital plan for each Utility System and a notice of the time and place of the Board meeting at which the annual budget is to be adopted shall be provided to each Authority Member prior to the first publication date.

(C) The adopted budget shall be the operating and fiscal guide for the Authority for the ensuing Fiscal Year. The Board may from time to time amend the budget at any duly called regular or special meeting.

(D) The Authority shall provide financial reports in such form and in such manner as prescribed pursuant to this Interlocal Agreement and Chapter 218, Florida Statutes.

(E) The Board shall cause to be made at least once a year, within one hundred eighty (180) days of the end of the Fiscal Year, a report of the Authority Facilities, including all matters relating to expansions, acquisitions, rates, revenues, expenses, principal and interest requirements of the Obligations and the status of all funds and accounts. Copies of such report shall be filed with the Secretary-Treasurer and shall be open to public inspection. The report shall be known as the "Annual Authority Facilities Report". The Annual

Authority Facilities Report may be included as a part of any other report or reports required by law or may be issued separately. The Secretary-Treasurer shall provide each Authority Member with a copy of the Annual Authority Facilities Report.

**SECTION 4.04. ADOPTION OF RATES, FEES OR OTHER CHARGES.**

(A) The Board shall adopt by resolution a schedule of rates, fees or other charges for the use of the services, facilities and products of each Utility System comprising a portion of the Authority Facilities to be paid by each customer which may be connected with or provided service by such Authority Facilities. The Authority may establish separate rates, fees and charges for different portions of the Authority Facilities, including separate rates, fees and charges for each Utility System. The Board may establish different rates, fees and charges for services, facilities and products provided by a portion of a Utility System provided such rates, fees and charges are consistent with applicable law. Each Utility System shall be maintained as an independent enterprise fund.

(B) Such rates, fees and charges shall be adopted and revised so as to provide moneys, which, with other funds available for such purposes, shall be at least sufficient at all times to pay the expenses of operating, managing, expanding, improving and maintaining the Authority Facilities, including renewal and replacement reserves for such Authority Facilities, to pay costs and expenses provided herein and the Financing Documents, and to pay the principal and interest on the Obligations as the same shall become due and reserves therefore, and to provide a reasonable margin of safety over and above the total amount of such payments. Notwithstanding any other provision in this Interlocal Agreement, such rates, fees and charges should always be sufficient to comply fully with any covenants contained in the Financing Documents. The Authority shall charge and collect such rates, fees and charges so adopted and revised, and such rates, fees and charges shall not be subject to the supervision or regulation by any other commission, board, bureau, agency or other political subdivision of the State. The Authority may enter into an interlocal agreement with an Authority Member which delegates to such Authority Member in whole or in part the power to approve the rates, fees and charges of the Utility System located within the jurisdiction of such Authority Member. In exercising such delegated power of approval of the rates, fees and charges of any such Utility System, the rates, fees and charges established by the Authority Member shall be consistent with the requirements contained in this Section 4.04 and shall be sufficient to comply fully with all covenants contained in the applicable Financing Documents.

(C) Such rates, fees and charges for each Utility System or portion thereof shall be just and equitable and uniform for the users in the same class and may be based upon or computed upon any factor or combination of factors affecting the use of the services, products or facilities furnished to the customers of such Utility System or portion thereof,

as may be determined by the Board from time to time. Except as described in Sections 4.04(F) and (G) hereof, no rates, fees or charges shall be fixed, adopted or revised under the foregoing provisions of this Section 4.04 until after a duly noticed public hearing at which all of the customers of the Authority Facilities affected thereby, or owners, tenants or occupants served or to be served thereby and all other interested persons shall have an opportunity to be heard concerning the proposed rates, fees or charges. Notice of such public hearing setting forth the proposed schedule or schedules of rates, fees or charges shall be given by one publication in a newspaper circulating in the portion of the Service Area or Areas affected by such proposed rates, fees or charges at least twenty (20) days before the date fixed in such notice for the public hearing, which may be adjourned from time to time. After such hearing, the proposed schedule or schedules, either as initially adopted, or as modified or amended, may be finally adopted.

(D) The rates, fees or charges adopted for any class of customers served shall be extended to cover any additional customers thereafter served which shall fall within the same class, without the necessity of any further hearing or notice.

(E) The Board may appoint the General Manager, a Director, committee of Directors, and/or a special master to conduct the public hearing or hearings on its behalf relating to rates, fees and charges. The General Manager, Director, committee of Directors and/or designated special master shall act as hearing officers and report to the Board its findings relating to such public hearing. Except as provided pursuant to a delegation in an interlocal agreement with an Authority Member, only the Board may set or revise rates, fees and charges.

(F) Notwithstanding the provision of Section 4.04(C) hereof, upon acquisition of a Utility System, no public hearing shall be required for adoption by the Authority by resolution of the rates, fees and charges contained in the rate tariff relating thereto approved by the Florida Public Service Commission, any governmental seller thereof or any county which has exercised its right to regulate such rates for such Utility System. Likewise, the Board shall have the authority to adopt by resolution approved rate tariffs of other acquired Utility Systems in the future without the requirement of such a public hearing.

(G) Notwithstanding the provisions of Section 4.04(C) hereof, no public hearing shall be required for adoption by the Board of a periodic automatic indexing factor applicable to the initial or any revised schedule of rates, fees and charges of any Utility System.

(H) Notwithstanding anything in this Interlocal Agreement to the contrary, the Authority, by unanimous vote of its Directors, may establish an administrative account into

which moneys may be deposited from the rates, fees and charges of the Authority Facilities or portion thereof or from such other source deemed appropriate by the Board. Any moneys deposited to such administrative account from rates, fees and charges of Authority Facilities shall be considered a loan from such Authority Facilities and shall be repaid within a reasonable period of time to the extent moneys are available therefor. Moneys in such administrative account may be used to pay for costs and expenses associated with acquiring Authority Facilities and any other lawful purpose approved by the Board.

**SECTION 4.05. OBLIGATIONS.** (A) The Board shall have the power and it is hereby authorized to provide pursuant to the Financing Documents, at one time or from time to time in series, for the issuance of Obligations of the Authority, or notes in anticipation thereof, for one or more of the following purposes:

- (i) Paying all or part of the Cost of one or more Projects,
- (ii) Refunding any bonds or other indebtedness of the Authority,
- (iii) Assuming or repaying the indebtedness relating to Authority Facilities, acquired or leased by the Authority from a public or private entity,
- (iv) Setting aside moneys in a renewal or replacement account,
- (v) Funding a debt service reserve account,
- (vi) Capitalizing interest on the Obligations,
- (vii) Paying costs of issuance relating to the Obligations, and
- (viii) Any other purpose relating to this Interlocal Agreement.

The principal of and the interest on each series of Obligations shall be payable from the Pledged Funds, all as determined pursuant to the Financing Documents. The Authority may grant a lien upon and pledge the Pledged Funds in favor of the holders of each series of Obligations in the manner and to the extent provided in the Financing Documents. Such Pledged Funds shall immediately be subject to such lien without any physical delivery thereof and such lien shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Authority.



(B) The Obligations of each series shall be dated, shall bear interest and such rate or rates, shall mature at such time or times not exceeding forty (40) years from their date or dates, may be made redeemable before maturity, at the option of the Authority, at such price or prices and under such terms and conditions, all as shall be determined by the Board pursuant to the Financing Documents. The Board shall determine the form of the Obligations, the manner of executing such Obligations, and shall fix the denomination of such Obligations and the place of payment of the principal and interest, which may be at any bank or trust company within or without the State. In case any officer whose signature or a facsimile of whose signature shall appear on any Obligations shall cease to be such officer before the delivery of such Obligations, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until delivery. The Board may sell Obligations in such manner and for such price as it may determine to be in the best interest of the Authority in accordance with the terms of the Financing Documents. In addition to the Pledged Funds, the Obligations may be secured by such credit enhancement as the Board determines to be appropriate pursuant to the Financing Documents. The Obligations may be issued as capital appreciation bonds, current interest bonds, term bonds, serial bonds, variable bonds or any combination thereof, all as shall be determined pursuant to the Financing Documents.

(C) Prior to the preparation of definitive Obligations of any series, the Board may issue interim receipts, interim certificates or temporary Obligations, exchangeable for definitive Obligations when such Obligations have been executed and are available for delivery. The Board may also provide for the replacement of any Obligation which shall become mutilated, or be destroyed or lost. Obligations may be issued without any other proceedings or the happening of any other conditions or things than those proceedings, conditions or things which are specifically required by this Interlocal Agreement, the Financing Documents or other applicable laws.

(D) The proceeds of any series of Obligations shall be used for such purposes, and shall be disbursed in such manner and under such restrictions, if any, as the Board may provide pursuant to the Financing Documents.

(E) The Financing Documents may also contain such limitations upon the issuance of additional Obligations as the Board may deem appropriate, and such additional Obligations shall be issued under such restrictions and limitations as may be prescribed by such Financing Documents. The Financing Documents may contain such provisions and terms in relation to the Obligations and the Pledged Funds as the Board deems appropriate and which shall not be inconsistent herewith.

(F) Obligations shall not be deemed to constitute a general obligation debt of the Authority or the Authority Members or a pledge of the faith and credit of the Authority or any of the Authority Members, but such Obligations shall be payable solely from the Pledged Funds and any moneys received from the credit enhancers of the Obligations, in accordance with the terms of the Financing Documents. The issuance of Obligations shall not directly or indirectly or contingently obligate the Authority or any of the Authority Members to levy or to pledge any form of ad valorem taxation whatsoever therefor. No holder of any such Obligations shall ever have the right to compel any exercise of the ad valorem taxing power on the part of any of the Authority Members to pay any such Obligations or the interest thereon or the right to enforce payment of such Obligations, or the interest thereon, against any property of the Authority or any of the Authority Members, nor shall such Obligations constitute a charge, lien or encumbrance, legal or equitable, upon any property of the Authority or any of the Authority Members, except the Pledged Funds in accordance with the terms of the Financing Documents.

(G) All Pledged Funds shall be deemed to be trust funds, to be held and applied solely as provided in the Financing Documents. Such Pledged Funds may be invested by the Authority in such manner as provided in the Financing Documents.

(H) Any holder of Obligations, except to the extent the rights herein given may be restricted by the Financing Documents, may, either at law or in equity, by suit, action, mandamus or other proceeding, protect and enforce any and all rights under the laws of the State or granted hereunder or under the Financing Documents, and may enforce and compel the performance of all agreements or covenants required by this Interlocal Agreement, or by such Financing Documents, to be performed by the Authority or by any officer thereof.

(I) The Obligations may be validated, at the sole discretion of the Board, pursuant to Chapter 75, Florida Statutes. Obligations may be issued pursuant to and secured by a resolution of the Board.

(J) In addition to the other provisions and requirements of this Interlocal Agreement, any Financing Documents may contain such provisions as the Board deems appropriate.

(K) All Obligations issued hereunder shall not be invalid for any irregularity or defect in the proceedings for the issuance and sale thereof and shall be incontestable in the hands of bona fide purchasers for value. No proceedings in respect to the issuance of such Obligations shall be necessary except such as are required by this Interlocal Agreement, the Financing Documents and general law. The provisions of the Financing Documents shall

constitute an irrevocable contract between the Authority and the holders of the Obligations issued pursuant to the provisions thereof.

(L) Holders of Obligations shall be considered third party beneficiaries hereunder and may enforce the provisions hereof.

(M) The Board may enter into such swap, hedge or other similar arrangements relating to any Obligations as it deems appropriate.

**SECTION 4.06. AD VALOREM TAXATION NOT AUTHORIZED.** The Authority shall not have the power to levy and assess an ad valorem tax on any property within the Service Areas for any reason.

**SECTION 4.07. CONNECTION FEES.** (A) The Authority is empowered to levy and collect Connection Fees relating to the Authority Facilities for capital improvements and debt service on such capital improvements under such conditions as shall be prescribed by the Board. Connection Fees may become Pledged Funds in accordance with the terms of the Financing Documents.

(B) The Board may change or revise the schedule of Connection Fees upon compliance with the notice and hearing requirements set forth for the adoption of rates, fees and other charges.

**SECTION 4.08. UNPAID FEES.** The Board shall have the power, under such reasonable procedures as the Board may adopt from time to time, to discontinue and shut off either or both water and wastewater services until delinquent fees, rates or charges, including interest and charges for the discontinuance and the cost of restoration of such water and wastewater services, or both, are fully paid; and, for such purposes, the Authority may enter onto any lands, waters or premises of any person, firm, corporation or body, public or private, served by the Authority within the Service Areas.

**SECTION 4.09. AUTHORITY APPROVAL OF CONSTRUCTION OF WATER AND WASTEWATER FACILITIES.** (A) The Board may adopt all necessary regulations by resolution that provide design and construction specifications and procedures for the dedication of facilities to the Authority.

(B) The Authority may require, as a condition precedent to the approval of any connection to the Authority Facilities, (i) that all subdivision-type infrastructure, or other contributed transmission or distribution infrastructure necessary to serve a particular project or customer, and necessary easements be dedicated to the Authority, (ii) that the developer

make available interim treatment facilities or services or contract for same on an interim basis from an authorized service provider, and (iii) that the developer, or the person or entity the developer has contracted with, provide interim treatment service, or lease back for nominal consideration and maintain such dedicated or contributed facilities until such time as the Authority provides services; provided in each case the foregoing actions shall be consistent with applicable regulations of the Authority Members.

**SECTION 4.10. PLANNING REQUIREMENT.** (A) In addition to the other powers enumerated in this Interlocal Agreement the Authority shall have the power to adopt a master plan for the provision of utility services within the Service Area of each Utility System. Such master plan may include for each Utility System, at a minimum: the identification of current customers and the projections of future customers and their profiles (residential, commercial, industrial); a review and general inventory of all existing infrastructure and facilities within the Service Area of each Utility System; and an identification of water supply and treatment alternatives and available wastewater treatment and disposal alternatives, including plans for the use of reclaimed or reused water alternatives.

(B) Prior to the adoption of the annual budget, a five-year capital improvement plan shall be submitted to each Authority Member for the Utility System within their respective jurisdictions for a determination by such Authority Member that the capital improvement plan is consistent with the applicable local government comprehensive plan of such Authority Member adopted pursuant to Chapter 163, Part II, Florida Statutes.

(C) All utility expansion or line extension policies adopted by the Board shall be consistent with the land development regulations, local comprehensive plans and other applicable regulations adopted by the Authority Members within which a Utility System is located.

**SECTION 4.11. EFFECT OF INCORPORATION OR THE PRESENCE OF A SPECIAL DISTRICT ON AUTHORITY.** The subsequent incorporation or annexation of any area initially included within a Service Area, or the presence or creation of any special district within a Service Area, shall not impair nor alter the authority, power and purposes of the Authority for providing water and wastewater services and facilities within any portion of such Service Area now included within any municipality, special district or subsequently included within any municipality or special district.

**SECTION 4.12. CONDUIT TRANSACTIONS.** In addition to the powers granted to the Authority hereunder, including the power to issue Obligations pursuant to this Article IV, the Authority may issue Obligations, to the extent permitted by law, for the

principal purpose of loaning the proceeds thereof to a public or private entity, which shall finance or refinance the acquisition and construction of water treatment, production or transmission facilities or wastewater treatment, transmission or disposal facilities. Such Obligations shall be secured in such manner as determined by the Board. Such security may include moneys received pursuant to a loan agreement between the Authority and such public or private entity. Such Obligations shall have the terms provided in Section 4.05 hereof.

**SECTION 4.13. WATER PRODUCTION FACILITIES LOCATED WITHIN THE JURISDICTION OF TAMPA BAY WATER.** In order to comply with Section 3.02(B) of the Amended and Restated Interlocal Agreement reorganizing Tampa Bay Water, a Regional Water Supply Authority ("Tampa Bay Water"), the Authority agrees to use Tampa Bay Water (directly or through a member government of Tampa Bay Water) as its exclusive supplier of water to be delivered to customers located within the geographic territory of Tampa Bay Water, to the same extent as required by the member governments of Tampa Bay Water (other than Tampa) under such Amended and Restated Interlocal Agreement. In order to comply with this provision as it relates to the proposed acquisition of the water facilities of Avatar and other water facilities located in Hillsborough County, Florida, Pasco County, Florida and Pinellas County, Florida (the "Tampa Bay Water Service Area"), the Authority shall offer to sell, lease or otherwise dispose of the water production facilities of Avatar and any other water production facilities which it acquires within the Tampa Bay Water Service Area to Tampa Bay Water at or prior to the time of acquisition of such facilities by the Authority, at a cost equal to the average of two independent MAI appraisals of such water production facilities, one of which shall be by an appraiser selected by Tampa Bay Water. Notwithstanding any other provision of this Interlocal Agreement, and solely for purposes of enforcing the provisions of this Section 4.13, the Authority Members agree that Tampa Bay Water is hereby designated as a third-party beneficiary hereto. The provisions of this Section 4.13 shall control over any other provisions of this Interlocal Agreement which may be in conflict herewith. Notwithstanding any provisions in this Section 4.13 to the contrary, the Authority need not offer to sell, lease or otherwise dispose of the water production facilities of Avatar which are acquired by the Authority and it may own and operate such facilities, provided Hillsborough County is not an Authority Member.

**SECTION 4.14. OMITTED.**

**SECTION 4.15. PROVISIONS RELATING TO CITRUS COUNTY, FLORIDA.** The following provisions of this Section 4.15 shall relate solely to Citrus County:

None

**SECTION 4.16. PROVISIONS RELATING TO POLK COUNTY, FLORIDA.** The following provisions of this Section 4.16 shall relate solely to Polk County:

(A) **Service Area.** The Service Area of the Utility System relating to the facilities acquired from Avatar which are located in Polk County shall be the existing Service Area. The Authority may not serve areas outside such Service Area located in Polk County without the prior written consent of Polk County. The decision to grant, grant with conditions or deny a request to serve an area outside such initial Service Area shall be treated as a legislative decision of the Polk County Board of County Commissioners. The Authority shall not compete against the Polk County water and wastewater system. Solely for purposes of Section 11.14 of the Polk County water and wastewater bond resolution, Polk County acknowledges that the Authority shall have a franchise to operate within such Service Area located in Polk County under the conditions provided herein, such franchise shall not exceed in any respect any franchise heretofore approved by Polk County. This provision may not be modified without the consent of Polk County.

**SECTION 4.17. PROVISIONS RELATING TO SARASOTA COUNTY, FLORIDA.** The following provisions of this Section 4.17 shall relate solely to Sarasota County:

(A) **Service Area.** The Service Area of the Utility System relating to the facilities acquired from Avatar which are located in Sarasota County (the "Avatar Utility System") shall be the existing area franchised to Avatar by Sarasota County. The Authority may not serve areas outside such Service Area without the prior written consent of Sarasota County. The decision to grant, grant with conditions or deny a request to serve an area outside the initial Service Area shall be treated as a legislative decision of the Sarasota County Board of County Commissioners.

(B) **Cooperation.** The Authority agrees to cooperate with Sarasota County for the purpose of interconnecting the Avatar Utility System with the water and wastewater utility system owned and operated by Sarasota County. The Authority and Sarasota County agree that, to the extent practicable, either party may obtain bulk service for treatment of wastewater from the other party at a reasonable cost based upon usage to the extent

wastewater capacity for such bulk service is available. The cost of any interconnections by the Authority and Sarasota County shall be borne by the parties based on an agreed to usage of the interconnection. The Authority agrees to enter into an agreement with Sarasota County whereby treated effluent from the Avatar Utility System will be made available for distribution through Sarasota County's Regional Reclaimed Water Distribution System. There shall be no charge for effluent which is transferred to the County's Regional Reclaimed Water Distribution System.

(C) Capital Improvement Plan. Prior to the adoption of its annual budget, the Authority shall prepare a five-year capital improvement plan as described in Section 4.10(B) hereof. Such plan shall be consistent with Sarasota County Utility Master Plans, as amended from time to time. The proposed capital improvement plan shall be submitted to Sarasota County no less than thirty (30) days prior to its adoption. Sarasota County shall review and comment on the appropriateness of the proposed capital improvement plan within twenty (20) days following receipt of same. The Authority agrees to cooperate with Sarasota County in adjusting its capital improvement plan, if necessary, to be consistent with Sarasota County's Utility Master Plans.

(D) Rates, Fees and Charges. Sarasota County shall have the power to approve rates, fees and charges of the Avatar Utility System, to the extent allowed under Section 4.04(B) hereof. Sarasota County agrees that it shall have no power to approve rates, fees and charges in the event the Authority establishes such rates, fees and charges in order to comply with the covenants contained in the Financing Documents. Sarasota County shall apply its ordinances and rules and regulations which pertain to water and sewer franchise utilities in determining rates, fees and charges for the Avatar Utility System. Sarasota County recognizes that certain rate making principles, such as contributed property and return on investment concepts, are not applicable to the Authority. Sarasota County and the Authority agree to enter into a separate interlocal agreement with respect to the process to be followed in applying for approval of rates, fees and charges of the Avatar Utility System.

(E) Acquisition. Notwithstanding anything in Section 4.02 hereof, Sarasota County has an existing right to acquire the Avatar Utility System as provided in the Indenture of Trust relating thereto.

## ARTICLE V

### MISCELLANEOUS

**SECTION 5.01. DELEGATION OF DUTY.** Nothing contained herein shall be deemed to authorize the delegation of any of the constitutional or statutory duties of the State or the Authority Members or any officers thereof.

**SECTION 5.02. FILING.** A copy of this Interlocal Agreement shall be filed for record with the Clerk of the Circuit Court in each county wherein an Authority Member is located.

**SECTION 5.03. IMMUNITY.** (A) All of the privileges and immunities from liability and exemptions from laws, ordinances and rules which apply to the activity of officials, officers, agents or employees of the Authority Members shall apply to the officials, officers, agents or employees of the Authority when performing their respective functions and duties under the provisions of this Interlocal Agreement.

(B) The Authority Members intend to utilize Sections 768.28 and 163.01(9)(c), Florida Statutes, other Florida Statutes and the common law governing sovereign immunity to the fullest extent possible. Pursuant to Section 163.01(5)(o), Florida Statutes, Authority Members may not be held jointly liable for the torts of the officers or employees of the Authority, or any other tort attributable to the Authority, and that the Authority alone shall be liable for any torts attributable to it or for torts of its officers, employees or agents, and then only to the extent of the waiver of sovereign immunity or limitation of liability as specified in Section 768.28, Florida Statutes. The Authority Members intend that the Authority shall have all of the privileges and immunities from liability and exemptions from laws, ordinances, rules and common law which apply to the municipalities and counties of the State. Nothing in this Interlocal Agreement is intended to inure to the benefit of any third-party for the purpose of allowing any claim which would otherwise be barred under the doctrine of sovereign immunity or by operation of law.

**SECTION 5.04. LIMITED LIABILITY.** No Authority Member shall in any manner be obligated to pay any debts, obligations or liabilities arising as a result of any actions of the Authority, the Directors or any other agents, employees, officers or officials of the Authority, except to the extent otherwise mutually agreed upon, and neither the Authority, the Directors or any other agents, employees, officers or officials of the Authority have any authority or power to otherwise obligate any individual Authority Member in any manner.



**SECTION 5.05. AMENDMENTS.** This Interlocal Agreement may be amended in writing at any time by the concurrence of all of the Directors present at a duly called meeting of the Authority and subsequent ratification by the governing body of each Authority Member. However, this Interlocal Agreement may not be amended so as to (A) permit any profits of the Authority to inure to the benefit of any private person, (B) permit the diversion or application of any of the moneys or other assets of the Authority for any purposes other than those specified herein, (C) adversely affect the tax-exempt status, if applicable, of interest on the Obligations, or (D) materially, adversely affect the security for any Obligations. Notwithstanding any other provision herein, Sections 4.14 through 4.17 hereof may be amended by an interlocal agreement between the Authority and the Authority Member on whose benefit the provision of any such Section is made without the consent of any other Authority Member provided such amendment does not adversely affect any other Authority Member or the Utility System located within the affected Authority Member.

**SECTION 5.06. SEVERABILITY.** In the event that any provision of this Interlocal Agreement shall, for any reason, be determined invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, the other provisions of this Interlocal Agreement shall remain in full force and effect.

**SECTION 5.07. CONTROLLING LAW.** This Interlocal Agreement shall be construed and governed by Florida law.

**SECTION 5.08. SUPERCEDES ORIGINAL AGREEMENT.** This First Amended and Restated Interlocal Agreement shall supercede in all respects the Original Agreement as of the date hereof. Upon approval of this First Amended and Restated Interlocal Agreement as provided in Section 5.05 hereof, the Original Agreement shall be of no further force and effect.

**SECTION 5.09. EFFECTIVE DATE.** This Interlocal Agreement shall become effective on the later of (A) the dated date hereof or (B) the date the last initial Authority Member executes this Interlocal Agreement and the filing requirements of Section 5.02 hereof are satisfied.

IN WITNESS WHEREOF, this Interlocal Agreement has been executed by and on behalf of the Authority Members by their authorized officers or officials on this 22nd day of May, 2000.

**NASSAU COUNTY, FLORIDA**

By: 

Chairman  
Nick D. Deonas

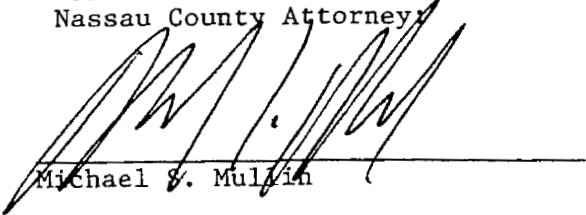
ATTEST:



Clerk

J.M. "Chip" Oxley, Jr.

Approved as to form by the  
Nassau County Attorney

  
Michael S. Mullin

IN WITNESS WHEREOF, this Interlocal Agreement has been executed by and on behalf of the Authority Members by their authorized officers or officials on this 25 day of July, 2000.

**POLK COUNTY, FLORIDA**

By:   
Chairman

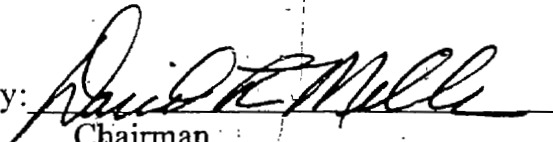
ATTEST:

Richard M. Weiss  
Clerk

By: Marie L. Kessler  
Deputy Clerk

IN WITNESS WHEREOF, this Interlocal Agreement has been executed by and on behalf of the Authority Members by their authorized officers or officials on this 12<sup>th</sup> day of September, 2000.


SARASOTA COUNTY, FLORIDA

By:   
Chairman

ATTEST:


\_\_\_\_\_  
Clerk

ATTEST:  
KAREN E. RUSHING, Clerk of  
the Circuit Court and  
Ex-Officio Clerk of the Board  
of County Commissioners of  
Sarasota County, Florida.

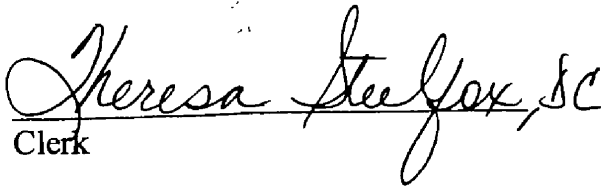
By:   
Deputy Clerk

IN WITNESS WHEREOF, this Interlocal Agreement has been executed by and on behalf of the Authority Members by their authorized officers or officials on this 12<sup>th</sup> day of December, 2000.

**CITRUS COUNTY, FLORIDA**

By   
Chairman

ATTEST:

  
Clerk