

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions and subject to the conditions described herein under "TAX MATTERS," interest on the Series 2013 Bonds described below is (a) excludable from gross income for federal income tax purposes, and (b) not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals or corporations. Such interest, however, will be includable in the calculation of a corporation's alternative minimum taxable income and may be subject to other federal income tax consequences referred to herein under "TAX MATTERS." See "TAX MATTERS" herein for a discussion of Bond Counsel's opinion.

\$53,755,000
LEE COUNTY, FLORIDA
Water and Sewer
Revenue Bonds,
Series 2013A

\$39,440,000
LEE COUNTY, FLORIDA
Water and Sewer Refunding
Revenue Bonds,
Series 2013B

Dated: Date of Delivery

Due: October 1, as shown on inside cover page

The Lee County, Florida Water and Sewer Revenue Bonds, Series 2013A (the "Series 2013A Bonds") and Lee County, Florida Water and Sewer Refunding Revenue Bonds, Series 2013B (the "Series 2013B Bonds" and, together with the Series 2013A Bonds, the "Series 2013 Bonds") are being issued by Lee County, Florida (the "County") in fully registered form and initially will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2013 Bonds. The Series 2013 Bonds will be available to purchasers in denominations of \$5,000 or integral multiples thereof under the book-entry system maintained by DTC. Purchasers will not receive physical delivery of the Series 2013 Bonds. Interest on the Series 2013 Bonds is payable on April 1, 2014 and on each October 1 and April 1 thereafter until maturity or redemption. The principal of and interest on the Series 2013 Bonds will be paid by Regions Bank, Orlando, Florida, as paying agent (the "Paying Agent"). So long as DTC or its nominee, Cede & Co., is the registered owner, such payments will be made directly to DTC. Disbursement of such payments to the Direct Participants (as defined herein) is the responsibility of DTC, and disbursements of such payments to Beneficial Owners (as defined herein) is the responsibility of DTC Participants (as defined herein), as more fully described herein. See "DESCRIPTION OF THE SERIES 2013 BONDS - Book-Entry System" herein.

The Series 2013 Bonds are subject to redemption prior to their stated maturities as described herein.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

The Series 2013 Bonds are being issued under and pursuant to the Constitution and laws of the State of Florida, particularly the authority of Chapter 125, Florida Statutes and other applicable provisions of law, including an authorizing resolution duly adopted by the Board of County Commissioners of the County (the "Governing Body") on June 30, 1993 (the "Authorizing Resolution"), as supplemented, and as particularly supplemented by Resolution No. 13-06-35 adopted by the Governing Body on June 25, 2013 (the "Supplemental Resolution" and, together with the Authorizing Resolution, the "Resolution").

The Series 2013A Bonds are being issued to (i) finance certain capital improvements to the System (as defined herein) and (ii) pay certain costs of issuance of the Series 2013A Bonds. The Series 2013B Bonds are being issued to (i) refund, on a current basis, and together with certain available moneys of the County, all of the County's outstanding Water and Sewer Refunding Revenue Bonds, Series 2003A (the "Refunded Bonds"), and (ii) pay certain costs of issuance of the Series 2013B Bonds.

All capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Resolution.

The Series 2013 Bonds are payable from and secured by a lien upon and pledge of (i) the Net Revenues derived by the County from the operation of its System, (ii) to the extent described herein, Connection Fees received by the County in connection with the System, and (iii) certain moneys and investments on deposit in the funds and accounts established under the Resolution authorizing the issuance of the Series 2013 Bonds (collectively, the "Pledged Funds"). The Series 2013 Bonds will be secured equally and ratably with the County's Water and Sewer Refunding Revenue Bonds, Series 2012A (the "Series 2012A Bonds"), the County's Water and Sewer Refunding Revenue Bonds, Series 2012B (the "Series 2012B Bonds"), and the County's Water and Sewer Refunding Revenue Bonds, Series 2011 (the "Series 2011 Bonds") by a first lien on and pledge of the Pledged Funds. The County may issue additional bonds from time to time under the Resolution on a parity with the Series 2013 Bonds, the Series 2012A Bonds, the Series 2012B Bonds, the Series 2011 Bonds and any other Bonds then outstanding as to the lien on and pledge of the Pledged Funds, as more fully described herein. For a description of the security and sources of payment for the Series 2013 Bonds, see "SECURITY FOR SERIES 2013 BONDS" herein.

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE SERIES 2013 BONDS, AND NO OWNER SHALL EVER HAVE THE RIGHT TO REQUIRE OR COMPEL THE EXERCISE OF ANY TAXING POWER OF THE COUNTY, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION THEREOF TO THE PAYMENT OF SUCH PRINCIPAL, REDEMPTION PREMIUM, IF ANY, AND INTEREST. THE SERIES 2013 BONDS AND THE OBLIGATIONS EVIDENCED BY THE RESOLUTION SHALL NOT CONSTITUTE A LIEN UPON ANY TANGIBLE PROPERTY OF THE COUNTY, BUT WILL CONSTITUTE A LIEN ON, AND WILL BE PAYABLE SOLELY FROM, THE PLEDGED FUNDS.

The Series 2013 Bonds are offered when, as and if issued by the County, subject to the approving legal opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel. Certain legal matters are subject to the approval of Andrea R. Fraser, Esq., Interim County Attorney. Certain legal matters are subject to the approval of Squire Sanders (US) LLP, Tampa, Florida, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Greenberg Traurig, P.A. Dunlap & Associates, Winter Park, Florida, is acting as Financial Advisor to the County. It is expected that the Series 2013 Bonds in definitive form will be ready for delivery through the facilities of DTC on or about July 31, 2013.

Citigroup

Morgan Stanley

Raymond James

LEE COUNTY, FLORIDA

\$53,755,000
Water and Sewer Revenue Bonds,
Series 2013A

\$39,440,000
Water and Sewer Refunding Revenue Bonds,
Series 2013B

Maturities, Amounts, Interest Rates, Prices and Initial CUSIP Numbers

\$27,025,000 2013A Serial Bonds

<u>Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>Initial</u> <u>CUSIP No. †</u>
2014	\$ 480,000	2.000%	101.801	523530JU8
2015	920,000	3.000	104.892	523530JV6
2016	945,000	4.000	108.967	523530JW4
2017	985,000	4.000	110.187	523530JX2
2018	1,025,000	4.000	110.441	523530JY0
2019	1,065,000	5.000	116.123	523530JZ7
2020	1,120,000	5.000	116.164	523530KA0
2021	1,175,000	5.000	115.641	523530KB8
2022	1,235,000	5.000	114.626	523530KC6
2023	1,295,000	5.000	114.298	523530KD4
2024	1,360,000	5.000	112.643*	523530KE2
2025	1,430,000	5.000	111.285*	523530KF9
2026	1,500,000	5.000	110.036*	523530KG7
2027	1,575,000	4.000	99.567	523530KH5
2028	1,635,000	4.000	98.651	523530KJ1
2029	1,705,000	4.125	98.429	523530KK8
2030	1,775,000	4.250	98.556	523530KL6
2031	1,850,000	4.250	98.254	523530KM4
2032	1,925,000	5.000	105.121*	523530KN2
2033	2,025,000	5.000	104.786*	523530KP7

\$11,745,000 5.000% 2013A Term Bonds due October 1, 2038, Price 103.377*, Initial CUSIP No. 523530KQ5†

\$14,985,000 5.000% 2013A Term Bonds due October 1, 2043, Price 102.559*, Initial CUSIP No. 523530KR3†

\$39,440,000 2013B Serial Bonds

<u>Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Price</u>	<u>Initial</u> <u>CUSIP No. †</u>
2014	\$1,770,000	2.000%	101.801	523530KS1
2015	2,130,000	5.000	109.183	523530KT9
2016	2,235,000	5.000	112.069	523530KU6
2017	2,345,000	5.000	114.214	523530KV4
2018	2,460,000	5.000	115.344	523530KW2
2019	2,580,000	5.000	116.123	523530KX0
2020	2,715,000	5.000	116.164	523530KY8
2021	2,845,000	5.000	115.641	523530KZ5
2022	2,995,000	5.000	114.626	523530LA9
2023	3,140,000	5.000	114.298	523530LB7
2024	3,300,000	5.000	112.643*	523530LC5
2025	3,465,000	5.000	111.285*	523530LD3
2026	3,640,000	5.000	110.036*	523530LE1
2027	3,820,000	5.000	108.979*	523530LF8

† Copyright 2013, American Bankers Association. CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of McGraw-Hill Companies, Inc. This data is not intended to create a data base and does not serve in any way as a substitute for the CUSIP Services. The County is not responsible for the use of CUSIP numbers, nor is a representation made as to their correctness. The CUSIP numbers are only included solely for the convenience of the readers of the Official Statement and may be changed after the issuance of the Series 2013 Bonds.

* Priced to first optional redemption date of October 1, 2023.

**Lee County, Florida
2115 Second Street
Fort Myers, Florida 33901**

Board of County Commissioners

Cecil L Pendergrass, Chair

John E. Manning, Commissioner Larry Kiker, Commissioner
Tammara Hall, Commissioner Frank Mann, Commissioner

**Clerk of Circuit Court and
Ex-Officio Clerk to the Board of County Commissioners**

Linda Doggett

Interim County Attorney

Andrea R. Fraser, Esquire

County Manager

Roger Desjarlais

Director, Division of Utilities

Pam Keyes, P.E.

Bond Counsel

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

Disclosure Counsel

Squire Sanders (US) LLP
Tampa, Florida

Financial Advisor

Dunlap & Associates
Winter Park, Florida

Feasibility Consultant

Public Resources Management Group, Inc.
Maitland, Florida

No dealer, broker, salesman or other person has been authorized by Lee County, Florida (the "County") to give any information or to make any representations in connection with the Series 2013 Bonds other than as contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the County. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2013 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the County, a feasibility report prepared by Public Resources Management Group, Inc., The Depository Trust Company and other sources which are believed to be reliable.

All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Series 2013 Bonds are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

Any statements in this Official Statement involving estimates, assumptions and matters of opinion, whether or not so expressly stated, are intended as such and not as representations of fact, and the County expressly makes no representation that such estimates, assumptions and opinions will be realized or fulfilled. Any information, estimates, assumptions and matters of opinion contained in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement, nor any sale made hereunder, shall under any circumstances create any implication that there has been no change in the affairs of the County since the date hereof.

THE SERIES 2013 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2013 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE SERIES 2013 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2013 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE UNDERWRITERS HAVE PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT: THE UNDERWRITERS HAVE REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, THEIR RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITERS DO NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2013 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2013 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE INSIDE COVER PAGE OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH, TO THE EXTENT THEY ARE NOT RECITATIONS OF HISTORICAL FACT, CONSTITUTE "FORWARD-LOOKING STATEMENTS." IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTENT," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. A NUMBER OF FACTORS AFFECTING THE COUNTY'S BUSINESS AND FINANCIAL RESULTS COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE STATED IN THE FORWARD-LOOKING STATEMENTS.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE A CONTRACT BETWEEN THE COUNTY OR THE UNDERWRITERS AND ANY ONE OR MORE OF THE OWNERS OF THE SERIES 2013 BONDS. THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITES: WWW.MUNIOS.COM OR WWW.EMMA.MSRB.ORG. THIS OFFICIAL STATEMENT SHOULD BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR AS PRINTED IN ITS ENTIRETY DIRECTLY FROM SUCH WEBSITES.

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OFFICIAL STATEMENT

relating to

\$53,755,000
LEE COUNTY, FLORIDA
Water and Sewer
Revenue Bonds,
Series 2013A

\$39,440,000
LEE COUNTY, FLORIDA
Water and Sewer Refunding
Revenue Bonds,
Series 2013B

INTRODUCTION

This Introduction is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement and should not be considered to be a complete statement of the facts material to making an investment decision. The offering by Lee County, Florida (the “County”) of its \$53,755,000 Water and Sewer Revenue Bonds, Series 2013A (the “Series 2013A Bonds”) and its \$39,440,000 Water and Sewer Refunding Revenue Bonds, Series 2013B (the “Series 2013B Bonds” and, together with the Series 2013A Bonds, the “Series 2013 Bonds”) to potential investors is made only by means of this entire Official Statement, including all appendices attached hereto. All capitalized undefined terms used in this Introduction shall have the meanings set forth elsewhere in this Official Statement or in “APPENDIX D - FORM OF AUTHORIZING RESOLUTION.”

The County

Lee County, Florida encompasses approximately 811 square miles, is located on the west coast of Florida and is bordered by Charlotte County to the north, Hendry County to the east and Collier County to the south. Incorporated municipalities located within the County include the Cities of Fort Myers, Cape Coral, Sanibel and Bonita Springs and the Town of Fort Myers Beach. The unincorporated communities include Lehigh Acres, Estero, North Fort Myers, Tice, Alva, Pine Island, Matlacha and Captiva Island. The County experienced significant growth between 2000 and 2012, increasing its population by approximately 44.7%. The estimated population of the County for Fiscal Year 2012 was 631,330. See “APPENDIX A – LEE COUNTY GENERAL INFORMATION.”

Authorization

The Series 2013 Bonds are being issued under and pursuant to the Constitution and laws of the State of Florida, particularly the authority of Chapter 125, Florida Statutes and other applicable provisions of law, including an authorizing resolution duly adopted by the Board of County Commissioners of the County (the “Governing Body”) on June 30, 1993 (the “Authorizing Resolution”), as supplemented, and as particularly supplemented by Resolution No. 13-06-35 adopted by the Governing Body on June 25, 2013 (the “Supplemental Resolution” and, together with the Authorizing Resolution, the “Resolution”). The form of the Authorizing Resolution is set forth in APPENDIX D hereto.

The Series 2013 Bonds

The Series 2013 Bonds are being issued in fully registered form in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Series 2013 Bonds. The Series 2013 Bonds will be available to purchasers in denominations of \$5,000 and integral multiples thereof. Interest on the Series 2013 Bonds is payable on April 1, 2014 and on each October 1 and April 1 thereafter until maturity or redemption. Amounts due on the Series 2013 Bonds will be paid to Cede & Co., as nominee for DTC, as registered owner of the Series 2013 Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Series 2013 Bonds. See “THE SERIES 2013 BONDS-Book-Entry System” herein. The Series 2013 Bonds are redeemable prior to their stated maturities as provided herein. See “THE SERIES 2013 BONDS – Redemption Provisions” herein.

Purpose of the Series 2013 Bonds

The Series 2013A Bonds are being issued to (i) finance certain capital improvements to the Systems, and (ii) pay certain costs of issuance of the Series 2013A Bonds. The Series 2013B Bonds are being issued to (i) refund, on a current basis, and together with certain available moneys of the County, all of the County’s outstanding Water and Sewer Refunding Revenue Bonds, Series 2003A (the “Refunded Bonds”), and (ii) pay certain costs of issuance of the Series 2013B Bonds. See “PLAN OF FINANCE” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Security for the Series 2013 Bonds

The Series 2013 Bonds are payable solely from and are secured by a first lien on and pledge of (i) the Net Revenues derived by the County from operation of the System (as hereinafter defined), (ii) to the extent described herein, Connection Fees received by the County in connection with the System, and (iii) certain moneys and investments on deposit in the funds and accounts established under the Resolution (collectively, the “Pledged Funds”). The Series 2013 Bonds are being issued on a parity with the County’s Water and Sewer Refunding Revenue Bonds, Series 2012A (the “Series 2012A Bonds”) outstanding in the aggregate principal amount of \$19,990,000, the County’s Water and Sewer Refunding Revenue Bonds, Series 2012B (the “Series 2012B Bonds”) outstanding in the aggregate principal amount of \$7,490,000, and the County’s Water and Sewer Refunding Revenue Bonds, Series 2011 (the “Series 2011 Bonds”) outstanding in the aggregate principal amount of \$71,125,000. The Series 2012A Bonds, the Series 2012B Bonds and the Series 2011 Bonds are collectively referred to herein as the “Parity Bonds”.

NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2013 BONDS, AND NO OWNER SHALL EVER HAVE THE RIGHT TO REQUIRE OR COMPEL THE EXERCISE OF ANY TAXING POWER OF THE COUNTY, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION THEREOF TO THE PAYMENT OF SUCH PRINCIPAL, REDEMPTION

PREMIUM, IF ANY, AND INTEREST. THE SERIES 2013 BONDS AND THE OBLIGATIONS ISSUED UNDER THE RESOLUTION SHALL NOT CONSTITUTE A LIEN UPON ANY TANGIBLE PROPERTY OF THE COUNTY, BUT WILL CONSTITUTE A LIEN ON, AND WILL BE PAYABLE SOLELY FROM, THE PLEDGED FUNDS. SEE “SECURITY FOR THE SERIES 2013 BONDS” herein.

No Reserve Account

The County has determined not to fund the Reserve Account or any subaccount therein created under the Resolution to secure the Series 2013 Bonds. Therefore, any amounts on deposit in the Reserve Account or any subaccounts therein will not secure the Series 2013 Bonds.

Additional Bonds

Subject to certain conditions set forth in the Resolution, the County may from time to time issue Additional Bonds (as hereinafter defined) that are payable from and secured by a first lien on and pledge of the Pledged Funds on a parity with the Bonds then Outstanding. See “SECURITY FOR THE SERIES 2013 BONDS – Additional Bonds” herein. In addition, under certain circumstances Subordinated Indebtedness (as defined in the Resolution) may accede to the status of parity Bonds pursuant to the Resolution and be secured by a first lien on and pledge of the Pledged Funds on a parity with the Series 2013 Bonds, the Parity Bonds, and any other Bonds then Outstanding. See “SECURITY FOR THE SERIES 2013 BONDS – Accession of Subordinated Indebtedness to Parity Status” herein.

Consultant’s Reports

Public Resources Management Group, Inc. (the “Feasibility Consultant”) has prepared a Financial Feasibility Report for Water and Sewer Revenue Bonds, Series 2013A and Water and Sewer Refunding Revenue Bonds, Series 2013B dated July 9, 2013 (the “Feasibility Report”), a copy of which is included as APPENDIX B hereto. The Feasibility Report should be carefully reviewed in its entirety. Projections in the Feasibility Report are based upon the assumptions therein contained, including, without limitation, assumptions regarding the debt service payments on the Series 2013 Bonds.

PLAN OF FINANCE

The Series 2013A Bonds are being issued to (i) finance certain capital improvements to the Systems, and (ii) pay certain costs of issuance of the Series 2013A Bonds. The Series 2013B Bonds are being issued to (i) refund, on a current basis, and together with certain available moneys of the County, all of the County’s outstanding Water and Sewer Refunding Revenue Bonds, Series 2003A (the “Refunded Bonds”), and (ii) pay certain costs of issuance of the Series 2013B Bonds.

2013 Project

The Series 2013A Bonds are being issued to finance all or a portion of the cost to expand and rehabilitate the Green Meadows Water Treatment Plant including expansion of treatment

capacity, construction of a well field pipeline, seven Floridan aquifer test production wells and two deep injection wells and four monitoring wells (the “2013 Project”). It is anticipated that the 2013 Project will cost approximately \$63.7 million, which will be funded with approximately \$56 million from the proceeds of the Series 2013A Bonds and \$7.7 million from other available moneys of the County.

Refunded Bonds

The Refunded Bonds maturing after October 1, 2013 will be called for redemption October 1, 2013 at a redemption price of par, plus accrued interest to the redemption date. The Refunded Bonds maturing on October 1, 2013 will be paid at maturity.

Upon delivery of the Series 2013B Bonds, the County will enter into an escrow deposit agreement (the “Escrow Deposit Agreement”) with Regions Bank, Orlando, Florida (in such capacity, the “Escrow Agent”) pertaining to the Refunded Bonds. The Escrow Deposit Agreement creates an Escrow Deposit Trust Fund (the “Escrow Fund”) to be held by the Escrow Agent and funded with proceeds of the Series 2013B Bonds and certain other legally available moneys, including debt service funds allocable to the Refunded Bonds. The Escrow Fund will be held in trust by the Escrow Agent and the moneys therein will be irrevocably pledged to the payment of the principal of, and redemption premium, if any, and interest on the Refunded Bonds. Moneys in the Escrow Fund shall be held uninvested as cash to pay the principal of and redemption premium, if any, and interest on the Refunded Bonds as the same become due or are called for redemption.

Upon delivery of the Series 2013B Bonds, GNP Services, CPA, P.A. (the “Verification Agent), will verify the accuracy of the arithmetical computations of the sufficiency of the cash held in the Escrow Fund to pay the principal of, redemption premiums, if any, and interest on the Refunded Bonds. See “VERIFICATION OF ARITHMETICAL COMPUTATIONS” herein.

In reliance upon the above-referenced schedules and verifications, at the time of delivery of the Series 2013B Bonds, Bond Counsel will deliver an opinion to the County to the effect that the pledge of and lien on the Pledged Funds in favor of the holders of the Refunded Bonds shall be discharged and satisfied.

The moneys held under the Escrow Deposit Agreement will be used only to pay the Refunded Bonds and will not be available for payment of debt service on the Series 2013 Bonds.

DESCRIPTION OF THE SERIES 2013 BONDS

General Description

The Series 2013 Bonds will be issued as fully registered bonds and will be initially issued to Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Series 2013 Bonds. Individual purchases of the Series 2013 Bonds will be made in book-entry form only, and the purchasers will not receive physical delivery of the Series 2013 Bonds. See “BOOK-ENTRY SYSTEM” herein.

The Series 2013 Bonds shall be dated as of their date of delivery and shall mature at such times and in such amounts and shall bear such rates of interest as shall be provided on the inside cover page hereof. Semiannual interest on the Series 2013 Bonds is payable on April 1, 2014 and on each October 1 and April 1 thereafter. Payment of principal of, premium, if any, and interest on the Series 2013 Bonds will be made to Cede & Co., as nominee for DTC, as registered owner of the Series 2013 Bonds, to be subsequently disbursed to DTC Participants and thereafter to the Beneficial Owners of the Series 2013 Bonds. See "BOOK-ENTRY SYSTEM" herein. Regions Bank, Orlando, Florida, is serving as Registrar and Paying Agent for the Series 2013 Bonds (in such capacity, the "Registrar" and "Paying Agent," respectively).

Transfer and Exchange

The Series 2013 Bonds are transferable in accordance with the terms of the Resolution. Series 2013 Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Series 2013 Bonds of the same series and maturity of any other authorized denominations. The County, the Registrar and any Paying Agent or fiduciary of the County may deem and treat the person in whose name any Outstanding Series 2013 Bonds shall be registered upon the books of the County as the absolute owner thereof, whether or not such Series 2013 Bonds are overdue, for the purpose of receiving payment of, or on account of, the principal, redemption price, if applicable, and interest on such Series 2013 Bonds and for all other purposes. All such payments so made to any such Holder or upon his order shall be valid and effectual to satisfy and discharge the liability on such Series 2013 Bonds to the extent of the sum or sums so paid. Neither the County, the Registrar nor any Paying Agent or other fiduciary of the County shall be affected by any notice to the contrary. The County and the Registrar shall not be obligated to make any exchange or transfer of the Series 2013 Bonds during the fifteen (15) days next preceding an Interest Date or, in the case of any proposed redemption, during the fifteen (15) days next preceding the date of the first mailing of notice of such redemption and continuing until such redemption date.

Book-Entry System

THE FOLLOWING INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY ("DTC") AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM DTC, AND NEITHER THE COUNTY NOR THE UNDERWRITERS TAKE ANY RESPONSIBILITY FOR THE ACCURACY THEREOF.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2013 BONDS, AS NOMINEE OF DTC, CERTAIN REFERENCES IN THIS OFFICIAL STATEMENT TO THE SERIES 2013 BONDHOLDERS OR REGISTERED OWNERS OF THE SERIES 2013 BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2013 BONDS. THE DESCRIPTION WHICH FOLLOWS OF THE PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2013 BONDS, PAYMENT OF INTEREST AND PRINCIPAL ON THE SERIES 2013 BONDS TO DIRECT PARTICIPANTS (AS HEREINAFTER DEFINED) OR BENEFICIAL OWNERS OF THE SERIES 2013

BONDS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2013 BONDS, AND OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE DIRECT PARTICIPANTS AND BENEFICIAL OWNERS OF THE SERIES 2013 BONDS IS BASED SOLELY ON INFORMATION FURNISHED BY DTC. ACCORDINGLY, THE COUNTY DOES NOT MAKE ANY REPRESENTATIONS CONCERNING THESE MATTERS.

DTC, New York, New York, will act as securities depository for the Series 2013 Bonds. The Series 2013 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity of the Series 2013 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Series 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2013 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2013 Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2013 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive

certificates representing their ownership interests in the Series 2013 Bonds, except in the event that use of the book-entry system for the Series 2013 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2013 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2013 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements made among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2013 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2013 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2013 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Series 2013 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant and not of DTC, the Paying Agent or the County, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County and/or the Paying Agent for the Series 2013 Bonds. Disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2013 Bonds at any time by giving reasonable notice to the County. Under such

circumstances, in the event that a successor securities depository is not obtained, Series 2013 Bond certificates are required to be printed and delivered.

The County does not have any responsibility or obligations to the DTC Participants, Indirect Participants or the Beneficial Owners with respect to (A) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest on the Series 2013 Bonds, (B) the delivery to any Participant or any other Person other than a Bondholder, as shown in the registration books kept by the Registrar, of any notice with respect to the Series 2013 Bonds, including any notice of redemption, or (C) the payment to any Participant or any other Person, other than a Bondholder, as shown in the registration books kept by the Registrar, of any amount with respect to principal of, Redemption Price, if any, or interest on the Series 2013 Bonds.

Upon (A) receipt by the County of written notice from DTC (i) to the effect that a continuation of the requirement that all of the Outstanding Series 2013 Bonds be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of the Series 2013 Bonds or (ii) to the effect that DTC is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of DTC hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, or (B) determination by the County that such book-entry only system is burdensome or undesirable to the County and compliance with any applicable DTC rules and procedures, the Series 2013 Bonds shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names Holders shall designate, in accordance with the provisions of the Resolution. In such event, the County shall issue and the Registrar shall authenticate, transfer and exchange the Series 2013 Bonds of like principal amount and maturity, in denominations of \$5,000 or any integral multiple thereof to the Holders thereof. The foregoing notwithstanding, until such time as participation in the book-entry only system is discontinued, the provisions set forth in the Blanket Issuer Letter of Representations previously executed by the County and delivered to DTC shall apply to the payment of principal of, premium, if any, and interest on the Series 2013 Bonds.

Redemption Provisions

Optional Redemption. The Series 2013A Bonds maturing on or after October 1, 2024, are subject to redemption prior to maturity at any time on or after October 1, 2023 at the option of the County, as a whole or in part prior to maturity in such maturities and sinking fund installments as selected by the County and by lot within a maturity, at a redemption price of par (plus accrued interest to the redemption date on the principal amount, if any) and without premium.

The Series 2013B Bonds maturing on or after October 1, 2024 are subject to redemption prior to maturity at any time on or after October 1, 2023 at the option of the County, as a whole or in part prior to maturity in such maturities and sinking fund installments as selected by the County and by lot within a maturity, at a redemption price of par (plus accrued interest to the redemption date on the principal amount, if any) and without premium.

Mandatory Redemption. The Series 2013A Bonds maturing October 1, 2038 are subject to mandatory redemption, by operation of Sinking Fund Installments, in part prior to maturity by lot, at a redemption price equal to 100% of the principal amount thereof plus interest accrued to the redemption date. The County will cause the Paying Agent to redeem the following principal amounts of the Series 2013A Term Bonds on the following dates:

<u>Year</u> <u>(October 1)</u>	<u>Amount</u>
2034	\$2,125,000
2035	2,230,000
2036	2,345,000
2037	2,460,000
2038*	2,585,000

* Maturity

The Series 2013A Bonds maturing October 1, 2043 are subject to mandatory redemption, by operation of Sinking Fund Installments, in part prior to maturity by lot, at a redemption price equal to 100% of the principal amount thereof plus interest accrued to the redemption date. The County will cause the Paying Agent to redeem the following principal amounts of the Series 2013A Term Bonds on the following dates:

<u>Year</u> <u>(October 1)</u>	<u>Amount</u>
2039	\$2,710,000
2040	2,850,000
2041	2,990,000
2042	3,140,000
2043*	3,295,000

* Maturity

Notice of Redemption. Except as otherwise provided in the Resolution, notice of redemption, which must specify the Series 2013 Bonds (or portions thereof) to be redeemed and the date and place for redemption, must be given by the Registrar on behalf of the County. Such notice must also be filed with the Paying Agent of the Series 2013 Bonds and mailed first class, postage prepaid, at least thirty (30) days and not more than forty-five (45) days prior to the redemption date to all Holders of Series 2013 Bonds to be redeemed at their addresses as they appear on the registration books kept by the Registrar as of the date of mailing of such notice. Failure to mail such notice, or any defect therein, will not affect the proceedings for redemption of Series 2013 Bonds as to which no such failure or defect has occurred. Additional notice of redemption must be given as provided in the Resolution.

Notwithstanding anything in the Resolution to the contrary, in the case of an optional redemption of any Series 2013 Bonds, the notice of redemption may state that (1) it is conditioned upon the deposit of moneys with the Paying Agent or with an escrow agent under an

escrow deposit agreement, in amounts necessary to effect the redemption, no later than the redemption date or (2) the County retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a “Conditional Redemption”), and such notice and redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded. Any such notice of Conditional Redemption shall be captioned “Conditional Notice of Redemption.” Any Conditional Redemption may be rescinded at any time prior to the redemption date if the County delivers a written direction to the Registrar directing the Registrar to rescind the redemption notice. The Registrar shall give prompt notice of such rescission to the affected Bondholders. Any Series 2013 Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and neither the rescission nor the failure by the County to make such funds available shall constitute an Event of Default under the Resolution. The County shall give notice to DTC and the affected Bondholders that the redemption did not occur and that the Series 2013 Bonds called for redemption and not so paid remain Outstanding under the Resolution.

SECURITY FOR THE SERIES 2013 BONDS

General

The Series 2013 Bonds are being issued as Additional Bonds under the Resolution and are payable from and secured by a first lien upon and pledge of the Pledged Funds derived from or related to the operations of the County’s water utility system (the “Water System”) and wastewater utility system (the “Wastewater System” and together with the Water System, the “System”). The System is described herein under the caption “THE SYSTEM.”

With respect to the Series 2013 Bonds, the Pledged Funds consist principally of (i) the Net Revenues of the System, (ii) to the extent described herein, Connection Fees received by the County in connection with the System, and (iii) certain moneys and investments on deposit in the funds and accounts established under the Resolution.

The Resolution defines “Net Revenues” of the System as “Gross Revenues” less “Operating Expenses.” “Gross Revenues” are defined as all income and moneys received by the County from the rates, fees, rentals, charges and other income to be made and collected by the County for the use of the products, services and facilities to be provided by the System, or otherwise received by the County or accruing to the County in ownership, management and/or operation of the System, calculated in accordance with generally accepted accounting principles applicable to public utility systems similar to the System, including Investment Earnings. “Gross Revenues” do not include Government Grants, Water Connection Fees, Sewer Connection Fees or Special Assessment Proceeds.

The Resolution defines “Operating Expenses” as the County’s expenses for operation, maintenance, repairs and replacements with respect to the System, including, without limitation, administration expenses, payments for the purchase of materials essential to or used in the operation of the System including bulk purchases of water or sewage services, fees for management of the System or any portion thereof, any insurance and surety bond fees or premiums, the fees to the provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit (but excluding any expenses or reimbursement obligations for draws made

thereunder), accounting, legal and engineering expenses, ordinary and current rentals of equipment or other property, refunds of moneys lawfully due to others, payments to others for disposal of sewage or other wastes, payments to pension, retirement, health and hospitalization funds, and any other expenses required to be paid for or with respect to proper operation or maintenance of the System, including appropriate reserves therefor, all to the extent properly attributable to the System in accordance with generally accepted accounting principles applicable to public utility systems similar to the System, and disbursements for the expenses, liabilities and compensation of any Paying Agent or Registrar under the Resolution; however, “Operating Expenses” do not include any costs or expenses in respect of original construction or improvement other than expenditures necessary to prevent an interruption of service or of Gross Revenues or minor capital expenditures necessary for the proper and economical operation or maintenance of the System, or any provision for interest, depreciation, amortization or similar charges.

The County has entered into an Interlocal Wastewater Treatment Agreement dated October 16, 1983, as supplemented and amended (the “Fort Myers Wastewater Agreement”) with the City of Fort Myers (“Fort Myers”) for the treatment of a portion of the System’s wastewater at Fort Myers wastewater treatment plants and for utilization of reclaimed water. See “THE SYSTEM – General” herein. The County has been allocated under the Fort Myers Wastewater Agreement 50% of the 23 million gallons per day (“mgd”) permitted capacity. Under the terms of the Fort Myers Wastewater Agreement, the County is obligated to make certain monthly payments to Fort Myers related to the services which the County receives from Fort Myers, but the County is also obligated to make certain monthly payments whether or not the County receives any services, and a portion of that latter payments is calculated on the basis of the amount of debt service that Fort Myers is obligated to pay on debt incurred by it in financing the facilities to which such Fort Myers Wastewater Agreement pertains. All charges paid by the County under the Fort Myers Wastewater Agreement are treated by the County as Operating Expenses. Under its terms, the Fort Myers Wastewater Agreement is to continue until terminated by mutual agreement of the parties.

“Connection Fees” are defined in the Resolution as, collectively, Sewer Connection Fees and Water Connection Fees. “Water Connection Fees” are the fees and charges, if any, which relate to acquiring, constructing, equipping or expanding the capacity of the water facilities of the System, and levied for the purpose of paying or reimbursing the equitable share of the capital cost relating to such acquisition, construction, expansion or equipping of excess and unused capacity of the System or expansion thereof in order to serve new users of the water facilities of the System, to the extent the same are lawfully levied, collected and pledged. “Sewer Connection Fees” are the fees and charges, if any, which relate to acquiring, constructing, equipping or expanding the capacity of the sewer facilities of the System, and levied for the purpose of paying or reimbursing the equitable share of the capital cost relating to such acquisition, construction, expansion or equipping of excess and unused capacity of the System or expansion thereof in order to serve new users of the sewer facilities of the System, to the extent the same are lawfully levied, collected and pledged.

Connection Fees may be used (i) to make up deficiencies in the accounts in the Sinking Fund, to the extent sums in the Reserve Account, Renewal and Replacement Fund and Utility Reserve Account are insufficient for that purpose; (ii) to pay or reimburse the capital cost of

improvements or additions to the facilities of the System for which the Connection Fees were imposed; or (iii) for any lawful purpose relating to the System. There is no assurance that Connection Fees will be collected or that, once collected, the Connection Fees will not be used for purposes permitted by the Resolution that will result in Connection Fees not being available to make up deficiencies in the accounts in the Sinking Fund. Moreover, Connection Fees transferred to make up such deficiencies must be repaid from Gross Revenues within one year of transfer, unless the County determines the transfer is a lawful use of the Connection Fees. See “SECURITY FOR THE SERIES 2013 BONDS – Flow of Funds” herein.

Generally, under Florida law, impact fees such as the Connection Fees may be validly imposed against new construction or development in order to fund capital improvements or capacity of the water and wastewater facilities which are necessitated by such new construction or development or to satisfy debt service for bonds or other indebtedness issued to finance or refinance such capital improvements or capacity. Proceeds of such Connection Fees may be used only for the capital improvements or capacity attributable to the new construction or development or to pay associated debt service. Investment earnings with respect to Connection Fees are subject to the same restrictions on use as the Connection Fees themselves.

Impact fee revenues such as the Connection Fees fluctuate with the amount of new construction or development which occurs within the service areas of the System (the “Service Area”). Although the Service Area has been growing, like much of the nation, the rate of growth in the County has slowed considerably in the past several Fiscal Years. Therefore, there can be no assurances that such revenues will not decrease or be eliminated altogether in the event that new construction, for whatever reason, decreases or ceases within the service areas of the System. See “APPENDIX B – FEASIBILITY REPORT” herein.

Pursuant to the Resolution, the Pledged Funds include all moneys, including investments thereof, in the funds and accounts established under the Resolution until applied in accordance with the provisions thereof, except (i) the Rebate Fund, (ii) moneys in any fund or account to the extent required to pay Operating Expenses of the System in accordance with the Resolution, (iii) moneys on deposit in a subaccount of the Reserve Account that are pledged solely to the payment of a particular Series of Bonds, and (iv) Special Assessment Proceeds pledged solely to the payment of a particular Series of Bonds.

Flow of Funds

The Resolution creates the following funds and accounts:

1. Water and Sewer System Revenue Fund (the “Revenue Fund”) and three accounts therein: the “Revenue Account,” the “Operation and Maintenance Account” and the “Utility Reserve Account.”
2. Water and Sewer System Sinking Fund (the “Sinking Fund”) and four accounts therein: the “Interest Account,” the “Principal Account,” the “Term Bonds Redemption Account” and the “Reserve Account.”

3. Water and Sewer System Water Connection Fees Fund (the “Water Connection Fees Fund”).
4. Water and Sewer System Sewer Connection Fees Fund (the “Sewer Connection Fees Fund”).
5. Water and Sewer System Special Assessments Fund (the “Special Assessments Fund”).
6. Water and Sewer System Renewal and Replacement Fund (the “Renewal and Replacement Fund”).
7. Water and Sewer System Rebate Fund (the “Rebate Fund”).

All Pledged Funds are to be applied as provided in the Resolution. The County has covenanted in the Resolution that it will deposit all Gross Revenues into the Revenue Account, all Special Assessment Proceeds, as received, to the Special Assessments Fund and all Sewer Connection Fees and Water Connection Fees, as received, to the Sewer Connection Fees Fund and Water Connection Fees Fund, respectively.

Moneys in the Revenue Account are required by the Resolution to first be used each month to deposit in the Operation and Maintenance Account such sums as are necessary to pay Operating Expenses for the ensuing month. The County may transfer moneys from the Revenue Account to the Operation and Maintenance Account at any time to pay Operating Expenses to the extent there is a deficiency in the Operation and Maintenance Account for such purpose. Funds in the Operation and Maintenance Account are to be paid out from time to time by the County to pay for reasonable and necessary Operating Expenses; provided, however, that no such payment shall be made unless the provisions of the Resolution in regard to the current Annual Budget are complied with.

All moneys at any time on deposit in the Special Assessments Fund (except as otherwise provided by supplemental resolution) and any deposits remaining in the Revenue Account after the aforementioned transfers to the Operation and Maintenance Account shall be disposed of, except as otherwise provided by the Resolution, by the County on or before the twenty-fifth (25th) day of each month, first from the Special Assessments Fund and then from the Revenue Account, in the following manner and in the following order of priority:

Interest Account. The County must deposit or credit to the Interest Account the sum which, together with the balance in said Interest Account, shall equal the interest on all Bonds Outstanding (except as to Capital Appreciation Bonds) accrued and unpaid and to accrue to the end of the then current calendar month. Moneys in the Interest Account shall be applied by the County for deposit with the Paying Agents to pay the interest on the Bonds on or prior to the date the same shall become due. The County shall adjust the amount of the deposit to the Interest Account not later than a month immediately preceding any Interest Date so as to provide sufficient moneys in the Interest Account to pay the interest on the Bonds coming due on such Interest Date. No further deposit need be made to the Interest Account when the moneys therein are equal to the interest coming due on the outstanding Bonds on the next succeeding Interest Date.

Principal Account. Commencing in the month which is one year prior to the first principal due date, the County must next deposit into the Principal Account the sum which, together with the balance in said Principal Account, shall equal the principal amounts on all Bonds Outstanding (including all amounts due on Capital Appreciation Bonds) due and unpaid and that portion of the principal next due which would have accrued on such Bonds during the then current calendar month if such principal amounts were deemed to accrue monthly (assuming that a year consists of twelve equivalent calendar months having thirty (30) days each) in equal amounts from the next preceding principal payment due date, or, if there be no such preceding payment due date from a date one year preceding the due date of such principal amount. Moneys in the Principal Account shall be applied by the County for deposit with the Paying Agents to pay the principal of the Bonds on or prior to the date the same shall mature, and for no other purpose. Serial Capital Appreciation Bonds shall be payable from the Principal Account in the years in which such Bonds mature and monthly payments into the Principal Account on account of such Bonds shall commence in the month of the respective Bond Years in which such bonds mature. The County shall adjust the amount of the deposit to the Principal Account not later than the month immediately preceding any principal payment date so as to provide sufficient moneys in the Principal Account to pay the principal on Bonds becoming due on such principal payment date. No further deposit need be made to the Principal Account when the moneys therein are equal to the principal coming due on the Outstanding Bonds on the next succeeding principal payment date.

Term Bonds Redemption Account. Commencing in the month which is one year prior to the first Sinking Fund Installment due date, there must be deposited to the Term Bonds Redemption Account the sum which, together with the balance in such Term Bonds Redemption Account, shall equal the Sinking Fund Installments on all Bonds Outstanding due and unpaid and that portion of the Sinking Fund Installments of all Bonds Outstanding next due which would have accrued on such Bonds during the then current calendar month if such Sinking Fund Installments were deemed to accrue monthly (assuming that a year consists of twelve equivalent calendar months having thirty (30) days each) in equal amounts from the next preceding Sinking Fund Installment due date, or, if there is no such preceding Sinking Fund Installment due date, from a date one year preceding the due date of such Sinking Fund Installment. Moneys in the Term Bonds Redemption Account shall be used to purchase or redeem Term Bonds in the manner provided in the Resolution, and for no other purpose. The County shall adjust the amount of the deposit to the Term Bonds Redemption Account on the month immediately preceding any Sinking Fund Installment Date so as to provide sufficient moneys in the Term Bonds Redemption Account to pay the Sinking Fund Installments becoming due on such date. Payments to the Term Bond Redemption Account shall be on parity with payments to the Principal Account.

Amounts accumulated in the Term Bonds Redemption Account with respect to any Sinking Fund Installment (together with amounts accumulated in the Interest Account with respect to interest, if any, on the Term Bonds for which such Sinking Fund Installment was established) may be applied by the County, on or prior to the sixtieth (60th) day preceding the due date of such Sinking Fund Installment, to the purchase of Term Bonds of the Series and maturity for which such Sinking Fund Installment was

established, or to the redemption at the applicable Redemption Prices of such Term Bonds, if then redeemable by their terms.

Reserve Account. There must be deposited to the Reserve Account an amount which would enable the County to restore the funds on deposit in the Reserve Account to an amount equal to the Reserve Account Requirement applicable thereto, whether such shortfall was caused by decreased market value or withdrawal (from cash or a Reserve Account Insurance Policy or Reserve Account Letter of Credit). Moneys in a separate subaccount of the Reserve Account shall be maintained at the reserve account requirement applicable to such Series of Bonds secured by the Subaccount unless otherwise provided by Supplemental Resolution. Money shall be deposited to separate subaccounts on a pro-rata basis. Except as otherwise provided in the Resolution, all deficiencies in the Reserve Account must be made up no later than twelve months from the date such deficiency occurred. **The County has determined not to fund the Reserve Account or any subaccount therein to secure the Series 2013 Bonds.** See “SECURITY FOR THE SERIES 2013 BONDS – No Reserve Account.”

Renewal and Replacement Fund. There must be deposited to the Renewal and Replacement Fund such sums as shall be sufficient to pay one-twelfth of five percent of the Gross Revenues derived from the System during the preceding Fiscal Year until the amount accumulated in such Fund is equal to five percent (5%) of the Gross Revenues received by the County in the immediately preceding Fiscal Year or such other lesser or greater amount as may be certified to the County by the Consulting Engineers as an amount appropriate for the purposes of the Resolution (the “Renewal and Replacement Fund Requirement”). In the event that the Consulting Engineers shall certify that the Renewal and Replacement Fund Requirement is excessive for the purposes of the Renewal and Replacement Fund such excess amount as may be on deposit therein may be transferred by the County from the Renewal and Replacement Fund for deposit into the Utility Reserve Account. The moneys in the Renewal and Replacement Fund shall be applied by the County for the purpose of paying the cost of major extensions, improvements or additions to, or the replacement or renewal of capital assets of, the System, or extraordinary repairs of the System; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date), moneys in the Renewal and Replacement Fund shall be applied for the payment into the Interest Account, the Principal Account, and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Account for such purpose, together with moneys available in the Reserve Account for such purpose, shall be inadequate to fully provide for such insufficiency. Moneys in the Renewal and Replacement Fund may also be transferred to the Operation and Maintenance Account to fund Operating Expenses to the extent Gross Revenues shall be insufficient for such purpose. Such transfer shall be treated as an interfund loan and shall be repaid from Gross Revenues as described in the Resolution within one year from the date of such transfer.

For Fiscal Year 2013, the Renewal and Replacement Fund Requirement is equal to \$4,568,591. The Renewal and Replacement Fund Requirement was based on the

amount certified by the Consulting Engineer to be sufficient at five percent (5%) of the Gross Revenues derived from the System during the immediately preceding Fiscal Year. As of April 30, 2013, the Renewal and Replacement Fund had on deposit \$4,570,325.32 (net of contract retainage) (unaudited). The County currently budgets and projects to annually contribute to the Renewal and Replacement Fund an amount equal to or above the Renewal and Replacement Fund Requirement in accordance with the terms of the Resolution described above and is currently in compliance with the Resolution. See the Feasibility Report for a summary of the projected transfers and projected compliance with the requirements of the Resolution.

Subordinated Indebtedness. There must next be deposited or applied such amounts as shall be necessary for the payment of any accrued debt service on Subordinated Indebtedness incurred by the County in connection with the System and in accordance with the proceedings authorizing such Subordinated Indebtedness. See “Subordinated Indebtedness; Accession of Subordinated Indebtedness to Parity Status” herein.

Sinking Fund. There must be deposited to the Interest Account, Principal Account and Term Bonds Redemption Account, in that order, sufficient moneys such that the amount on deposit therein shall equal, respectively, the interest, principal and Sinking Fund Installment next coming due on the Bonds Outstanding. No deposit need be made to the Principal Account or Term Bonds Redemption Account until a date one year preceding the due date of such principal amount or Sinking Fund Installment.

Utility Reserve Account. The balance of any moneys on deposit in the Revenue Account and Special Assessments Fund shall be deposited in the Utility Reserve Account and applied to the payment, on or prior to each principal and interest payment date for the Bonds (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date), into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein shall be insufficient to pay the principal of and interest on the Bonds coming due. Moneys not required to meet such a deficiency shall be deposited to the Water Connection Fees Fund and Sewer Connection Fees Fund to make up any withdrawal from such Funds pursuant to the Resolution, and then to the Reserve Account to make up any deficiency therein. Moneys in the Utility Reserve Account shall also be used to make any deposits to the Rebate Fund as shall be required by the Resolution. Thereafter, moneys in the Utility Reserve Account may be applied for any lawful purpose including, but not limited to, purchase or redemption of Bonds, payment of Subordinated Indebtedness and improvements, renewals and replacements to the System; provided, however, that none of such revenues shall ever be used for the purposes provided in the Resolution unless all payments required to be made by the Resolution including any deficiencies for prior payments, have been made in full to the date of such use.

The County, in its discretion, may use moneys in the Principal Account and the Interest Account to purchase or redeem Bonds coming due on the next principal payment date, provided such purchase or redemption does not adversely affect the County’s ability to pay the principal

or interest coming due on such principal payment date on the Bonds not so purchased or redeemed.

The County shall deposit into the Water Connection Fees Fund all Water Connection Fees as received and into the Sewer Connection Fees Fund all Sewer Connection Fees as received. All sums in the Water Connection Fees Fund and Sewer Connection Fees Fund together with moneys transferred to such Funds pursuant to the Resolution shall be applied by the County in the following manner and order of priority:

(i) On a pro rata basis, or such other basis as the County shall deem appropriate in relation to the amount of moneys in each Fund at the time of transfer, from the Water Connection Fees Fund and the Sewer Connection Fees Fund, for the payment on or prior to each principal and interest payment date (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date) into the Interest Account, the Principal Account and the Term Bonds Redemption Account, when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund and the Renewal and Replacement Fund for such purpose pursuant to the Resolution together with moneys available in the Reserve Account for such purpose, shall be inadequate to fully provide for such insufficiency. Any moneys transferred to the aforementioned Accounts described above shall be treated as an interfund loan and shall be repaid, together with reasonable interest thereon, from Gross Revenues but in no event later than one year from the date of such transfer, unless the County shall determine that such transfer constitutes a lawful use of such Connection Fees.

(ii) To the extent permitted by law, to pay or reimburse the capital cost of acquiring and/or constructing such improvements or additions to the facilities of the System for which the Connection Fees were imposed.

(iii) To be used for any other lawful purpose relating to the System.

Amounts on deposit in the Rebate Fund shall be applied solely to make required rebates to the United States related to arbitrage (except to the extent the same may be transferred to the Revenue Account) and the holders of the Series 2013 Bonds shall have no right to have the same applied to payment of debt service on the Series 2013 Bonds.

Rate Covenant

The County has covenanted in the Resolution to fix, establish and maintain such rates, fees and charges and collect such fees, rates or other charges for the product, services and facilities of the System, and revise the same from time to time, whenever necessary, as will always provide in each Fiscal Year, (i) Net Revenues and Special Assessment Proceeds adequate at all times to pay in each Fiscal Year at least one hundred percent (100%) of (A) the Annual Debt Service on all Outstanding Bonds becoming due in such Fiscal Year, (B) any amounts required by the terms of the Resolution to be deposited in the Reserve Account (as a result of a deficiency therein) or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy, and (C) the amounts required by the Resolution to be repaid to the Water

Connection Fees Fund and Sewer Connection Fees Fund, respectively, in such Fiscal Year, and (ii) Net Revenues, Special Assessment Proceeds and Connection Fees in each Fiscal Year adequate to pay at least one hundred twenty percent (120%) of the Annual Debt Service on all Outstanding Bonds becoming due in such Fiscal Year. Such rates, fees or other charges may not be reduced so as to be insufficient to provide adequate Net Revenues, Special Assessment Proceeds and Connection Fees for the purposes provided therefor by the Resolution.

If, in any Fiscal Year, the County fails to comply with the rate covenant contained in the Resolution, it must cause the Rate Consultant to review its rates, fees, charges, income, Gross Revenues, Operating Expenses and methods of operation and to make written recommendations as to the methods by which the County may promptly seek to comply with the rate covenant. The County must forthwith commence to implement such recommendations to the extent required so as to cause it to thereafter comply with said requirements.

No Reserve Account

Pursuant to the Resolution, the County has determined not to fund the Reserve Account or any subaccount therein to secure the Series 2013 Bonds. Therefore, any amounts on deposit in the Reserve Account or any subaccounts therein will not secure the Series 2013 Bonds.

Existing Parity Bonds

The Series 2013 Bonds are being issued with a first lien on and pledge of the Pledged Funds on a parity with the Parity Bonds and any Additional Bonds hereafter issued. The Series 2012A Bonds, the Series 2012B Bonds and Series 2011 Bonds are not secured by any amounts on deposit in the Reserve Account or any account therein.

Additional Bonds

The County may issue Additional Bonds, pursuant to the Resolution on a parity with the Series 2013 Bonds, the Parity Bonds and any other Bonds then Outstanding secured by a first lien upon and pledge of the Pledged Funds for the purpose of financing the Cost of a Project or the completion thereof or refunding any or all Outstanding Bonds, any Subordinated Indebtedness or other outstanding obligations of the County.

Additional Bonds may not be issued unless the following conditions are complied with:

(i) Except in the case of Additional Bonds issued for the purpose of refunding Outstanding Bonds, the County must certify that it is current in all deposits into the various funds and accounts established by the Resolution and all payments theretofore required to have been deposited or made by it under the provisions of the Resolution and has complied with the covenants and agreements of the Resolution.

(ii) An independent certified public accountant or the Rate Consultant must certify to the County that the amount of the Net Revenues and Special Assessments Proceeds during the immediately preceding Fiscal Year or any twelve consecutive months selected by the County of the twenty-four (24) months immediately preceding the issuance of said Additional Bonds, adjusted as hereinafter described, will (A) be equal to

at least one hundred percent (100%) of (1) the Maximum Annual Debt Service of the Outstanding Bonds and the Additional Bonds then proposed to be issued, (2) any amounts required by the terms of the Resolution to be deposited into the Reserve Account (as a result of a deficiency therein) or with an issuer of a Reserve Account Insurance Policy or Reserve Account Letter of Credit during such twelve consecutive months, and (3) any amounts required by the terms of the Resolution to be repaid to the Water Connection Fees Fund and Sewer Connection Fees Fund during such twelve consecutive months, and (B) when added to the Connection Fees, adjusted as hereinafter described, received by the County during such twelve consecutive months, be equal to at least one hundred twenty percent (120%) of the Maximum Annual Debt Service of the Outstanding Bonds and the Additional Bonds then proposed to be issued.

(iii) The Net Revenues, the Connection Fees and the Special Assessment Proceeds calculated pursuant to the foregoing may be adjusted upon the written advice of the Rate Consultant or Consulting Engineers, at the option of the County, as follows:

(A) If the County prior to the issuance of the proposed Additional Bonds, shall have increased the rates, fees or other charges for the product, services or facilities of the System, the Net Revenues and the Connection Fees for the twelve consecutive months immediately preceding the issuance of said Additional Bonds shall be adjusted to reflect the Net Revenues and the Connection Fees which would have been derived from the System in such twelve consecutive months as if such increased rates, fees or other charges for the product, services or facilities of the System had been in effect during all of such twelve consecutive months.

(B) If the County shall have acquired or has contracted to acquire any privately or publicly owned existing water and/or sewer system, then the Net Revenues and the Connection Fees derived from the System during the twelve consecutive months immediately preceding the issuance of said Additional Bonds shall be increased by adding to the Net Revenues and the Connection Fees for said twelve consecutive months the Net Revenues and the Connection Fees which would have been derived from said existing water and/or sewer system as if such existing water and/or sewer system had been a part of the System during such twelve consecutive months. For the purposes of this paragraph, the Net Revenues and the Connection Fees derived from said existing water and/or sewer system during such twelve consecutive months shall be adjusted to determine such Net Revenues and the Connection Fees by deducting the cost of operation and maintenance of said existing water and/or sewer system from the gross revenues of said system. Such Net Revenues and the Connection Fees shall take into account any increase in rates imposed on customers of such water and/or sewer system on or prior to the acquisition thereof by the County.

(C) If the County, in connection with the issuance of the Additional Bonds, shall enter into a contract (with a duration not less than the final maturity of such Additional Bonds) with any public or private entity whereby the County agrees to furnish services in connection with any water and/or sewer system, then

the Net Revenues of the System during the twelve consecutive months immediately preceding the issuance of said Additional Bonds shall be increased by the least amount which said public or private entity shall guarantee to pay in any one year for the furnishing of said services by the County, after deducting therefrom the proportion of operating expenses and repair, renewal and replacement cost attributable in such year to such services.

(D) If the County covenants to levy Special Assessments against property to be benefited by the improvements, the cost of which shall be paid from the proceeds of the proposed Additional Bonds, then the Special Assessment Proceeds derived from the System during the twelve consecutive months shall be increased by an amount equal to the least amount which the Rate Consultant or Consulting Engineers estimate will be received in any one year subsequent to completion of such improvements from the levy of said Special Assessments, said amount to be the total received, assuming no prepayments, from the installment payments on the Special Assessments plus the interest paid on the unpaid portion of the Special Assessments. The estimate of the Rate Consultant or Consulting Engineers shall be based upon the preliminary assessment roll filed with the County prior to the construction of such improvements.

(E) In the event the County shall be constructing or acquiring additions, extensions or improvements to the System from the proceeds of such Additional Bonds or shall have additions, extensions and improvements under construction at the time of the issuance of such Additional Bonds and shall have established fees, rates or charges to be charged and collected from users of such facilities when service is rendered, such Net Revenues and Connection Fees may be adjusted by adding thereto one hundred percent (100%) of the Net Revenues and Connection Fees estimated by the Rate Consultant or Consulting Engineers to be derived during the twelve months of operation after completion of the construction or acquisition of said additions, extensions and improvements from the customers of such facilities.

(F) The Net Revenues and Connection Fees may be adjusted for any period any portion of the System was not owned by the County to reflect government ownership of the System of such portion.

(G) If any customer of the County shall have commenced service by the System during the twelve consecutive months, the Net Revenues and the Connection Fees may be adjusted to take into account the Net Revenues and the Connection Fees which would have been derived during such twelve consecutive months if such customer had been serviced by the System for such entire twelve consecutive month period.

In the event any Additional Bonds are issued for the purpose of refunding any Bonds then Outstanding, the foregoing conditions shall not apply, provided that the issuance of such Additional Bonds results in a reduction of the aggregate debt service. The conditions shall, however, apply to Additional Bonds issued to refund Subordinated Indebtedness and to

Additional Bonds issued for refunding purposes which cannot meet the conditions of the immediately preceding sentence. If at any time the County enters into an agreement or contract for an ownership interest in any public or privately owned water and/or sewer system or for the reservation of capacity therein whereby the County has agreed as part of the cost thereof to pay part of the debt service on the obligations of such public or privately owned water and/or sewer system issued in connection therewith, such payments to be made by the County shall be junior, inferior and subordinate in all respects to the Bonds issued under the Resolution, unless such obligations (when treated as Additional Bonds) shall meet the conditions of the Resolution for the issuance of Additional Bonds, in which case such obligations shall rank on parity as to lien on the Pledged Funds with the Bonds. In addition to all of the other requirements specified in the Resolution, the County must comply with any applicable provisions of any financing documents related to outstanding Subordinated Indebtedness to the extent such provisions impact on the ability of the County to issue Additional Bonds.

See also “FUTURE FINANCING PLANS” herein for a discussion of Additional Bonds expected to be issued by the County.

Subordinated Indebtedness; Accession of Subordinated Indebtedness to Parity Status

The County may issue Subordinated Indebtedness from time to time under the Resolution payable in whole or in part out of Pledged Funds, provided that such pledge is expressly subordinate to the pledge of the Pledged Funds created by the Resolution. On October 17, 1991, the County entered into an agreement with the Florida Department of Environmental Regulation (now known as the Florida Department of Environmental Protection) (“FDEP”) to borrow \$10,135,362 (the “1991 SRF Loan”), repayable in twenty (20) annual installments with payment having commenced in October, 1993. The County has entered into an agreement with FDEP pursuant to which it has borrowed \$3,864,750 (the “2001 SRF Loan”), which 2001 SRF Loan is repayable in twenty (20) semi-annual installments with payment having commenced in July, 2007. The County has entered into an agreement with FDEP pursuant to which it has borrowed \$26,254,515 (the “2005 SRF Loan”), which 2005 SRF Loan is repayable in 40 semi-annual installments with payment having commenced on July 15, 2008. The County has also entered into an agreement with FDEP pursuant to which it has borrowed \$34,517,779 (the “2009 SRF Loan”) which 2009 SRF Loan is repayable in 40 semi-annual installments with payment having commenced on October 15, 2010. The County’s repayment obligations under the 1991 SRF Loan are secured on a subordinate basis by a lien on the Net Revenues and proceeds of certain special assessments, and its repayment obligations under the 2001 SRF Loan, the 2005 SRF Loan and the 2009 SRF Loan, are secured on a subordinate basis by a lien on the Net Revenues.

As of April 30, 2013, the outstanding balance of the 1991 SRF Loan was \$0.00, the outstanding balance of the 2001 SRF Loan was \$1,688,828.65, the outstanding balance of the 2005 SRF Loan was \$21,162,923.46 and the outstanding balance of the 2009 SRF Loan was \$30,617,682.68. The 1991 SRF Loan, the 2001 SRF Loan, the 2005 SRF Loan and the 2009 SRF Loan are subject to acceleration of at least a portion thereof in the case of an event of default under the agreements authorizing such loans. The County has been in full compliance with all material requirements of the 1991 SRF Loan, the 2001 SRF Loan, the 2005 SRF Loan and the 2009 SRF Loan, including, without limitation, the requirement that the revenue sources pledged thereunder provide an amount at least equal to 115% of the annual debt service

requirements for such loans. The County anticipates incurring additional Subordinated Indebtedness in the form of loans from FDEP in the future and could incur other Subordinated Indebtedness by way of loans from entities other than FDEP.

The County may provide for the accession of the lien on Pledged Funds of Subordinated Indebtedness to the status of complete parity with Bonds issued under the Resolution, if (i) the County meets all the requirements imposed upon the issuance of Additional Bonds by the Resolution, assuming for purposes of said requirements that such Subordinated Indebtedness will be Additional Bonds, (ii) the facilities financed by such Subordinated Indebtedness will be, or become, part of the System and (iii) the Reserve Account, upon such accession, will contain an amount equal to the Reserve Account Requirement in accordance with the Resolution. If the conditions in the previous sentence are satisfied, the Subordinated Indebtedness will be deemed to have been issued pursuant to the Resolution the same as the Outstanding Bonds, and such Subordinated Indebtedness will be considered Bonds for all purposes provided in the Resolution.

Operation and Maintenance

The County has covenanted that it will maintain or cause to be maintained the System and all portions thereof in good condition and will operate or cause to be operated the same in an efficient and economical manner, making or causing to be made such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof. The County may contract with a responsible Person which has experience in the operation of utility systems similar to the System for the operation and maintenance of the System.

No Mortgage or Sale of the System

The County has covenanted not to sell, lease, encumber or in any manner dispose of the System as a whole or any substantial part thereof (except as described below and otherwise provided in the Resolution) until all of the Bonds and all interest thereon shall have been paid in full or provision for payment has been made in accordance with the Resolution.

Notwithstanding the foregoing, the County has the right to sell, lease or otherwise dispose of any of the property comprising a part of the System (including land) in the following manner, if any one of the following conditions exist: (A) such property is not necessary for the operation of the System, (B) such property is not useful in the operation of the System, or (C) in the case of a lease of such property; provided, in each case, such sale, lease or other disposition shall not cause the County to be in violation of the rate covenant contained in the Resolution.

Prior to any such sale, lease or other disposition of said property: (i) if the amount to be received therefor is not in excess of one percent (1%) of the book value of the gross plant of the System at original cost, an Authorized Issuer Officer of the County shall make a finding in writing determining that one or more of the conditions for sale, lease or disposition of property provided for in the immediately preceding paragraph have been met; or (ii) if the amount to be received from such sale, lease or other disposition of said property shall be in excess of one percent (1%) of the book value of the gross plant of the System at original cost, (a) an Authorized Issuer Officer and the Consulting Engineers shall each first make a finding in writing

determining that one or more of the conditions for sale, lease or disposition of the property provided for in the immediately preceding paragraph have been met, (b) the Governing Body of the County shall, by resolution, duly adopt, approve and concur in the finding of the Authorized Issuer Officer and the Consulting Engineers, and (c) the County shall obtain an opinion of Bond Counsel to the effect that such sale, lease or other disposition is not in violation of the Act and will not adversely affect the federal tax exempt status of interest on the Bonds (other than Taxable Bonds).

The County may make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the System if such contract, license, easement or right does not impede or restrict the operation by the County of the System, but any payments to the County under or in connection with any such contract, license, easement or right in respect of the System or any part thereof shall constitute Gross Revenues and shall be deposited in the Revenue Account.

Insurance

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

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

The County currently has a combination of insurance policies and self-insurance. With respect to property insurance, claims (subject to certain exclusions) under \$100 million are covered by insurance policies and any excess over the \$100 million limit is self-insured. The County also carries general liability, casualty and workers compensation insurance.

No Free Service

The County has covenanted not to render, or cause to be rendered, any free services of any nature by the System or any part thereof (other than fire services), including reservation of capacity, nor will any preferential rates be established for users of the same class.

No Impairment of Rights

The County has covenanted not to enter into any contract or contracts, nor take any action, the results of which might impair the rights of the Holders of the Bonds and will not permit the operation of any competing water or sewer service facilities in Lee County, Florida;

provided, however, that the County has reserved the right to permit the ownership and operation of water or sewer service facilities or both by itself or by others in any territory which is not in any service area now or hereafter served by the System.

Compulsory Water and Sewer Connections

The County, to the extent permitted by law, has covenanted to require every owner of each lot which is contiguous to any street or public way containing a sewer line forming a part of the sewer facilities of the System and upon which lot a building shall subsequently be constructed for residential, commercial or industrial use, to connect such building to such sewer facilities and to cease to use any other method for the disposal of sewage waste or other polluting matter; provided, however, the County may create exceptions from the above-described compulsory connection policy for owners of parcels of land of five acres or more and for situations involving hardship on the part of the property owner.

Enforcement of Charges

The County shall compel the prompt payment of rates, fees and charges imposed in connection with the System, and to that end will vigorously enforce all of the provisions of any ordinance or resolution of the County having to do with sewer and water connections and charges, and all of the rights and remedies permitted the County under law, including the requirement for the making of a reasonable deposit by each user, the requirement for disconnection of all premises delinquent in the payment, and the securing of injunction against the disposition of sewage or industrial waste into the sewer facilities of the System by any premises delinquent in the payment of such charges.

Collection of Connection Fees

The County shall proceed diligently to perform legally and effectively all steps required in the imposition and collection of the Connection Fees. Upon the due date of any such Connection Fees, the County shall diligently proceed to collect the same and shall exercise all legally available remedies to enforce such collections now or hereafter available under State law.

Covenants of the County Concerning the System and the Pledged Funds

The County has entered into certain additional covenants pursuant to the Resolution relating to the System and the Pledged Funds. See “APPENDIX D – FORM OF AUTHORIZING RESOLUTION” herein for such covenants.

ESTIMATED SOURCES AND USES OF SERIES 2013 BOND PROCEEDS

<u>SOURCES</u>	Series 2013A <u>Bonds</u>	Series 2013B <u>Bonds</u>
Par Amount of Series 2013 Bonds	\$53,755,000.00	\$39,440,000.00
Plus: Net Original Issue Premium	2,593,927.65	4,911,369.25
Other legally available funds ⁽¹⁾	<u>-</u>	<u>2,532,593.75</u>
Total Sources	<u>\$56,348,927.65</u>	<u>\$46,883,963.00</u>
 <u>USES</u>		
Deposit to Construction Fund	\$56,000,000.00	-
Deposit to Escrow Fund for Refunded Bonds	-	\$46,627,640.63
Costs of Issuance ⁽²⁾	<u>348,927.65</u>	<u>256,322.37</u>
Total Uses	<u>\$56,348,927.65</u>	<u>\$46,883,963.00</u>

(1) Includes debt service funds allocable to the Refunded Bonds.

(2) Includes legal, financial advisory fees, underwriters' discount, consultant fees and expenses, printing costs, rating agency fees and other costs of issuance of the Series 2013 Bonds.

DEBT SERVICE SCHEDULE

The following table sets forth the debt service for the Series 2013 Bonds and the Outstanding Parity Bonds.

Year Ending (October 1)	Series 2013 Bonds		Debt Service	Outstanding Parity Bonds Debt Service ⁽¹⁾	Total Debt Service
	Principal	Interest			
2013	\$ -	\$ -	\$ -	\$ 8,491,583	\$ 8,491,583
2014	2,250,000	5,227,526	7,477,526	8,424,883	15,902,409
2015	3,050,000	4,425,094	7,475,094	8,491,683	15,966,776
2016	3,180,000	4,290,994	7,470,994	8,465,883	15,936,876
2017	3,330,000	4,141,444	7,471,444	8,469,483	15,940,926
2018	3,485,000	3,984,794	7,469,794	8,469,283	15,939,076
2019	3,645,000	3,820,794	7,465,794	8,468,608	15,934,401
2020	3,835,000	3,638,544	7,473,544	8,545,008	16,018,551
2021	4,020,000	3,446,794	7,466,794	8,469,820	15,936,614
2022	4,230,000	3,245,794	7,475,794	8,465,870	15,941,664
2023	4,435,000	3,034,294	7,469,294	8,470,538	15,939,831
2024	4,660,000	2,812,544	7,472,544	8,462,050	15,934,594
2025	4,895,000	2,579,544	7,474,544	8,464,688	15,939,231
2026	5,140,000	2,334,794	7,474,794	8,466,613	15,941,406
2027	5,395,000	2,077,794	7,472,794	7,714,000	15,186,794
2028	1,635,000	1,823,794	3,458,794	11,367,000	14,825,794
2029	1,705,000	1,758,394	3,463,394	11,371,500	14,834,894
2030	1,775,000	1,688,063	3,463,063	-	3,463,063
2031	1,850,000	1,612,625	3,462,625	-	3,462,625
2032	1,925,000	1,534,000	3,459,000	-	3,459,000
2033	2,025,000	1,437,750	3,462,750	-	3,462,750
2034	2,125,000	1,336,500	3,461,500	-	3,461,500
2035	2,230,000	1,230,250	3,460,250	-	3,460,250
2036	2,345,000	1,118,750	3,463,750	-	3,463,750
2037	2,460,000	1,001,500	3,461,500	-	3,461,500
2038	2,585,000	878,500	3,463,500	-	3,463,500
2039	2,710,000	749,250	3,459,250	-	3,459,250
2040	2,850,000	613,750	3,463,750	-	3,463,750
2041	2,990,000	471,250	3,461,250	-	3,461,250
2042	3,140,000	321,750	3,461,750	-	3,461,750
2043	<u>3,295,000</u>	<u>164,750</u>	<u>3,459,750</u>	-	<u>3,459,750</u>
Total ⁽²⁾	\$93,195,000	\$66,801,620	\$159,996,620	\$149,078,488	\$309,075,108

⁽¹⁾ Amounts determined as of the estimated closing date of the Series 2013 Bonds and includes the Series 2012A Bonds, the Series 2012B Bonds and the Series 2011 Bonds. Amounts do not include debt service on the Refunded Bonds.

⁽²⁾ Totals may not add due to rounding.

THE SYSTEM

General

The County owns and operates the Water System and Wastewater System, the service area of which generally includes the unincorporated area of Lee County, with the exception of the Lehigh Acres area and other small areas that are serviced by private utilities. The cities within the County provide for their own municipal utility services. The majority of customers

served are single and multi-family residential customers. Services are also provided to commercial customers of which only a small percentage are classified as large for billing purposes. In addition to the facilities owned by the County, the County also has the right to use a portion of the capacity of certain wastewater facilities of the City of Fort Myers under the terms of the Fort Myers Wastewater Agreement.

A portion of the information set forth in this Official Statement regarding the System was derived from the Feasibility Report included as APPENDIX B hereto. This report should be reviewed in its entirety.

The Water System was established in the 1960's and the Wastewater System was established in the early 1970's. The System includes:

- Five wellfields
- One raw water river intake
- Six water treatment plants
- 21 finished water storage tanks
- Seven aquifer storage recovery wells
- Eight booster pump stations
- Over 1,395 miles of potable water distribution pipelines
- 80,204 water meters, 26,151 water distribution valves and 8,571 fire hydrants
- Seven wastewater treatment plants, 608 area pumping stations and over 14,440 manholes
- 75 reuse water sites
- Over 631 miles of gravity mains, 302 miles of force mains, and 49 miles of reuse water distribution pipelines

Management

Since February 2001, the County has managed and operated the System through the Lee County Department of Public Works – Utilities Division (“LCU”). The daily operation and administration of the System is the responsibility of the Director, Division of Utilities and her subordinate, the Deputy Director of Business Operations. The Director, Division of Utilities reports to the Public Works Director.

As of April 30, 2013, LCU consists of 264 full-time employees, 81 of which are licensed water and wastewater operators, organized in six operating areas.

Pam Keyes, P.E. is the Director, Division of Utilities, joined Lee County Utilities in 2011 with over 10 years of Public Works and Utilities executive management experience. She has private and public experience and is a registered engineer in the state of Florida and California. She joined Lee County as the Director of Lee County Utilities. She continues the tradition of progressive strategic and financial planning, efficiency improvements and operational excellence. She obtained a B.S. in Civil Engineering and an M.S. in Environmental Quality Engineering from the University of Alaska, Anchorage and an M.P.A. from California State University, Northridge.

Douglas L. Meurer, P.E., is the Assistant County Manager and the Public Works Director. He joined Lee County in 2006 as the Director of Lee County Utilities. Mr. Meurer is a registered engineer in the state of Florida with over 35 years of water and wastewater experience in both the private and public sector. Mr. Meurer's private consulting experience involved planning, finance and management of quasi-municipal districts formed for the specific purpose of water and wastewater service. As Director of Lee County Utilities, he has structured the department to focus on business driven decisions, strategic planning, efficiency improvements and operational excellence. The Department has made adjustments to account for economic conditions while still winning numerous annual awards recognizing operational excellence. Mr. Meurer serves on numerous professional and legislative committees and was instrumental in the formation of the Lower West Coast Utility Council. Mr. Meurer graduated from Rose-Hulman Institute of Technology in Terre Haute, Indiana with a B.S. in Civil Engineering.

Carolyn Andrews is Deputy Director of Business Operations for Lee County Utilities and her primary responsibilities include fiscal, administrative support, customer service and meter services. Ms. Andrews has over 28 years experience in a managerial and financial management role for both privately and publicly owned utilities. Ms. Andrews graduated from the University of South Florida with a B.A. in Business Administration-Finance and a Master of Business Administration from Columbus State University in Columbus, Georgia.

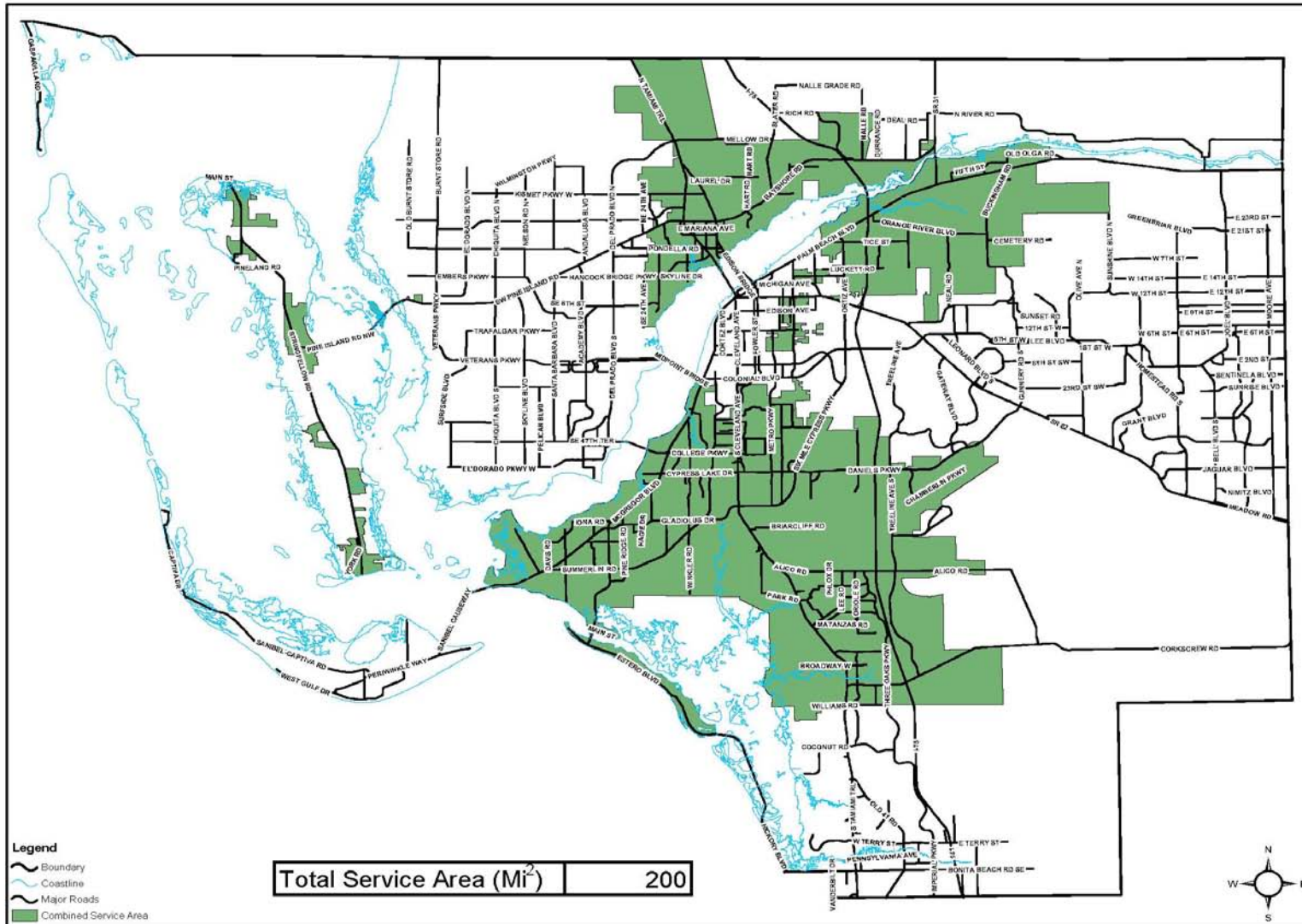
Service Area

Water System. The service area of the Water System includes the North Fort Myers area north of the Caloosahatchee River, areas south of the river up to Bonita Springs Utilities, and east of the Fort Myers city limits (East Fort Myers) and the areas south of the Fort Myers city limits.

Wastewater System. The County's Wastewater System includes five major sewer service areas: South Fort Myers Service Area, Fort Myers Beach/Iona-McGregor Service Area, East Lee County Service Area, the Matlacha Service Area, and North Fort Myers Service Area.

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The following map shows the Service Area of the combined Water and Wastewater System:



Water System

LCU is responsible for providing safe, reliable potable water service to an estimated population of approximately 334,000, in a service area that covers nearly 201 square miles. The LCU service area is bounded to the north by the Charlotte County Utilities service area, to the south by the Bonita Springs Utilities service area, to the east by the Florida Governmental Utility Authority Lehigh Acres service area and to the west by the City of Cape Coral Utilities service area. Additionally, the LCU service area excludes the portion of Lee County within the City of Fort Myers service area. The LCU customer base consists primarily of single-family and multi-family residential customers. The LCU water system is regulated by the South Florida Water Management District (“SFWMD”) for raw water supplies, the Lee County Health Department, as designated by the Florida Department of Environmental Protection (“FDEP”), for potable water treatment and distribution, and FDEP for injection well disposal of reverse osmosis concentrate water and aquifer storage recovery (“ASR”) wells. SFWMD is authorized to require permits for the consumptive use of water and has authorized the use of the groundwater from these aquifers by the County pursuant to various water use permits that will expire at various times as described below. See “THE SYSTEM - Permits” herein.

Fiscal Year 2012 Estimated Customer Accounts and Estimated Equivalent Residential Units (ERU) by Customer Classification

Customer Classification	Water System			
	Accounts		ERUs ⁽¹⁾	
	Amount	Percent of Total	Amount	Percent of Total
Residential Service:				
Single-Family	66,963	86.51%	66,963	45.84%
Multi-Family ⁽²⁾	2,976	3.84%	44,745	30.63%
Total Residential Service	69,939	90.35%	111,708	76.46%
Commercial and Non-irrigation ⁽³⁾	5,476	7.08%	17,009	11.64%
Irrigation Only	419	0.54%	1,133	0.78%
Fire Line Service ⁽³⁾	1,562	2.02%	N/A	N/A
Total Retail Service	77,396	99.99%	129,850	88.88%
Wholesale / Bulk Service ⁽⁴⁾	9	0.01%	16,245	11.12%
Total Water System	77,405	100.00%	146,095	100.00%

(1) Reflects average annual statistics; ERUs were calculated in accordance with the County’s ERU factors based on the by-class customer relationships, the provisions of the Rate Resolution, and the corresponding meter size serving the customers.

(2) ERUs calculated based upon application of 0.8 ERU factor for standard multi-family units, apartments or mobile homes and 0.4 ERU factor for recreational vehicles as contained in the Rate Resolution.

(3) Estimated ERUs based upon application of meter equivalent factors predicated on information published by the American Water Works Association applied to the number of accounts per meter size connection.

(4) Excludes calculation of fire line service ERUs recognizing that fire protection is a stand-by service.

Source: Feasibility Report

The principal components of the existing LCU Water System include:

- Five wellfields with a total of 133 production wells
- One raw water river intake
- Six Water Treatment Plants (“WTP”)
- 21 finished water storage tanks
- Seven aquifer storage recovery (“ASR”) wells
- Eight booster pump stations (“BPSs”)
- 1,395 miles of potable water distribution transmission mains

The current raw water supply sources for LCU include five wellfields located throughout Lee County and one surface water intake. Each of the wellfields serves a specific WTP with no interconnection between wellfields. The wellfields serve the Corkscrew, Green Meadows, Pinewoods, Waterway Estates, and North Lee County WTPs. The Olga WTP is served by a surface water intake from the Caloosahatchee River.

The Water System includes six water treatment plants. System interconnections do not limit service from each of the facilities to a particular service area, but hydraulic flow patterns result in the vast majority of the water produced in a given area being consumed in the same area.

Water Treatment Plants. During Fiscal Year 2011-12, the LCU WTPs produced approximately 8.75 billion gallons of potable water for LCU customers. The average daily flow (“ADF”) for LCU’s WTPs was 23.97 mgd. As in Fiscal Year 2010-11, there was no potable water purchased from other utilities in Fiscal Year 2011-12. The table below summarizes the annual average daily flow (“AADF”), maximum day flow, and capacity utilization for each of LCU’s WTPs.

**LCU Water Treatment Plant Capacity Utilization
Fiscal Year 2011-12**

Facility	Permitted Capacity (mgd)	Average Annual Daily Flow (mgd) ⁽¹⁾	Maximum Day Flow (mgd)	Maximum Day Capacity Utilization
Corkscrew WTP	15.00	9.969	16.107	107%
Green Meadows WTP ⁽²⁾	9.00	4.279	6.143	68%
North Lee County WTP	11.6	5.195	8.359	72%
Olga WTP	5.00	1.149	3.133	63%
Pinewoods WTP	5.30	3.013	4.490	85%
Waterway Estates WTP	1.50	0.368	0.513	34%

(1) The Fiscal Year 2010-11 AADF was calculated based on the Monthly Operating Reports (MORs) prepared by LCU and submitted to the Lee County Health Department.

(2) As described in the sections below, the 2013 Project includes the expansion and rehabilitation of the Green Meadows WTP.

Source: Lee County Utilities Division

The water treatment plants are described below:

Corkscrew WTP: The Corkscrew WTP is a 15-mgd groundwater treatment facility, permitted as a Class “A,” Category I potable water treatment facility by the FDEP. The facility operates with a physical-chemical treatment process that includes aeration, lime softening, coagulation, recarbonation, filtration, disinfection, stabilization, fluoridation and sludge drying. The 476-acre Corkscrew Wellfield, located south of the facility and currently consisting of 55 raw water supply wells and five aquifer, storage, and recovery wells. Potable water produced at the plant is combined with the potable water from the Green Meadows WTP at the Airport Haul reservoir. Water from the Airport Haul reservoir supplies the Water System south of the Caloosahatchee River, south Ft. Myers and the town of Ft. Myers Beach. See “Regulatory Issues” below for a discussion of an existing Administrative Order.

Green Meadows WTP: The Green Meadows WTP is a 9.0-mgd groundwater treatment facility, permitted as a Class “A,” Category I potable water treatment facility by the FDEP. The plant operates with a physical-chemical treatment process that includes aeration, enhanced lime softening, coagulation, PH reduction, filtration and disinfection. Raw water for this plant comes from the Green Meadows Wellfield located east of the facility, currently consisting of 29 raw water supply wells. Potable water produced at the plant is combined with the potable water from the Corkscrew WTP at the Airport Haul reservoir as described above.

The 2013 Project includes the expansion and rehabilitation of the Green Meadows WTP to 14 mgd with completion of the new facility expected around February 2015. The proposed facility will provide treatment by reverse osmosis and ion exchange technologies and will have a capacity of 14 mgd and room for future expansion to 16 mgd. The 2013 Project also includes groundwater well field expansion. Construction of the new facility will begin in Fiscal Year 2013. The 2013 Project is expected to cost up to \$63.7 million and will be financed with proceeds of Series 2013A Bonds and LCU reserves. See “PLAN OF FINANCE – 2013 Project” herein.

North Lee County WTP: The North Lee County Reverse Osmosis WTP is an 11.6-mgd reverse osmosis (“RO”) facility that is permitted as a Class “A” Category II potable water treatment facility by FDEP. The RO plant consists of eight sand separators, three cartridge filters, four 2-stage reverse osmosis treatment trains, a degasification system, a clearwell complex, two 2.5 MG finished water storage tanks, a deep injection well, a 5.0 MG lined brine pond and 2-stage odor control scrubbers. Raw water supplied by 13 Lower Hawthorn aquifer wells (592 to 834 feet deep) is processed through a sand separator, PH balanced, pre-filtered, and passed through reverse osmosis membranes for treatment. Potable water produced at the plant supplies the LCU distribution system serving the North Fort Myers area up to the City of Cape Coral Utilities service area and Charlotte County Utilities. The concentrate water produced from the plant is discharged to the deep injection well. LCU expanded the capacity of the plant from 6.0 mgd to 11.6 mgd in calendar year 2011. Costs of the project were financed with System revenues.

Olga Water Treatment Plant (“WTP”): The Olga WTP is a 5-mgd surface water treatment facility, permitted as a Class “A,” Category I potable water treatment facility by the FDEP. Designed to operate with a physical-chemical treatment process, the Olga WTP uses powdered activated carbon for taste and odor, aluminum sulfate for color removal, aeration, coagulation, filtration, granular activated carbon for further taste and odor removal, fluoridation and disinfection to develop finished water. Raw water is supplied to the facility from the Caloosahatchee River. Finished water produced at the Olga WTP normally supplies the northeastern portion of the Water System. See “Regulatory Issues” below for a discussion of an Emergency Final Order under which this facility previously operated and a current Administrative Order related to the Olga WTP ASR system.

Pinewoods WTP: The Pinewoods Reverse Osmosis WTP is a 5.3-mgd facility that utilizes two treatment processes, low pressure nanofiltration membrane softening (2.3 mgd) and reverse osmosis (3.0 mgd). The RO process commenced operation during Fiscal Year 2007-08. The facility is permitted by the FDEP as a Class “B” Category I potable water treatment facility. Raw water for this plant comes from the Pinewoods Wellfield located south of the Pinewoods Reverse Osmosis WTP, currently consisting of 17 raw water supply wells. Potable water produced at the plant supplies the southwestern portion of the LCU distribution system.

Waterway Estates WTP: The Waterway Estates WTP is a 1.5-mgd groundwater treatment facility, permitted as a Class “B,” Category I potable water treatment facility by the FDEP. The plant operates with a physical-chemical treatment process that includes aeration, lime softening, coagulation, filtration, fluoridation and disinfection. Raw water is supplied from the Waterway Estates / North Cape Coral Wellfield located adjacent to the facility, currently consisting of 17 wells. Potable water produced at the plant normally supplies the Water System serving the Waterway Estates area.

Water Distribution. The distribution system portion of the Water System consists of a series of pipe networks with approximately 1,395 miles of pipe made of polyvinyl chloride (“PVC”), ductile iron, high density polyethylene, asbestos cement, galvanized steel, and reinforced concrete, ranging from 2 inches to 42 inches in diameter, eight booster pump stations (one of which has been out of service since August 2009), approximately 26,151 valves and approximately 80,204 water meters (which includes 11,114 automated remote meter read meters).

Distribution System Interconnects. The LCU water distribution system has interconnects with other utilities which provide redundancy to improve service. Interconnections with other utilities include the City of Fort Myers, Cape Coral and Bonita Springs Utilities. The interconnects are as follows:

- Cape Coral with the Waterway Estates service area. (two interconnects)
- Cape Coral with the North Lee County WTP service area. (One interconnection).
- City of Fort Myers with the Olga and Corkscrew service areas. (five interconnects)

- Bonita Springs with the Pinewoods service area. (one interconnect)

Water Storage Facilities. Treated water is pumped from high service pump stations located at each of the WTP facilities into several storage facilities in Lee County Utilities and within the finished water distribution system. Finished water storage facilities provide storage to meet the fluctuating water demand of the various service areas, fire suppression water and other emergency capacities, and regulate system operating pressures. LCU is served by three types of finished water storage: ground storage tanks (“GSTs”), elevated storage tanks (“ESTs”) and aquifer storage and recovery (“ASR”) systems. The table below summarizes the storage facilities utilized by LCU.

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Summary of LCU Water Storage Facilities

Above Ground Tanks	Capacity (MG)	Type
J Colin English Elevated Tank*	0.20	Elevated steel tank
North Reservoir	2.00	Prestressed concrete GST
South Reservoir	2.00	Prestressed concrete GST
Tice Tower	0.30	Elevated steel tank
Miner's Corner Reservoir	2.00	Prestressed concrete GST
Airport Haul Reservoir	10.00	2 - 5MG prestressed concrete GSTs
US -41 Reservoir	1.00	Prestressed concrete GST
Alico Booster	1.00	Prestressed concrete GST
College Parkway	1.5	1 - 1.0 MG and 1 - 0.5 MG prestressed concrete GST
Bartow Storage Tank*	0.30	Prestressed concrete
Corkscrew WTP	6.0	1-2 MG and 1-4 MG Prestressed concrete GST
Olga WTP	4.0	2-2MG Prestressed concrete GST
North Lee County WTP	5.0	2 – 2.5 MG prestressed concrete GST
Pinewoods WTP	2.0	2 – 1.0 MG prestressed concrete GST
Waterway Estates WTP	1.0	Prestressed concrete GST
Aquifer Storage Recovery (ASR) Wellfields	Estimated Recovery (MG)	Wells
Corkscrew WTP ASR Wells	255+	5 – 0.648 mgd ASR wells
Olga WTP ASR Wells*	50+	2 – 1 mgd ASR wells

* These units are currently not in service as they are not needed at this time.

Source: Lee County Utilities

Condition. In accordance with the provisions of the Bond Resolution, the County has engaged an Engineer of Record for the System (the “Consulting Engineers”), which last conducted physical inspections of the Water System facilities in 2012 and found that the Water System was managed, operated and maintained in an efficient, economic manner that is within accepted municipal standards. The overall condition of the Water System was as determined from the annual facilities inspection and operations review to be good with some areas of potential improvement. The Consulting Engineers also provided recommendations to improve the physical and operational condition of the Water System.

Wastewater System

LCU owns and operates a complex wastewater utility that includes a service area of approximately 158 square miles providing retail service to approximately 55,922 average accounts and three wholesale accounts. The LCU customer base consists primarily of single-family and multi-family residential customers. The wastewater utility is comprised of collection systems, wastewater treatment facilities and reclaimed water distribution systems either developed by LCU or acquired from private companies. The collection system consists of laterals, manholes, lift stations, gravity mains and forcemains that convey wastewater from the point of origin to wastewater treatment facilities. Wastewater treatment facilities process the

wastewater and produce the effluent water that is either reused through land application or discharged into surface water or deep injection wells.

**Fiscal Year 2012 Wastewater System Average Customer Accounts
and Estimated ERUs by Customer Classification**

Customer Classification	Wastewater System			
	Accounts		ERUs ⁽¹⁾	
	Amount	Percent	Amount	Percent of Total Retail
Residential Service ⁽²⁾ :				
Single-Family	49,065	87.73%	49,065	42.83%
Multi-Family ⁽³⁾	2,991	5.35%	45,943	40.11%
Total Residential Service	52,056	93.08%	95,008	82.94%
Commercial Service ⁽²⁾	3,866	6.91%	13,418	11.71%
Total Retail Service	55,922	99.99%	108,426	94.65%
Wholesale / Bulk Service	3	0.01%	6,130	5.35%
Total Wastewater System	55,925	100.00%	114,556	100.00%

(1) Reflects average annual statistics; ERUs were calculated in accordance with the County’s ERU factors based on the by-class customer relationships, the provisions of the Rate Resolution, and the corresponding meter size serving the customers.

(2) Amounts shown include County wastewater-only retail accounts that are billed by the Town of Fort Myers Beach.

(3) ERUs calculated based upon application of 0.8 ERU factor for standard multi-family units, apartments or mobile homes and 0.4 ERU factor for recreational vehicles as contained in the Rate Resolution.

Source: Feasibility Report

Wastewater Collection System. The collection system includes approximately 631 miles of gravity pipelines and 302 miles of force main. Pipe diameters ranged from 1 to 42 inches, constructed of a variety of materials including vitrified clay, PVC, ductile iron and fiberglass. There are over 14,440 manholes, constructed of precast or cast-in-place concrete. LCU currently operates 12 major master pumping stations and 596 area pumping stations with different sized service areas. Force mains are made of cast iron, ductile iron, PVC and polyethylene.

Wastewater Treatment Facilities. The Wastewater System includes seven County-owned wastewater treatment plants. The County also has access to a portion of the capacity of certain wastewater treatment facilities of the City of Fort Myers pursuant to the Fort Myers Wastewater Agreement.

LCU currently owns seven wastewater treatment facilities which are operated in accordance with FDEP permit requirements. During Fiscal Year 2011-12, LCU facilities processed approximately 5.665 billion gallons of wastewater, which is approximately 46 percent of the permitted capacity. The table below summarizes the AADF and capacity utilization data for each facility.

**Permitted Capacity Annual Average Daily Flow,
Current Annual Average Daily Flow and Capacity Utilization Data
Fiscal Year 2011-12**

Facility	Permitted Capacity AADF (MGD)	Average Annual Daily Flow (MGD)	Capacity Utilization Based on AADF
Fiesta Village AWWTP	5	2.94	59%
Ft. Myers Beach WWTP	6	2.98	50%
Gateway WWTP	3	0.94	31%
High Point WWTP	0.025	0.01	49%
Pine Island WWTP	0.492	0.11	23%
San Carlos WWTP ⁽¹⁾	0.3	0.13	42%
Three Oaks WWTP ⁽¹⁾	6	2.73	45%
Waterway Estates AWWTP	1.25	0.83	66%
City of Fort Myers Central and South WWTPs ⁽²⁾	11.5	4.84	42%
Total	33.567	15.52	46%

(1) As described below, the County anticipates decommissioning the WWTP and removing from service during Fiscal Year 2014 and related thereto anticipates expanding the Three Oaks WWTP during or after Fiscal Year 2016.

(2) County owns 50% of the 23 MGD permitted capacity per interlocal agreement. Actual LCU flows to the City of Fort Myers Central and South WWTP accounted for approximately 31% of the total WWTP flows on an Average Annual Daily Flow basis.

Source: Lee County Utilities Division

The County-owned plants are described below:

Fiesta Village Advanced WWTP: The Fiesta Village Advanced WWTP was designed as a 5.0 mgd extended aeration activated sludge process with denitrification filters for nutrient removal, and is permitted as a Class “A,” Category I wastewater treatment facility by the FDEP. Filtered effluent is discharged into the Caloosahatchee River or pumped to a regional reuse system for irrigation of golf courses and green spaces. As described below, the County expects to divert the flow from this facility to the Fort Myers Beach WWTP. See “Regulatory Issues” below for a discussion of a pending consent order.

Fort Myers Beach Wastewater Treatment Plant (“WWTP”): This facility is a 6.0 mgd wastewater treatment facility and is permitted as a Class “A,” Category II wastewater treatment facility by the FDEP. The facility was designed to operate as a plug-flow conventional activated sludge process. However, the facility was modified to include an anoxic/oxic biological nutrient removal process known as the modified Ludzak-Ettinger process. Filtered effluent is discharged to ponds, a deep injection well or a regional reuse system for irrigation of common green space, golf courses and parks included in the Iona/McGregor sewer district reuse system.

Gateway WWTP: The Gateway WWTP consists of two treatment plants. The newer plant is a Class B Category III facility operated utilizing the extended aeration process in the oxidation ditch mode. The permitted capacity of the new facility is 2.0 mgd AADF. The newer plant consists of screening and grit removal, two oxidation ditches, two clarifiers, three filters, two chlorine contact chambers and two sludge holding tanks. The older “Davco” plant is a Class B Category III facility operated utilizing the extended aeration process in the complete mix mode. The permitted capacity of the Davco facility is 1.0 mgd AADF. The older plant consists of a circular structure that houses two aeration compartments, two clarifiers and two sludge holding compartments. The other structures at the Davco plant are two traveling bridge filters and two chlorine contact tanks. Reuse and effluent disposal is permitted at 3.0 mgd AADF to public-access slow-rate irrigation system which consists of 5,000 acres of residential irrigation, parks, playgrounds and landscaped common areas within the Gateway Services District Regional Reuse Service boundary.

High Point WWTP: The High Point WWTP is a 0.025 mgd extended aeration process facility consisting of seven aeration basins, two clarifiers, a chlorine contact chamber, three aerobic digesters, and two rapid infiltration basins. It is permitted as a Category III, Class C facility by the FDEP. This facility is constructed as a modular unit concrete package treatment plant and operates in the extended aeration mode of the activated sludge process.

Pine Island WWTP: The Pine Island WWTP is designed for a monthly average daily flow (“MADF”) of 0.500 mgd. Due to limitations of available disposal capacity, the permitted capacity of the facility is 0.492 mgd MADF. It is permitted as a Class “C,” Category II biological wastewater treatment facility by FDEP. The facility was designed to operate as a conventional activated sludge process. Effluent disposal is reused by public-access slow-rate irrigation system and a water treatment plant’s injection well is used as a wet-weather back-up to the reuse system. Solids produced at the Pine Island WWTP are hauled to the Fort Myers Beach WWTP for further processing.

San Carlos WWTP: The San Carlos WWTP is operated either as a 0.218 mgd AADF extended aeration process or as a 0.3 mgd AADF contact stabilization process, depending on influent flows. The San Carlos WWTP is permitted as a Category III, Class “C” wastewater treatment facility by FDEP. The facility is a 100 percent reclaimed water facility and the treated effluent is used for plant processes, washdown, and irrigation both on and off-site. A small portion of the Three Oaks WWTP collection system is also connected via a force main to the San Carlos WWTP collection system. The connection can be opened to divert flow to the San Carlos WWTP. The interconnection can be used to divert flow from this portion of the collection system in the event of a force main failure or other emergency. For cost saving purposes, the County anticipates decommissioning the San Carlos WWTP during Fiscal Year 2014 with flow diverted to the Three Oaks WWTP. LCU currently plans to use some of the existing piping infrastructure to connect the flow, which will result in a decrease in treatment plant capacity during the Forecast Period. Such additional flows and decrease in capacity is expected to be absorbed by the Three Oaks WWTP. The costs of

decommissioning have been included in the County's most recent Capital Improvement Plan and the projections of the Feasibility Consultant.

Three Oaks WWTP: The Three Oaks WWTP has a permitted capacity of 6.0 mgd and operates as an extended aeration domestic wastewater treatment plant. The Three Oaks WWTP is permitted as a Category III, Class "B" wastewater treatment facility by FDEP. The effluent water produced at this facility is reused for on and off-site irrigation and excess is disposed by a deep well injection. The County intends to make certain improvements to the Three Oaks WWTP at some time during or after Fiscal Year 2016.

Waterway Estates Advanced WWTP: This plant operates as a biological nutrient removal process with a permitted capacity of 1.25 mgd and is permitted as a Class "B," Category I wastewater treatment facility by the FDEP. Filtered effluent disposal is normally through reuse or, if insufficient reuse demand, through surface water discharge to the Caloosahatchee River. See "-Regulatory Issues" below for a discussion regarding closure of a recent consent order.

As of October 2012, LCU has removed this plant from service and as of April 30, 2013 the plant has been demolished. The County has entered into an Interconnection and Bulk Wastewater Treatment Agreement with Florida Governmental Utility Authority ("FGUA") dated June 17, 2010 (the "Waterway Estates Interlocal Agreement"). Pursuant to the Waterway Estates Interlocal Agreement, the County agreed to engage FGUA to design and construct a connection from the Waterway Estates WWTP to FGUA's Del Prado Wastewater Utility System ("Del Prado Wastewater System") and for the County to purchase bulk wastewater treatment services from the FGUA. Upon the completion of the interconnection and improvements to the Del Prado Wastewater System in October 2012, FGUA began providing wastewater service to the area previously serviced by the Waterway Estates AWWTP.

Pursuant to the Waterway Estates Interlocal Agreement, FGUA will receive and treat up to 1.25 mgd annual average daily flow and 2.5 mgd peak daily flow. The County has initially paid FGUA \$13.3 million, representing Connection Fees for 5,000 ERCs attributable to the area currently serviced by the Waterway Estates WWTP and thereafter \$2,660 for each Connection Fee to be used to finance improvements to FGUA's Del Prado Wastewater System. The County is also paying costs of approximately \$7.8 million to construct an interconnection pipeline from the Waterway Estates WWTP to the Del Prado Wastewater System, of which the County has paid approximately \$7.4 million as of April 30, 2013. The interconnection and related improvements to FGUA's Del Prado Wastewater System were completed and placed into service in October 2012. The Waterway Estates WWTP was removed from service in October 2012 and as of April 30, 2013 the plant has been demolished. The County is required under the Waterway Estates Interlocal Agreement to pay FGUA LCU's current wholesale rate for wastewater treatment, together with all other applicable charges, surcharges, rates, fees, or other payments imposed on or required to be paid by the County or its Customers attributable to the retail wastewater customers previously serviced by the Waterway Estates WWTP.

Condition. The Consulting Engineers last conducted physical inspections of the Wastewater System facilities in 2012 and found that the Wastewater System was managed, operated and maintained in an efficient, economic manner that is within accepted municipal standards. The overall condition of the Wastewater System was as determined from the annual facilities inspection and operations review to be good with some areas of potential improvement.

Reuse System. Reuse is and will continue to be an important part of the County’s long-term water resource management. Currently, the County has 49 miles of reuse pipe and 12 storage systems.

During Fiscal Year 2011-12, LCU reused over 3.0 billion gallons of their total reclaimed water produced. The reuse water provided is approximately 74 percent of the total wastewater processed by the LCU facilities, which is a decrease from 81 percent reused in Fiscal Year 2010-11 and reflects an increase in rainfall that occurred in Fiscal Year 2011-2012. The reported annual reuse percentage for each facility is provided in the table below.

Facility	Total Reuse Flow (MG)	Reuse percentage*
Fiesta Village AWWTP	682.856	60.23%
Fort Myers Beach WWTP	920.197	76.45%
Gateway WWTP	358.473	100.00%
High Point WWTP	4.266	100.00%
Pine Island WWTP	45.395	95.40%
San Carlos WWTP	47.233	100.00%
Three Oaks WWTP	747.23	74.04%
Waterway Estates AWWTP	<u>244.185</u>	<u>76.99%</u>
Total	3049.835	74.00%

* Reuse as a percentage of wastewater processed by that facility.

Source: Lee County Utilities

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Permits

The following is a summary of the status of the permits issued by SWFMD and FDEP for the System.

Water Treatment Plants

Facility	Permit Type	Permitting Agency	Permit Number	Process	Permitted Capacity	Date Issued	Expiration Date
North Lee County WTP	Class I Injection Well Permit	FDEP	193717-0143-UC/MI	Deep well injection	5.05 MGD	February 13, 2012	May 21, 2013(3)
Pinewoods WTP	Class I Injection Well Permit	FDEP	165527-005-U0/11	Deep well injection	1.872 MGD	May 22, 2008	May 21, 2013(4)

Wellfields

Facility	Permit Type	Permitting Agency	Permit Number	Water Source	Permitted Capacity ⁽¹⁾	Date Issued	Expiration Date
Olga Surface Water Intake, Corkscrew Wellfield and Green Meadows Wellfield	Water Use Permit	SFWMD	36-00003-W	Surface: SFWMD Canal-43 Ground: Lower Hawthorn, Mid-Hawthorn, Sandstone, Surficial and Water Table Aquifers	AA: 12,508 MG MMA: 1,355	June 15, 2011	June 15, 2031(2)
NLC Wellfield and Waterway Estates Wellfield	Water Use Permit	SFWMD	36-00152-W	Lower Hawthorn, Mid-Hawthorn, Sandstone, and Surficial Aquifers	AA: 5886 MG MMA: 592.9 MG	August 20, 2012	August 20, 2032
Pinewoods RO Wellfields	Water Use Permit	SFWMD	36-00122-W	Lower Hawthorn, Sandstone Aquifer and Water Table Aquifers	AA: 2225 MG MMA: 216.93 MG	September 8, 2004	August 15, 2014
Olga WTP ASR Wells	Class 5 Injection Well Permit	FDEP	125120-180-UC/5X 125120-182-UC/5X	2 ASR wells	1 mgd/well	October 2, 2009	October 1, 2014
Corkscrew WTP ASR Wells	Class 5 Injection Well Permit	FDEP	142222-012-UC/5X 142222-013-UC/5X 142222-014-UC/5X 142222-015-UC/5X 142222-016-UC/5X	5 ASR wells	0.648 mgd/well	August 17, 2009	August 16, 2014
Three Oaks	Water Use Permit	SFWMD	36-07687-W	Groundwater from Surficial Aquifer System	AA 953 MG MMA 80.91	January 30, 2012	January 30, 2017

(1) AA: Annual Allocation, MMA: Maximum Monthly Allocation.

(2) Permit challenge was settled and executed on July 31, 2012. Final Permit is issued.

(3) Permit Renewal Application was submitted to FDEP on March 18, 2013. FDEP issued the Notice of Intent for draft permit on June 3, 2013. Existing permit is valid during renewal period.

(4) Permit Renewal Application was submitted to FDEP on March 18, 2013. Response to FDEP's request for additional information was submitted May 1, 2013 and June 3, 2013. Existing permit is valid during renewal period.

Wastewater Treatment Plants

Facility	Permit Type	Permitting Agency	Permit Number	Process	Permitted Capacity, Average Annual Daily Flow (MGD)	Date Issued	Expiration Date
Fiesta Village AWWTP	Domestic Wastewater Facility Permit	FDEP	FL0039829	Extended Aeration	5.00	December 16, 2008	December 15, 2013(3)
Fiesta Village AWWTP	MS4 Stormwater Permit ⁽¹⁾	FDEP	FLR05B998	N/A	N/A	August 1, 2010	July 31, 2015
Fort Myers Beach WWTP	Domestic Wastewater Facility Permit	FDEP	FLA144215	Conventional Activated Sludge	6.00	November 6, 2009	November 5, 2014
Fort Myers Beach WWTP	MS4 Stormwater Permit ⁽¹⁾	FDEP	FLR05C392	N/A	N/A	August 1, 2010	July 31, 2015
Fort Myers Beach WWTP	Class I Injection Well Permit	FDEP	128633-005-UO/11	Deep well injection	7.92 (MDF)	August 16, 2012	August 15, 2017
Gateway WWTP	Domestic Wastewater Facility Permit	FDEP	FLA014542	Extended Aeration	2.00	August 18, 2011	August 17, 2016
Gateway WWTP	MS4 Stormwater Permit ⁽¹⁾	FDEP	FLR05H026	N/A	N/A	August 1, 2010	July 31, 2015
High Point WWTP	Domestic Wastewater Facility Permit	FDEP	FLA014491	Extended Aeration	0.025	June 13, 2011	June 12, 2016
Pine Island WRF	Domestic Wastewater Facility Permit	FDEP	FLA176460-008	Activated Sludge	0.492 (MADF)	December 29, 2009	December 28, 2014
Pine Island WRF	Class I Injection Well Permit	FDEP	166871-003-UO/11	Deep well injection	2.91 (MDF)	October 19, 2012	October 18, 2017
San Carlos WWTP	Domestic Wastewater Facility Permit	FDEP	FLA014560	Contact stabilization/ Extended Aeration	0.30	December 21, 2010	December 20, 2015
Three Oaks WWTP	Domestic Wastewater Facility Permit	FDEP	FLA145190	Extended Aeration	6.00	June 22, 2012	June 21, 2017
Three Oaks WWTP	MS4 Stormwater Permit(1)	FDEP	FLR05F907-002	N/A	N/A	May 30, 2009	May 29, 2014
Three Oaks WWTP	Class I Injection Well Permit	FDEP	38436-299-UO/11	Deep well injection	7.40 (MDF)	January 5, 2010	January 4, 2015
Waterways Estates AWWTP	Domestic Wastewater Facility Permit	FDEP	FL0030325	Extended Aeration/Activated Sludge	1.25	June 27, 2011	June 26, 2016
Waterways Estates AWWTP	MS4 Stormwater Permit ⁽¹⁾	FDEP	FLR05B999	N/A	N/A	August 1, 2010	July 31, 2015

(1) MS4 Stormwater Permit - Municipal Separate Storm Sewer Systems (MS4) Stormwater Permit

(2) The deep injection well is owned by the Greater Pine Island Water Authority, which is responsible for maintenance and operational testing. LCU is responsible for a portion of the cost associated with the well.

(3) Application to renew permit has been submitted. Permit is valid during the applications process.

Source: Lee County Utilities Division

Regulatory Issues

FDEP issued a Consent Order (OGC Case No: 08-0151-36-DW) on April 2, 2008 (the “Waterway Estates Consent Order”) for LCU’s failure under Florida Administrative Code Rule 62-600-405 8c (“Rule 62-600-405 8c”) to timely submit an application for expansion to the Waterway Estates WWTP. Per Rule 62-600-405 8c., if the initial capacity analysis report or an update of the capacity analysis report documents that the permitted capacity will be equaled or exceeded within the next three years, the permittee must submit a complete construction permit application to FDEP within thirty (30) days of the submittal of the initial capacity analysis report or the update of the capacity analysis report. As a resolution, the Waterway Estates Consent Order originally outlined a timetable LCU must follow, including quarterly reports to FDEP regarding the status and progress of expansion projects per the timetable and final construction of the expansion to be completed in Fiscal Year 2014. In 2010, the corrective action schedule was modified to instead divert all wastewater flows to the FGUA’s Del Prado WWTP by October 31, 2012, and eventually decommission the Waterway Estates WWTP, alleviating the need for expansion and bringing the System into compliance. All conditions of the Waterway Estates Consent Order have been met, as deemed by FDEP in writing on December 19, 2012, and the OGC case has been closed by FDEP. The Waterway Estates Consent Order did not have an adverse operational impact upon the Utility System. See “THE SYSTEM - Wastewater System - *Waterway Estates WWTP*” herein. The additional costs of complying with Waterway Estates Consent Order have been included in the County’s most recent Capital Improvement Plan and the projections of the Feasibility Consultant. See “CAPITAL IMPROVEMENT PROGRAM” herein and “PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE FOR SYSTEM” herein. See also “APPENDIX B – FEASIBILITY REPORT” herein.

The Olga WTP was under an Emergency Final Order (“EFO”) of the FDEP Office of General Counsel (OGC Case No: 09-0735) from April 16, 2007 through December 31, 2010. The Monthly Operating Reports for Fiscal Year 2008-09 indicated that the Olga WTP finished water exceeded normal secondary treatment standards for Total Dissolved Solids (“TDS”), but was still in compliance under the standards of the EFO. This excess was a result of ongoing drought conditions influencing the Caloosahatchee River water quality. Future drought conditions could cause similar TDS issues again in the Caloosahatchee River, however, if such an event were to occur again, the County would place the Olga WTP offline and provide service through the North Lee County WTP until TDS returned within acceptable limits.

FDEP issued an Administrative Order (OGC Case No: A0-051-SD/UIC 90) on October 2, 2009 (the “Olga Administrative Order”) addressing possible arsenic migration in groundwater in the storage zone aquifer related to testing by the County of two aquifer storage and recovery wells constructed by the County. The County is currently working in compliance with FDEP and the Olga Administrative Order. The County has determined that the Olga Administrative Order will not have an adverse operational impact upon the Utility System. Any additional costs related to the increased monitoring and sampling requirements in the established and FDEP approved operational protocol and plans have been included in the County’s most recent Capital Improvement Plan and the projections of the Feasibility Consultant. See “CAPITAL IMPROVEMENT PROGRAM” herein and “PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE FOR SYSTEM” herein. See also “APPENDIX B – FEASIBILITY REPORT” herein.

FDEP issued an Administrative Order (OGC Case No: A0-050-SD/ UIC 90) on August 17, 2009 (the “Corkscrew Administrative Order”) addressing possible Arsenic migration in groundwater in the storage zone aquifer related to the testing by the County of five aquifer storage and recovery wells constructed by the County. The County is currently working in compliance with FDEP and the Corkscrew Administrative Order. The County has determined that the Corkscrew Administrative Order will not have an adverse operational impact upon the Utility System. Any additional costs related to the increased monitoring and sampling requirements in the established and FDEP approved operational protocol and plans have been included in the County’s most recent Capital Improvement Plan and the projections of the Feasibility Consultant. See “CAPITAL IMPROVEMENT PROGRAM” herein and “PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE FOR SYSTEM” herein. See also “APPENDIX B – FEASIBILITY REPORT” herein.

FDEP issued a Consent Order (OGC Case No.: 11-0640-36-DW) on May 10, 2011 (the “Fiesta Village Consent Order”) for violating permit condition (FL0039828) 1.A.1. limiting the dichlorobromomethane (“DCBM”) annual averages to 22.0 ug/L. The Fiesta Village Consent Order requires LCU to apply for a mixing zone for DCBM by June 12, 2013, including quarterly reports to FDEP with status updates. LCU conducted a successful mixing zone study and submitted the study summary report to FDEP on December 10, 2012. LCU will formally apply for a mixing zone with the Fiesta Village WWTP operating permit renewal application due June 13, 2013 to FDEP. LCU does not believe compliance will have any adverse operational or financial impact.

Numeric Nutrient Criteria.

On November 30, 2012, the USEPA formally approved the Department’s numeric nutrient standards pertaining to streams, spring vents, lakes, and south Florida estuaries. At the same time, USEPA proposed numeric nutrient criteria for waters not covered under the Department’s rules. The Department is continuing to develop numeric nutrient standards for all remaining waters not covered under the original rulemaking.

At this time, LCU is not anticipating any affects from the current standards, but the process is still ongoing. In November 2012, Lee County Department of Natural Resources’ Basin Management Action Plan and Total Maximum Daily Load for Caloosahatchee River were adopted by the FDEP. As part of that plan, the FDEP found that wastewater dischargers were not “expected to cause or contribute substantially to the nutrient load”, thus not affecting LCU’s operations at this time.

LCU has two WWTPs that are permitted to discharge treated effluent into estuarine surface water. LCU removed the Waterway Estates WWTP from service in October 2012 and as of April 30, 2013 the plant has been demolished. This location will not be affected by the numeric nutrients criteria. LCU is also looking at an alternative effluent disposal method for Fiesta Village AWWTP to eliminate all estuarine surface water discharges by diverting its effluent flows to the Fort Myers Beach WWTP. The additional effluent flows will be used to supplement the Fort Myers Beach WWTP’s current reuse system or will be disposed of in an additional deep injection well. The costs for these projects have been incorporated in the County’s ten year Capital Improvement Program forecast.

Like other Florida utilities affected by these criteria, the future financial condition of the System could be affected adversely by, among other things, legislation, environmental and other regulatory actions promulgated by applicable federal, state and local governmental agencies. Future changes to new or existing regulations may substantially increase the cost of water wastewater, and/or reuse service by requiring changes in the design or operation of existing or new facilities. The County cannot predict future policies such agencies may adopt.

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Customer Statistics

Historical customer statistics with respect to the Water System are as set forth below:

Water System⁽¹⁾

Fiscal Year ⁽²⁾	Retail Customers			Finished Water			
	Average Annual No. of Accounts	Retail Sales (000s Gallons)	Average Monthly Use Per Account (Gallons)	Wholesale Water Sales (000s Gallons)	Total Water Sales (000s Gallons)	Thousands of Gallons	ADF-MGD
2008	76,145	7,503,846	8,212	742,338	8,246,184	8,838,535	24.22
2009 ⁽³⁾	75,275	7,414,916	8,209	766,239	8,181,155	8,719,119	23.89
2010 ⁽³⁾	75,588	7,052,466	7,775	712,203	7,764,669	8,424,254	23.08
2011	76,189	7,279,995	7,963	715,428	7,995,423	8,591,946	23.54
2012	77,396	7,116,776	7,663	724,001	7,840,777	8,750,233	23.97

(1) Amounts shown include all customer classes, including wholesale customer accounts. It should be noted that the average use per single family residential customer, the largest customer class of the System, averaged approximately 4,600 gallons per month of water use during the last five years ended Fiscal Year 2012.

(2) During the Fiscal Year 2007 and continuing in some form today, the SFWMD has imposed water use restrictions on the use of potable water in order to reduce water demand during drought conditions being experienced in the region and the State of Florida that have occurred periodically during the historical period and the current fiscal year; reductions in water use demand was a direct result of such restrictions coupled with the reduction in Water System accounts (see Footnote 3).

(3) The decline in Water System accounts is believed by the County to be a direct result of the economic downturn in the Florida economy, which materially affected new construction and development and which has resulted in an increase in inactive accounts.

Source: Feasibility Report

Historical customer statistics with respect to the Wastewater System are as set forth below:

Wastewater System⁽¹⁾

Fiscal Year ⁽²⁾	Retail Customers			Treated Wastewater Flows			
	Average Annual No. of Accounts	Retail Sales (000s Gallons)	Billed Flows per Account (Gallons)	Wholesale Billed Flows (000s Gallons)	Total Billed Flows (000s Gallons)	Thousands of Gallons	Daily Flow (ADF-MGD)
2008	54,403	4,907,131	7,517	249,849	5,156,980	5,833,278	15.98
2009 ⁽²⁾	53,873	5,078,114	7,855	247,458	5,325,572	5,602,042	15.35
2010	54,162	4,954,609	7,623	214,507	5,169,116	6,067,368	16.62
2011	54,763	5,014,164	7,630	254,450	5,268,614	5,663,066	15.52
2012	55,922	4,910,717	7,318	276,247	5,186,964	5,580,126	15.29

(1) Amounts derived from Table 2 at the end of the Feasibility Report; amounts shown include all customer classes including wholesale customers. It should be noted that the average billed wastewater flow per single family residential customer, the largest customer class of the System, averaged approximately 3,900 gallons per month during the last five years ended Fiscal Year 2012 and is based on metered water use at the customer's premise.

(2) The decline in Wastewater System accounts was anticipated by the County to primarily be a direct result of the economic downturn in the Florida economy, which affected new construction and development resulting in an increase of inactive accounts.

Source: Feasibility Report

The ten (10) largest customers (based on revenues billed at the current County rates) for Fiscal Year 2012 is set forth below:

County System Top Ten Retail Utility Customers (Based on Sales Revenue)

Account	Service Class	Meter Size	Type of Service	Total Rate Revenue	Percent of Total System Rate Revenue
Landings Env. Water & Road Maint. Assoc. Inc.	Multi-Family	6"	Water/Sewer	\$ 661,708	0.742%
Gulf Coast Town Center	Commercial	10"	Water/Sewer	460,519	0.516
Shell Point Village	Commercial	8"	Water/Sewer	438,043	0.491
Lee Memorial Health System-Gulf Coast Hospital	Commercial	10"	Water/Sewer	393,532	0.441
Jamaica Bay Assoc. LDT.	Multi-Family	8"	Water	369,995	0.415
Lee Memorial Health System-Health Park	Commercial	2"	Water/Sewer	311,660	0.349
Corkscrew Woodlands Assoc. Inc.	Multi-Family	6"	Water/Sewer	304,729	0.342
Indian Creek Park	Multi-Family	6"	Water/Sewer	281,132	0.315
Health Park Medical Center	Commercial	6"	Water/Sewer	231,285	0.259
Lee County Port Authority-International Airport	Commercial	6"	Water/Sewer	<u>228,212</u>	<u>0.256</u>
Total				<u>\$ 3,680,815</u>	<u>4.126%</u>

Source: Lee County Utilities Division

Rates and Charges

The County’s adopted rates for utility service include: (i) a flat or constant base facility or readiness-to-serve charge which varies by meter size for the commercial and potable water irrigation classes; (ii) a unit-based readiness-to-serve charge for the single-family and multi-family class; (iii) for the customers of the water system, a consumption charge consisting of inclining blocked rates to promote water conservation; (iv) for residential customers of the wastewater system, a maximum billing threshold of 9,000 gallons per month; and (v) for the remaining customer classes of the wastewater system, a constant volumetric flow charge for metered water consumption.

In addition to the monthly rates for water and wastewater service, the County currently charges a Connection Fee based upon an equitable and proportionate share of the cost for: (i) water production and transmission facilities; and (ii) wastewater transmission, treatment and effluent disposal capacity of the System. The purposes of the Connection Fees are for paying or reimbursing the equitable share of the capital costs relating to the construction, expansion, or equipping of excess or unused capacity of the System in order to serve new users. If an existing customer requests an increase in water or wastewater capacity due to increased development, an additional capacity facility charge will be collected prior to the development consistent with the

net increase in demand. The following table summarizes the water and wastewater system impact fees for each respective utility customer.

The County will require a deposit at the time of service application by a customer in order to defray the risk of non-payment for utility services. The deposit is based on the type of service (residential or commercial) requested by such customer.

The County on August 9, 2011 adopted a resolution modifying the rates and charges for LCU. The rate resolution provides for escalating water and sewer charges for the Fiscal Years ending 2012 through and including 2015. The rates and charges have been updated since the date of the Engineer of Record Report. The primary rates and charges of the System have been summarized in the Feasibility Report included as APPENDIX B hereto.

The County has various agreements with governmental entities and commercial properties to provide reclaimed water service. Rates for wholesale reclaimed water service vary in accordance with agreements between the County and such entity for reclaimed water service.

Wholesale System Agreements

The County also provided wholesale or bulk water service to 9 accounts. During Fiscal Year 2012, the wholesale water customers accounted for approximately 11% of the estimated water ERUs served and approximately 2.7% of the Gross Revenues. Such service is provided in accordance with the terms and conditions of a specific agreement entered into by the County with each respective wholesale customer. See the Feasibility Report attached as APPENDIX B hereto for description of the wholesale agreements related to the Water System and wholesale water sales to such customers.

Rate and Connection Charge Comparison with Neighboring Utility Systems

The table below represents a monthly cost comparison between a typical residential single-family customer of LCU with a 5/8 x 3/4-inch meter and a similar customer for other nearby utilities. The typical bills reflected in the table are based on rates in effect as of the date of the Feasibility Report. The amounts shown are exclusive of local taxes, franchise fees, surcharges or other similar charges. For comparison purposes the amounts were calculated on the basis of 5,000 gallons per month consumption for both water and wastewater.

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Rate Comparison with Other Florida Utilities
Residential Service Assuming 5,000 Gallons of Monthly Utility Service

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Lee County			
Existing Rates ⁽¹⁾	\$27.69	\$45.43	\$73.12
Other Neighboring and Florida Utilities:			
Bonita Springs Utilities, Inc.	\$30.47	\$46.98	\$77.45
City of Bradenton	26.38	33.07	59.45
Charlotte County ⁽²⁾	45.12	47.00	92.12
Collier County ⁽²⁾	29.73	45.89	75.62
DeSoto County	43.55	53.30	96.85
Englewood Water District	25.27	37.72	62.99
FGUA – Golden Gate (Collier County) ⁽²⁾	55.32	67.68	123.00
FGUA – Lehigh Acres (Lee County) ⁽²⁾	40.82	65.93	106.75
City of Fort Myers	31.63	70.32	101.95
Hillsborough County ⁽²⁾	30.18	34.63	64.81
Manatee County ⁽²⁾	17.56	40.19	57.75
City of Marco Island ⁽²⁾	49.01	54.96	103.97
City of Naples	14.96	35.99	50.95
City of North Port	36.15	55.59	91.74
Okeechobee Utility Authority ⁽²⁾	44.06	55.51	99.57
Pinellas County ⁽²⁾	28.25	33.35	61.60
City of Punta Gorda	30.68	32.59	63.27
City of Sarasota	29.27	47.46	76.73
Sarasota County ⁽²⁾	28.91	52.59	81.50
Other Florida Utilities Average ⁽³⁾	\$33.54	\$47.93	\$81.48

(1) Amounts shown derived from the rate resolution of the County; the water bills shown include the application of the billing charge that is rendered on a “per bill” basis, regardless of service required by the customer.

(2) Utility has indicated that it is currently involved in a rate study, is planning to conduct a rate study, or may implement a rate revision within the next twelve months.

(3) Amounts shown represent average of neighboring utility systems as shown on Tables 8 through 10 in the Feasibility Report.

Source: Feasibility Report

The table below provides a comparison of the Connection Fees between a typical residential single-family connection customer of OUC, representing one equivalent residential unit, and the average connection fees for other similar nearby Florida utilities.

Connection Fees Comparison With Other Utility Systems
(rates per Equivalent Residential Unit (ERU))

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Lee County ⁽¹⁾	\$2,440.00	\$2,660.00	\$5,100.00
Other Florida Utilities Average ⁽²⁾	<u>\$2,143.00</u>	<u>\$2,685.00</u>	<u>\$4,828.00</u>

(1) Amounts shown derived from the rate resolution of the County.

(2) Amounts shown represent average of survey of 18 neighboring utility systems as shown on Table 11 in the Feasibility Report.

Source: Feasibility Report

CAPITAL IMPROVEMENT PROGRAM

The anticipated five-year capital improvement program for the System is derived from the Feasibility Report and is qualified in its entirety by reference thereto: See “APPENDIX B – FEASIBILITY REPORT” for a detailed listing of capital projects for the System.

Included in the capital improvement program analysis was a review of the sources of funds for the program to ensure that moneys would be available to fund such projects during the period October 1, 2012 through September 30, 2017 (the “Forecast Period”) and to determine additional amounts which needed to be funded from rate revenues, if any. The funding sources reflected in the analysis for financing the capital improvement program are as follows:

5-Year Capital Improvement Program Summary and Funding Sources (\$000’s)

	Fiscal Year Ending September 30 ⁽¹⁾					Total
	<u>2013</u> ⁽²⁾	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	
Capital Projects:						
Water System	\$36,783	\$48,731	\$44,603	\$14,966	\$7,277	\$152,360
Wastewater System	20,577	12,704	8,521	17,139	16,541	75,482
Vehicle Replacement ⁽³⁾	595	1,354	502	512	523	3,486
Departmental Capital ⁽³⁾	335	256	597	610	623	2,421
Total System Capital Projects	\$58,290	\$63,045	\$54,223	\$33,227	\$24,965	\$233,749
Funding Sources:						
Renewal and Replacement Fund	\$17,782	\$8,376	\$10,342	\$12,084	\$10,096	\$58,680
Capital Improvement Fund	33,443	17,039	18,471	17,278	8,683	94,914
Series 2013A Bond Proceeds ⁽⁴⁾	0	30,000	24,000	2,000	0	56,000
Water Connection Fees	3,818	2,339	0	0	3,034	9,190
Sewer Connection Fees	2,040	3,051	312	742	2,004	8,149
Vehicle Replacement Fund	185	188	192	196	200	962
Water Surcharge Fund ⁽⁵⁾	277	631	0	0	0	907
Annual Operations/Rate Revenues ⁽⁶⁾	745	1,422	907	926	946	4,946
Total Funding Sources	\$58,290	\$63,045	\$54,223	\$33,227	\$24,965	\$233,749

- (1) Amounts are shown in thousands of dollars although have not been rounded to the nearest thousand and therefore may result in minor rounding differences when totaling amounts. Amounts reflect when funding is projected to be required and may vary from when actual funds are expended through project completion. Amounts shown also include an inflation adjustment for capital spending anticipated beginning with Fiscal Year 2014 ranging from 1.7% to 2.2%.
- (2) Amounts shown include project carry-forward expenditures which represent amounts appropriated for a project in prior periods (funding established) that have yet to be spent (the total project carry-forward amount as of September 30, 2012 was approximately \$28,448,575).
- (3) Amounts shown reflect budgeted capital outlay such as equipment, machinery, and other general plant.
- (4) Amounts shown include the use of anticipated proceeds derived from the issuance of Additional Bonds.
- (5) Amounts reflect monies funded by a water surcharge applied to high water users (see discussion on water rates in the Feasibility Report) with the proceeds used to fund water supply and enhancement projects.
- (6) Amounts shown reflect funding for capital outlay.

HISTORICAL REVENUES, EXPENSES AND DEBT SERVICE COVERAGE

The following table sets forth historical revenues and expenses relating to the System and debt service coverage relating to the System Bonds.

Summary of Historical System Operating Results and Debt Coverage⁽¹⁾

Description	Fiscal Year Ended September 30,				
	2008	2009	2010	2011	2012
Gross Revenues⁽²⁾					
Water User Fees	\$43,203,147	\$41,451,298	\$40,805,496	\$40,699,581	\$42,953,620
Wastewater User Fees	44,505,109	42,510,679	42,685,162	42,523,198	46,376,807
Rentals and Franchise Fees	156,900	189,607	170,087	170,270	180,298
Miscellaneous Revenues ⁽³⁾	1,630,255	1,554,513	1,459,983	1,342,621	1,480,222
Investment Earnings ⁽⁴⁾	4,511,544	1,694,366	870,073	483,221	380,869
Other Revenue Adjustments:					
Gateway Debt Service Contribution ⁽⁵⁾	<u>292,251</u>	<u>318,820</u>	<u>318,820</u>	<u>318,820</u>	<u>318,820</u>
Total Gross Revenues	\$94,299,205	\$87,719,282	\$86,309,622	\$85,537,711	\$91,690,636
Operating Expenses⁽⁶⁾:					
Salaries and Wages	\$14,835,983	\$14,204,535	\$14,069,455	\$13,174,471	\$13,416,603
Employee benefits	8,003,704	7,665,450	7,554,961	8,455,147	8,035,179
Contract services, materials and supplies	17,129,863	19,316,262	18,665,859	17,969,995	19,467,511
Utilities	7,646,289	7,072,886	5,797,177	6,270,562	5,813,436
Repairs and maintenance	3,228,043	3,485,743	4,610,401	3,574,098	4,316,906
Insurance	1,219,326	1,218,710	1,014,355	885,059	822,249
Other	3,136,337	2,448,373	2,168,215	1,986,022	1,979,988
Indirect Cost	1,624,200	1,624,200	1,616,079	1,616,080	1,512,770
Administrative Fees	<u>58,355</u>	<u>48,506</u>	<u>60,292</u>	<u>47,266</u>	<u>41,792</u>
Total Operating Expenses	\$56,882,100	\$57,084,665	\$55,556,794	\$53,978,700	\$55,406,435
Pledged Funds⁽⁷⁾:					
Net Revenues	\$37,417,105	\$30,634,617	\$30,752,827	\$31,559,011	\$36,284,201
Connection Fees ⁽⁸⁾⁽⁹⁾	<u>5,181,287</u>	<u>1,928,400</u>	<u>1,188,300</u>	<u>2,062,291</u>	<u>2,850,234</u>
Total	\$42,598,392	\$32,563,017	\$31,941,128	\$33,621,303	\$39,134,435
Annual Debt Service - Outstanding Bonds⁽¹⁰⁾:					
Series 1999A Bonds	\$ 8,540,875	\$ 8,539,595	\$ 8,539,985	\$ 6,672,010	\$ 1,039,792
Series 2003A Bonds	4,376,375	4,381,425	4,380,225	4,381,050	4,382,831
Series 2003B Bonds	414,250	414,250	414,250	414,250	370,524
Series 2011 Bonds	0	0	0	1,581,759	7,119,483
Series 2012A Bonds	0	0	0	0	88,844
Series 2012B Bonds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>33,289</u>
Annual Debt Service	\$13,331,500	\$13,335,270	\$13,334,460	\$13,049,069	\$13,034,763
Rate Covenant Compliance⁽¹¹⁾:					
Test A - Net Revenues and Special Assessments Proceeds	\$37,417,105	\$30,634,617	\$30,752,827	\$31,559,011	\$36,284,201
Annual Debt Service	13,331,500	13,335,270	13,334,460	13,049,069	13,034,763
Calculated Coverage	280.67%	229.73%	230.63%	241.85%	278.36%
Required Coverage	100.00%	100.00%	100.00%	100.00%	100.00%
Test B - Net Revenues, Special Assessments Proceeds and Connection Fees	\$42,598,392	\$32,563,017	\$31,941,128	\$33,621,303	\$39,134,435
Annual Debt Service	13,331,500	13,335,270	13,334,460	13,049,069	13,034,763
Calculated Coverage	319.53%	244.19%	239.54%	257.65%	300.23%
Required Coverage	120.00%	120.00%	120.00%	120.00%	120.00%

Table continued on following page.

Summary of Historical System Operating Results and Debt Coverage⁽¹⁾ (cont'd.)

Description	Fiscal Year Ended September 30,				
	2008	2009	2010	2011	2012
State Revolving Fund Loan Compliance⁽¹²⁾:					
Pledged Revenues:					
Gross Revenues	\$94,299,205	\$87,719,282	\$86,309,622	\$85,537,711	\$91,690,636
Less Operating Expenses	(56,882,100)	(57,084,665)	(55,556,794)	(53,978,700)	(55,406,435)
Less Senior Revenue Obligations Debt Service	(13,331,500)	(13,335,270)	(13,334,460)	(13,049,069)	(13,034,763)
Net Amount Available for SRF Debt Coverage	\$24,085,605	\$17,299,347	\$17,418,367	\$18,509,942	\$23,249,438
Outstanding SRF Loan Debt Service⁽¹³⁾					
SRF Loan 1991 CS120342230	\$ 720,926	\$ 720,926	\$ 720,926	\$ 720,926	\$ 720,926
SRF Loan 2001 CS12039232P	451,988	451,988	451,988	451,987	451,988
SRF Loan 2005 DW3610010	979,339	1,382,596	1,619,358	1,716,847	1,716,847
SRF Loan 2009 WW392330	0	0	625,666	2,084,154	2,255,559
Total	\$ 2,152,253	\$ 2,555,510	\$ 3,417,938	\$ 4,973,914	\$ 5,145,320
Calculated Coverage	1,119.09%	676.94%	509.62%	372.14%	451.86%
Required Coverage	115.0%	115.0%	115.0%	115.0%	115.0%
Other Required Transfers from Net Revenues: ⁽¹⁴⁾					
Reserve Account ⁽¹⁵⁾	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Renewal and Replacement Fund ⁽¹⁶⁾	3,973,260	4,700,348	4,370,023	4,299,540	4,260,945
Water and Sewer Connection Fees Funds ⁽¹⁷⁾	0	0	0	0	0
Subordinated Indebtedness Debt Service ⁽¹⁸⁾	2,152,253	2,555,510	3,417,938	4,973,914	5,145,320
Amounts Available for Other System Purposes	\$17,960,092	\$10,043,489	\$ 9,630,406	\$ 9,236,488	\$13,843,173

- (1) Amounts derived from Table 6 of the Feasibility Report. This table provides a review of historical compliance with the covenants of the Bond Resolution related to the Outstanding Bonds and compliance with the covenants of the outstanding FDEP SRF Loan Agreements. Unless otherwise noted amounts shown are derived from the Comprehensive Annual Financial Report (the "CAFR" or "audited financial statements") and other supporting financial information as provided by Utility staff and in support of the audited financial statements.
- (2) Pursuant to the Bond Resolution, Gross Revenues means all income and moneys received by the County from rates, fees, rentals, charges and other income for water and wastewater services calculated in accordance with generally accepted accounting principles ("GAAP") without limiting the generality of the foregoing, Investment Earnings.
- (3) Amounts shown include charges for permit, tapping, delinquent, turn-on / turn-off, etc. and other miscellaneous charges.
- (4) Pursuant to the Bond Resolution, Investment Earnings pledged and available for calculating compliance with the rate covenant (Section 5.04 of the Bond Resolution) includes all income and earnings on all funds and accounts as established through the Bond Resolution, other than the Construction Fund and Rebate Fund. Such amounts do not include fair market value ("FMV") adjustments as reported at the close of the respective fiscal year in order to report realized earnings. Amounts shown below provide detail in the determination of Investment Earnings and reconciliation to amounts as reported in the audited financial statements of the County.

	2008	2009	2010	2011	2012
Income and Earnings on All Funds (a)	\$4,185,597	\$1,848,572	\$795,897	\$504,887	\$415,559
FMV Adjustment on All Funds (a) (b)	352,027	(151,754)	82,486	(8,763)	(9,758)
Less Construction/Rebate Funds (c)	(26,079)	(2,453)	(8,310)	(12,904)	(24,932)
Investment Earnings Avail. for Coverage	\$4,511,544	\$1,694,366	\$870,073	\$483,221	\$380,869

- (a) Amounts shown reconcile to reported amounts within the audited financial statements of the County pursuant to the Statement of Revenues, Expenses, and Changes in Fund Net Assets. Amounts shown include interest income and earnings related to balances on deposit in the Connection Fees Funds.
- (b) Represents removal of the FMV adjustments which reflect unrealized gains or losses on investments as reported at the close of the respective Fiscal Year shown. It should be noted that such FMV adjustments are not considered to materially affect the calculation of debt coverage in compliance with the rate covenant of the Bond Resolution (represent at most less than 0.4% of Gross Revenues for the historical Fiscal Years shown).
- (c) Amounts shown reflect income and earnings related to the Construction Fund and Rebate Fund, including FMV adjustments.

Footnotes continued on following page.

Footnotes (cont'd.)

- (5) Amounts shown reflect reclassification of non-operating revenues for purposes of calculating compliance with the rate covenant to reflect funds received by the County from Gateway Services Community Development District related to payment of debt service regarding the purchase of capacity pursuant to the Gateway Wastewater Agreement.
- (6) Amounts shown are exclusive of depreciation and amortization pursuant to the Bond Resolution; amounts derived from the audited financial statements and other financial information provided by the County. The following provides a reconciliation to Operating Expenses from those amounts identified within the Statement of Revenues, Expenses, and Changes in Fund Net Assets as reported within the audited financial statements:

	2008	2009	2010	2011	2012
Total Reported Expenses	\$84,604,156	\$86,752,036	\$88,600,508	\$92,129,957	\$94,411,411
Less Depreciation and Amortization	(27,722,055)	(29,667,371)	(33,043,713)	(38,151,258)	(39,004,975)
Operating Expenses	\$56,882,100	\$57,084,665	\$55,556,794	\$53,978,700	\$55,406,435

- (7) Amounts shown reflect the Pledged Funds pursuant to the Bond Resolution and include Net Revenues (Gross Revenues less Operating Expenses), Special Assessment Revenues and Connection Fees for use in evaluating compliance with the rate covenant delineated in the Bond Resolution.
- (8) Amounts shown reflect Connection Fees as received (as opposed to earned) for the respective fiscal years shown and do not include any interest income of Connection Fees Fund balances. Any earnings related to the Connection Fees Fund have been included as a component of Gross Revenues (recognized as a component of Investment Earnings) pursuant to the Bond Resolution. For the purposes of the evaluation of the capital funding plan, earnings on Connection Fee funds were assumed to be restricted to such fund and not considered as part of the operating revenues of the System.
- (9) Generally, under Florida law, impact fees (also referred to in the Feasibility Report as Connection Fees) may be validly imposed for construction of improvements and the expansion of the System to new customer growth or development that drive the need for such improvements (i.e., "Growth Pays for Growth"). Connection Fees may also be used to pay the debt service for the expansion-related capital improvements funded from the proceeds of any respective outstanding indebtedness of the System. For purposes of this analysis, no determination of the expansion-related capital improvements related to the Outstanding Bonds or Subordinated Indebtedness was evaluated and therefore not all of the identified Connection Fees may be legally available for payment of debt service payments shown.
- (10) Amounts shown are derived from the actual loan repayment schedules for the Outstanding Bonds and represent when the monthly deposits to the Sinking Fund are required from operations and not when the principal and interest payments are made.
- (11) Pursuant to the Bond Resolution, Section 5.04 (the "Rate Covenant"), the County must maintain sufficient rates, fees, charges and other Pledged Funds in each Fiscal Year which will provide:
- (A) Net Revenues and Special Assessment Proceeds adequate at all times to pay at least 100% of i) the Annual Debt Service on all Outstanding Bonds coming due, ii) any required deposits to the Reserve Account for compliance with the Reserve Account Requirement and iii) amounts required by Sections 4.06(a) and 4.07(a) of the Bond Resolution to be repaid to the Water Connection Fees Fund and the Sewer Connection Fees Fund (referenced as "Test A"); and
 - (B) Net Revenues, Special Assessment Proceeds and Connection Fees adequate at all times to pay at least 120% of the Annual Debt Service on all Outstanding Bonds coming due (referenced as "Test B").
- (12) The County has secured several loans from the FDEP SRF Loan program. Pursuant to Section 5.01 of the SRF Loan Agreement (for each outstanding loan), the County must maintain sufficient rates and charges for services furnished by the System to provide Pledged Revenues, as defined in the loan agreement, equal to or greater than 115% of the Semiannual Loan Payments for all outstanding SRF loans due in such Fiscal Year. Pledged Revenues are defined in the respective Loan Agreement to mean Gross Revenues after payment of the Operation and Maintenance Expense (or as defined in the Bond Resolution, the Operating Expenses) and Senior Revenue Obligations (or as defined in the Bond Resolution, the Annual Debt Service).
- (13) Amounts shown are derived from the actual loan repayment schedules for the outstanding SRF loans; amounts based on funding the monthly Semiannual Loan Payments (as defined in the loan agreement) representing an accrual basis and not presented on an "as paid" basis.
- (14) Amounts shown reflect other required deposits to funds and accounts as reference in Section 4.05 of the Bond Resolution; although not a specific component of the rate covenant as delineated in the Bond Resolution, Net Revenues must be sufficient to meet such required deposits.
- (15) Pursuant to the Bond Resolution, the Reserve Account Requirement means maintaining a minimum cash balance within the Reserve Account equivalent to the lesser of: i) the Maximum Annual Debt Service for all Outstanding Bonds secured by the Reserve Account; or ii) 125% of the Annual Debt Service of Bonds secured by the Reserve Account coming due in such Fiscal Year. No required transfers were recognized during the Historical Period since the Reserve Account Requirement was secured through a Reserve Account Insurance Policy for the Outstanding Bonds or from the proceeds of such Outstanding Bonds.

Footnotes continued on following page.

Footnotes (cont'd.)

- (16) Pursuant to the Bond Resolution, the Renewal and Replacement Fund Requirement means the amount of money equal to i) 5% of the Gross Revenues received by the Issuer in the immediately preceding Fiscal Year; or ii) an amount as certified by the Consulting Engineers. For purposes of determining compliance with the Bond Resolution, amounts shown reflect an annual deposit to the Renewal and Replacement Fund (regardless of the amount on deposit in such fund) equal to 5% of prior year's Gross Revenues which was reported by the County as the Renewal and Replacement Fund Requirement.
- (17) Pursuant to Sections 4.06(a) and 4.07(a) of the Bond Resolution, the County must repay any amounts used from the Connection Fees Funds as a result of a deficiency arising in the Principal Account or Interest Account. The County reports that no deficiencies existed during the Historical Period that required the use of Connection Fees or balance transfers from the Connection Fees Funds.
- (18) Although not a specific requirement for compliance with the Bond Resolution rate covenant calculation (Section 5.04), payment of debt service on Subordinated Indebtedness was included as a requirement for purposes of this analysis based on the disposition of revenues as identified in Section 4.05 of the Bond Resolution.

Source: Feasibility Report

PROJECTED REVENUES, EXPENSES AND DEBT SERVICE COVERAGE FOR SYSTEM

The following table sets forth projected revenues and expenses relating to the System and debt service coverage relating to the Parity Bonds and the Series 2013 Bonds. *This table is derived from the Feasibility Report and is qualified in its entirety by reference thereto. Principal assumptions used in the Feasibility Report, including, without limitation, those related to anticipated number of customers served and rates and charges and increases thereof, are described in detail therein. Projections in the Feasibility Report are based upon conservative assumptions made on the date of, and set forth in, the Feasibility Report regarding the debt service on the Series 2013 Bonds and not upon the actual debt service. The results of the financial forecasts were provided by the Feasibility Consultant for inclusion in this Official Statement.*

PROSPECTIVE INVESTORS MUST REVIEW THE FEASIBILITY REPORT IN ITS ENTIRETY, INCLUDING THE FINANCIAL FORECASTS RELATING TO THE SYSTEM INCLUDED IN THE FEASIBILITY REPORT AND THE CONSIDERATIONS UPON WHICH THE PROJECTED OPERATING RESULTS ARE BASED PRIOR TO MAKING AN INVESTMENT DECISION WITH RESPECT TO THE SERIES 2013 BONDS.

PROJECTED OPERATING RESULTS

Summary of Projected System Operating Results and Debt Coverage⁽¹⁾

Description	Fiscal Year Ended September 30,				
	2013	2014	2015	2016	2017
Gross Revenues⁽²⁾⁽³⁾					
Water User Fees	\$ 45,603,032	\$ 46,893,820	\$ 48,141,232	\$ 48,399,124	\$ 48,612,652
Wastewater User Fees	50,384,086	53,005,982	55,726,421	56,127,687	56,362,973
Rentals and Franchise Fees	111,045	111,045	111,045	111,045	111,045
Miscellaneous Revenues ⁽⁴⁾	1,423,876	1,423,519	1,424,160	1,424,797	1,425,431
Investment Earnings ⁽⁵⁾	225,228	268,812	327,225	383,077	429,559
Gateway Debt Service Contribution ⁽⁶⁾	184,542	172,335	172,335	172,335	172,335
Total	\$97,931,810	\$101,875,513	\$105,902,419	\$106,618,065	\$107,113,995
Operating Expenses⁽⁷⁾:					
Salaries and Wages	\$ 14,162,537	\$ 14,168,005	\$ 14,593,045	\$ 15,030,835	\$ 15,481,763
Employee Benefits	8,754,191	8,717,876	9,145,557	9,597,699	10,075,853
Contract Services, Materials and Supplies	19,957,137	20,041,055	20,833,248	21,607,468	22,416,922
Utilities	5,048,690	4,978,075	5,247,815	5,532,694	5,832,861
Repairs and Maintenance	3,071,715	3,405,295	3,500,193	3,637,838	3,781,068
Insurance	713,930	713,930	749,626	787,107	826,463
Other	3,967,457	3,902,623	4,004,382	4,112,951	4,228,198
Indirect Cost	1,463,982	1,463,982	1,494,726	1,526,116	1,559,690
Administrative Fees	85,880	94,555	96,032	98,046	100,202
Contingency ⁽⁸⁾	530,929	532,670	552,803	574,507	597,278
Bad Debt ⁽⁹⁾	238,019	247,589	257,297	258,733	259,802
Facility Decommissioning Expenses ⁽¹⁰⁾	60,000	400,000	150,000	0	0
Total	\$ 58,054,467	\$ 58,665,655	\$ 60,624,724	\$ 62,763,994	\$ 65,160,100
Pledged Funds⁽¹¹⁾:					
Net Revenues	\$ 39,877,343	\$ 43,209,858	\$ 45,277,695	\$ 43,854,071	\$ 41,953,895
Connection Fees ⁽¹²⁾⁽¹³⁾	2,362,850	1,979,090	1,997,277	2,013,356	2,054,869
Total	\$ 42,240,193	\$ 45,188,948	\$ 47,274,972	\$ 45,867,427	\$ 44,008,764

Table continued on following page.

Summary of Projected System Operating Results and Debt Coverage⁽¹⁾ (cont'd)

Description	Fiscal Year Ended September 30,				
	2013	2014	2015	2016	2017
Annual Debt Service - Outstanding Bonds⁽¹⁴⁾:					
Series 2003A Bonds ⁽¹⁵⁾	\$ 1,862,734	\$ 0	\$ 0	\$ 0	\$ 0
Series 2011 Bonds	7,117,583	7,050,883	7,117,683	7,091,883	7,095,483
Series 2012A Bonds	999,500	999,500	999,500	999,500	999,500
Series 2012B Bonds	374,500	374,500	374,500	374,500	374,500
Annual Debt Service – Additional Bonds:					
Series 2013A Bonds ⁽¹⁵⁾	\$ 443,007	\$ 3,091,250	\$ 3,536,500	\$ 3,533,500	\$ 3,533,500
Series 2013B Bonds ⁽¹⁵⁾	277,094	3,808,000	4,088,000	4,084,500	4,080,750
Total Annual Debt Service	\$ 11,074,418	\$ 15,324,133	\$ 16,116,183	\$ 16,083,883	\$ 16,083,733
Rate Covenant Compliance⁽¹⁶⁾:					
Net Revenues	\$ 39,877,343	\$ 43,209,858	\$ 45,277,695	\$ 43,854,071	\$ 41,953,895
Annual Debt Service	11,074,418	15,324,133	16,116,183	16,083,883	16,083,733
Calculated Coverage	360.09%	281.97%	280.95%	272.66%	260.85%
Required Coverage	100.00%	100.00%	100.00%	100.00%	100.00%
Net Revenues and Connection Fees	\$ 42,240,193	\$ 45,188,948	\$ 47,274,972	\$ 45,867,427	\$ 44,008,764
Annual Debt Service	11,074,418	15,324,133	16,116,183	16,083,883	16,083,733
Calculated Coverage	381.42%	294.89%	293.34%	285.18%	273.62%
Required Coverage	120.00%	120.00%	120.00%	120.00%	120.00%
State Revolving Fund Loan Compliance⁽¹⁷⁾:					
Pledged Revenues:					
Gross Revenues	\$97,931,810	\$101,875,513	\$105,902,419	\$106,618,065	\$107,113,995
Less Operating Expenses	(58,054,467)	(58,665,655)	(60,624,724)	(62,763,994)	(65,160,100)
Less Senior Revenue Obligations Debt Service	(11,074,418)	(15,324,133)	(16,116,183)	(16,083,883)	(16,083,733)
Net Amount Available for SRF Debt Coverage	\$ 28,802,925	\$ 27,885,725	\$ 29,161,512	\$ 27,770,188	\$ 25,870,162
Outstanding SRF Loan Debt Service⁽¹⁸⁾					
SRF Loan 2001 CS12039232P	\$ 451,988	\$ 451,988	\$ 451,987	\$ 451,988	\$ 131,829
SRF Loan 2005 DW3610010	1,716,847	1,716,847	1,716,847	1,716,847	1,716,847
SRF Loan 2009 WW392330	2,256,137	2,256,137	2,256,137	2,256,137	2,256,137
Total Subordinated Indebtedness	\$ 4,424,972	\$ 4,424,972	\$ 4,424,971	\$ 4,424,972	\$ 4,104,813
Calculated Coverage	650.92%	630.19%	659.02%	627.58%	630.24%
Required Coverage	115.00%	115.00%	115.00%	115.00%	115.00%
Other Required Transfers from Net Revenues⁽¹⁶⁾:					
Reserve Account ⁽¹⁹⁾	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Renewal and Replacement Fund ⁽²⁰⁾	4,568,591	4,887,363	5,085,159	5,286,504	5,322,286
Water and Sewer Connection Fees Funds ⁽²¹⁾	0	0	0	0	0
Subordinated Indebtedness Debt Service ⁽²²⁾	4,424,972	4,424,972	4,424,971	4,424,972	4,104,813
Amounts Available for Other System Purposes	\$ 19,809,362	\$ 18,573,389	\$ 19,651,382	\$ 18,058,712	\$ 16,443,063

(1) This table provides a review of projected compliance with the covenants of the Bond Resolution related to the Outstanding Bonds and compliance with the covenants of the outstanding Florida Department of Environmental Protection (the "FDEP") State Revolving Fund (the "SRF") loan agreements. Projections were based on: i) the adopted Fiscal Year 2013 Adopted and Fiscal Year 2014 preliminary Budget for each respective utility or cost center; ii) actual Fiscal Year 2012 audited results and other supporting financial information as reported by the County for the System; iii) discussions with County staff and its consultants regarding current and future utility needs associated with System expansion and capital improvements; iv) information provided by other utilities, including information regarding the cost of purchased water and wastewater; and v) other information provided by the County and its consultants. The Annual Debt Service amounts for the Series 2013 Bonds contained in this table were based on preliminary numbers and do not reflect the actual pricing of the Series 2013 Bonds.

(2) Pursuant to the Bond Resolution Gross Revenues means all income and moneys received by the County from rates, fees, rentals, charges and other income for water and wastewater services calculated in accordance with generally accepted accounting principles ("GAAP") without limiting the generality of the foregoing, Investment Earnings.

Footnotes continued on the following page.

Footnotes continued.

- (3) Amounts shown recognize Board-adopted rate increases pursuant to the Rate Resolution for the Forecast Period. The summary below reflects the average percentage increase in rate revenues:

Board-Adopted Rate Increases – Effective October 1st,					
Fiscal Year	2013	2014	2015	2016	2017
Adopted Rate Revenue Increases	7.00%	3.50%	3.50%	0.00%	0.00%

- (4) Amounts shown include charges for permit, tapping, delinquent, turn-on / turn-off, etc. and other miscellaneous charges.
- (5) Pursuant to the Bond Resolution, Investment Earnings pledged and available for calculating compliance with the rate covenant (Section 5.04 of the Bond Resolution) shall include all income and earnings on all funds and accounts as established through the Bond Resolution with exception to and excluding the Construction Fund and Rebate Fund.
- (6) Amounts shown reflect annual transfers from the Gateway Services Community Development District for reservation of wastewater treatment capacity. Payments identified within the early portions of the Forecast Period include one-time back payments from prior periods received in such Fiscal Years. The County anticipates receiving annual payments of \$172,335 through Fiscal Year 2033 pursuant to the Gateway Wastewater Agreement.
- (7) Amounts shown are exclusive of depreciation and amortization.
- (8) Amounts shown reflect application of a 1.0% contingency factor to total Operating Expenses for unknown or unanticipated operating expenses.
- (9) Amounts shown reflect application of a 0.25% bad debt factor to total user fee / rate revenues for revenues considered as uncollectable (bad debt expenses).
- (10) Utility staff anticipates decommissioning the Waterway Estates and San Carlos Wastewater Treatment Plants.
- (11) Amounts shown reflect the Pledged Funds pursuant to the Bond Resolution and include Net Revenues (Gross Revenues less Operating Expenses), Special Assessment Revenues and Connection Fees for use in evaluating compliance with the rate covenant of the Bond Resolution.
- (12) Amounts shown reflect collected Connection Fees for the respective fiscal years shown and do not include any Investment Earnings. Any Investment Earnings related to the Connection Fees Fund have been included as a component of Gross Revenues (recognized through Investment Earnings).
- (13) Generally, under Florida law, Connection Fees (also referred to as “Impact fees”) may be validly imposed for construction of improvements and the expansion of the System to new customer growth or development that drive the need for such improvements (i.e., “Growth Pays for Growth”). Connection Fees may also be used to pay the debt service for the expansion-related capital improvements funded from the proceeds of any respective outstanding indebtedness of the System. For purposes of this analysis, no determination of the expansion-related capital improvements related to the Outstanding Bonds or Subordinated Indebtedness was evaluated and therefore not all of the identified Connection Fees may be legally available for payment of debt service payments shown.
- (14) Amounts shown are derived from the actual loan repayment schedules for the Outstanding Bonds.
- (15) The Series 2013 Bonds are being issued to: i) fund improvements to Green Meadows WTP; and ii) refund the outstanding Fiscal Year 2003A Bonds. No payments were assumed for the Series 2003A Bonds subsequent to Fiscal Year 2013 recognizing an assumed refunding on or about July 31, 2013. The Annual Debt Service schedules were provided by the County’s Financial Advisor and, in the case of the Series 2013 Bonds, were based on preliminary numbers and do not reflect the actual pricing of the Series 2013 Bonds.
- (16) Pursuant to the Bond Resolution Section 5.04 (the “Rate Covenant”), the County must maintain sufficient rates, fees, charges and other Pledged Funds in each Fiscal Year which provides the following:
- (A) Net Revenues and Special Assessment Proceeds adequate at all times to pay at least 100% of i) the Annual Debt Service on all Outstanding Bonds coming due, ii) any required deposits to the Reserve Account for compliance with the Reserve Account Requirement and iii) amounts required by Sections 4.06(a) and 4.07(a) of the Bond Resolution to be repaid to the Water Connection Fees Fund and the Sewer Connection Fees Fund (the “Connection Fees Funds”); and
- (B) Net Revenues, Special Assessment Proceeds and Connection Fees adequate at all times to pay at least 120% of the Annual Debt Service on all Outstanding Bonds coming due.
- (17) The County has issued several loans from the FDEP SRF loan program. Pursuant to Section 5.01 of the SRF loan agreement, the County must maintain sufficient rates and charges for services furnished by the System to provide Pledged Revenues, as defined in the loan agreement, equal to or greater than 115% of the Semiannual Loan Payments for all outstanding SRF loans due in such Fiscal Year. Pledged Revenues are defined in the loan agreement to mean Gross Revenues after payment of the Operation and Maintenance Expense (or as defined in the Bond Resolution, the Operating Expenses) and Senior Revenue Obligations (or as defined in the Bond Resolution, the Annual Debt Service).
- (18) Amounts shown are derived from the actual loan repayment schedules for the outstanding SRF loans; amounts based on funding the monthly Semiannual Loan Payments (as defined in the loan agreement) representing an accrual basis and not presented on an “as paid” basis.

Footnotes continued on the next page.

Footnotes continued.

- (19) Pursuant to the Bond Resolution, the Reserve Account Requirement means maintaining a minimum cash balance within the Reserve Account equivalent to the lesser of: i) the Maximum Annual Debt Service for all Outstanding Bonds secured by the Reserve Account; or ii) 125% of the Annual Debt Service on Bonds secured by the Reserve Account coming due in such Fiscal Year. No required transfers from Pledged Funds were recognized during the projected period shown since the Series 2013 Bonds do not assume a required Reserve Account deposit pursuant to assumptions as provided by the County's Financial Advisor.
- (20) Pursuant to the Bond Resolution, the Renewal and Replacement Fund Requirement means maintaining a minimum cash balance within the Renewal and Replacement Fund equivalent to either i) 5% of the Gross Revenues received by the issuer in the immediately preceding Fiscal Year; or ii) an amount as determined by the Consulting Engineer. Furthermore, pursuant to Section 4.05(b)(v) of the Bond Resolution, should the County not meet the Renewal and Replacement Fund Requirement the County is required to annually transfer 1/12th of 5% of prior year's Gross Revenues until the County maintains sufficient cash balances to meet the Renewal and Replacement Fund Requirement. For purposes of this analysis amounts shown reflect 5% of the prior year's Gross Revenues.
- (21) Pursuant to Sections 4.06(a) and 4.07(a) of the Bond Resolution, the County must repay any amounts used from the Connection Fees Funds as a result of a deficiency arising in the Principal Account or Interest Account. No deficiencies are anticipated during the Forecast Period that required the use of Connection Fees or balance transfers from the Connection Fees Funds.
- (22) Although not a specific requirement for compliance with the Bond Resolution rate covenant calculation (Section 5.04), payment of debt service on Subordinated Indebtedness was included as a requirement for purposes of this analysis and based on the required disposition of revenues as identified in Section 4.05 of the Bond Resolution.

CONCLUSIONS

Based upon the principal considerations and assumptions and the results of our studies and analyses as summarized in the Feasibility Report, which should be read in its entirety and in conjunction with the following, the Feasibility Consultant is of the opinion that:

1. The projected growth in customers and usage of the System and the corresponding revenues derived from the application of the existing and projected rates applied to such customers and usage represent reasonable and attainable projections for the purposes of the Feasibility Report.

2. The projections of the Operating Expenses represent reasonable projections for the purposes of the Feasibility Report.

3. The Water System and Wastewater System, taking into account capacity expansion-related capital improvements as discussed in the Feasibility Report, will respectively have sufficient capacity to meet the anticipated service area needs for the five fiscal year period ending September 30, 2017 based on the customer and sales or usage forecast assumed for the purposes of the Feasibility Report.

4. The System Gross Revenues for the Fiscal Years ending September 30, 2013 through 2017 under the County-approved rates should be sufficient to: i) fund the Operating Expenses of the System; ii) fund the annual debt service coming due in such years on the Outstanding Bonds, the Additional Parity Bonds, and Outstanding Subordinated Indebtedness, accounting for changes associated with a) the refunding of the Refunded Bonds; and b) the issuance of the proposed Series 2013 Bonds; iii) fund the required deposits pursuant to the Bond Resolution; iv) maintain compliance with the rate covenants and provisions for the issuance of additional bonds as required pursuant to the Bond Resolution; and v) fund the identified capital expenditures of the Utility.

5. It is anticipated by the County that the current rates for water and wastewater service will be adjusted during the forecast period as reflected in the Feasibility Report which were approved by the Board. To the extent that the adopted future adjustments are not implemented, the County will need to adjust the expenditures identified in the Feasibility Report. Based on the assumptions developed, such adjustments would focus primarily on the funding of the ongoing capital needs of the System. The rate increases have been adopted by resolution by the Board, and although no assurance can be given that such rate increases will be implemented by the County, the County has historically implemented all adopted rates as established by resolution. To the extent that the adopted rate adjustments are not made or are delayed from what is assumed herein, it is anticipated based on the assumptions developed herein that the Net Revenues and legally available Impact Fees during the forecast period will be sufficient to be in compliance with the rate covenant described in the Bond Resolution but that the future funding of the capital improvements identified for the forecast period may need to be adjusted.

6. The existing rates for water and wastewater service are generally competitive to charges for similar service provided by other neighboring and coastal utilities located in Southwest Florida. The approved rate adjustments as represented in the Feasibility Report are not expected by the County to negatively affect the customer growth or sales (billed water and wastewater use or flow) during the forecast period.

7. The existing Water Connection Fees and Sewer Connection Fees are comparable to the fees charged by neighboring utilities located in Southwest Florida. Based on discussions with Utility staff, the continued imposition of the Connection Fees is not expected to negatively affect System growth.

The ability of the Net Revenues of the System to meet the debt service requirements and comply with the rate covenants of the Bond Resolution are subject to the assumptions and considerations identified in the Feasibility Report and information obtained during the preparation of the Feasibility Report regarding the System and the associated financial projections reflected herein. As such, the Feasibility Report should be read in its entirety with respect to such projections.

GENERAL FACTORS AFFECTING THE SYSTEM AND THE SERIES 2013 BONDS

The purchase of the Series 2013 Bonds involves a degree of risk, as is the case with all investments. Factors that could affect the County's ability to perform its obligations under the Resolution, including the timely payment of principal of and interest on the Series 2013 Bonds, include the following:

1. There is no assurance that permits for operation of major components of the System will be renewed or can be renewed without the expenditure of moneys from the Renewal and Replacement Fund or the issuance of Additional Bonds or Subordinated Indebtedness. Further, there is no assurance that the requirements for renewal of the permits will remain the same prior to the time that renewal is required; a change in requirements could require additional expenditures for improvements.

2. The environmental aspects of the System are regulated by (a) the U.S. Environmental Protection Agency; (b) FDEP under Chapter 403, Florida Statutes, and the rules and regulations promulgated by FDEP; (c) the SFWMD; (d) the Army Corps of Engineers; and (e) the Lee County Health Department. FDEP is principal regulator of water and wastewater utilities in Florida. The SFWMD regulate water withdrawals for potable water providers such as the County. The County is subject to federal and state water treatment and wastewater disposal requirements which, among other things, limit raw water withdrawals, control contaminants in finished water, limit discharges of pollutants into surface and ground waters, regulate the quality of effluent discharged from sewage treatment facilities, and limit the nature of waste materials discharged into the collection facilities. The County is also subject to federal, state and local waste disposal requirements, which control the means of disposal solids generated by sewage treatment plants. There are no assurances that these agencies will not increase their present environmental or other regulatory standards. Environmental requirements in general are becoming more stringent and further or new requirements may substantially increase the cost of water or wastewater service by requiring changes in the design or operation of existing or new facilities. Future changes in policy could result in discontinued operation, reduced capacity of the System, additional operations or capital expenditures, or a reduction in the revenue received by the System. Further, while the County undertakes to operate the System in a professional manner and in compliance with all regulatory requirements, there is no assurance that the System facilities now or in the future will always be maintained in compliance with current or future regulatory requirements. Failure to comply with those requirements could result in enforcement action against those facilities not in compliance which, under Federal and Florida law, can include the imposition of civil and criminal penalties.

3. The County is located on the peninsula of Florida, an area subject to tropical storms and hurricanes. If such a storm were to move through the service area of the System, the System and customer homes and businesses may experience substantial damage and a resulting interruption in service. Such events may materially adversely affect the County's ability to provide service, collect System revenue and experience customer growth. The County has taken steps to mitigate the impact of such storms which include implementation of a hurricane preparedness plan and securing insurance coverage where available. The impact of such storms may be further mitigated by the fact that the System is made up of a number of geographically diverse systems throughout the service area, only certain of which might be expected to experience any damage or disruption of service as a result of a particular storm event.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel, the form of which is included as APPENDIX E hereto, the interest on the Series 2013 Bonds is excludable from gross income and is not a specific item of tax preference for federal income tax purposes under existing statutes, regulations, rulings and court decisions. However, interest on the Series 2013 Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Failure by the County to comply subsequently to the issuance of the Series 2013 Bonds with certain requirements of the Code regarding the use, expenditure and investment of bond proceeds and

the timely payment of certain investment earnings to the Treasury of the United States, may cause interest on the Series 2013 Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issue. The County has covenanted in the Resolution to comply with all provisions of the Code necessary to, among other things, maintain the exclusion from gross income of interest on the Series 2013 Bonds for purposes of federal income taxation. In rendering this opinion, Bond Counsel has assumed continuing compliance with such covenants.

Internal Revenue Code of 1986

The Code contains a number of provisions that apply to the Series 2013 Bonds, including, among other things, restrictions relating to the use or investment of the proceeds of the Series 2013 Bonds and the payment of certain arbitrage earnings in excess of the “yield” on the Series 2013 Bonds to the Treasury of the United States. Noncompliance with such provisions may result in interest on the Series 2013 Bonds being included in gross income for federal income tax purposes retroactive to their date of issue.

Collateral Tax Consequences

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of, the Series 2013 Bonds. Prospective purchasers of the Series 2013 Bonds should be aware that the ownership of the Series 2013 Bonds may result in other collateral federal tax consequences. For example, ownership of the Series 2013 Bonds may result in collateral tax consequences to various types of corporations relating to (1) denial of interest deduction to purchase or carry such Series 2013 Bonds, (2) the branch profits tax, and (3) the inclusion of interest on the Series 2013 Bonds in passive income for certain Subchapter S corporations. In addition, the interest on the Series 2013 Bonds may be included in gross income by recipients of certain Social Security and Railroad Retirement benefits.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE SERIES 2013 BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL OR CORPORATE BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Other Tax Matters

INTEREST ON THE SERIES 2013 BONDS MAY BE SUBJECT TO STATE OR LOCAL INCOME TAXATION UNDER APPLICABLE STATE OR LOCAL LAWS IN OTHER JURISDICTIONS. PURCHASERS OF THE SERIES 2013 BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE INCOME TAX STATUS OF INTEREST ON THE SERIES 2013 BONDS IN THEIR PARTICULAR STATE OR LOCAL JURISDICTIONS.

During prior years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of

obligations that are similar to the Series 2013 Bonds. In some cases these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Series 2013 Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Series 2013 Bonds and their market value. No assurance can be given that additional legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the Series 2013 Bonds. For example, proposals have been discussed in connection with deficit spending reduction, jobs creation and other tax reform efforts that could significantly reduce the benefit of, or otherwise affect the exclusion from gross income of, interest on obligations such as the Series 2013 Bonds. The President previously released legislative proposals that would, among other things, subject interest on tax-exempt obligations to a federal income tax for taxpayers with incomes above certain thresholds for tax years beginning after 2012. The further introduction or enactment of one or more of such proposals could affect the market price or marketability of the Series 2013 Bonds.

Original Issue Discount

The initial offering price of the Series 2013A Bonds maturing on October 1, 2027 through October 1, 2031, inclusive (collectively, the “Discount Bonds”), is less than the stated principal amounts thereof. Under the Code, the difference between the principal amount of the Discount Bonds and the initial offering price to the public, excluding bond houses and brokers, at which price a substantial amount of such Discount Bonds of the same maturity was sold, is “original issue discount.” Original issue discount represents interest which is excluded from gross income; however, such interest is taken into account for purposes of determining the alternative minimum tax imposed on corporations and accrues actuarially over the term of a Discount Bond at a constant interest rate. A purchaser who acquires a Discount Bond in the initial offering at a price equal to the initial offering price thereof set forth on the inside cover page of this Official Statement will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period such purchaser holds such Discount Bond and will increase its adjusted basis in such Discount Bond by the amount of such accruing discount for the purposes of determining taxable gain or loss on the sale or other disposition of such Discount Bonds. The federal income tax consequences of the purchase, ownership and sale or other disposition of Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. Prospective purchasers of Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon the sale or other disposition of Discount Bonds and with respect to the state and local tax consequences of owning and disposing of Discount Bonds.

Bond Premium

The difference between the principal amount of the Series 2013A Bonds maturing on October 1, 2014 through October 1, 2026, inclusive, October 1, 2032, October 1, 2033, October 1, 2038 and October 1, 2043, and all of the Series 2013B Bonds (collectively, the “Premium Bonds”), and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriter or wholesalers) at which price a

substantial amount of the Premium Bonds of the same maturity were sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond or, in the case of a Premium Bond callable prior to maturity, the amortization period and yield must be determined on the basis of the earliest call date that results in the lowest yield on the Premium Bonds. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Owners of the Premium Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Bonds.

INVESTMENT POLICY

The Investment Policy of the County (the "Investment Policy") applies to all monetary assets of the government of the Lee County Board of County Commissioners in excess of those required to meet current expenses. In accordance with the County's Ordinance No. 94-33, as the same was amended and restated by Ordinance No. 01-08 (the "Investment Ordinance"), the administration of all financial affairs of the County is delegated to the Clerk of the Circuit Court and Ex-Officio Clerk to the Board of County Commissioners (the "Clerk"). Investments related to deferred compensation, bond proceeds, debt service funds and funds held by other agencies (i.e., the Tax Collector of the State of Florida) during collection may be further limited or expanded by their respective resolutions, covenants, contracts, or policies and shall not be considered to be in conflict with the Investment Policy.

All monetary assets of the Governing Body which are recorded to the General Fund, Special Revenue Funds, Capital Project Funds, Permanent Funds, Debt Service Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and other funds that exist or may be created from time-to-time shall be administered in accordance with the provisions of the Investment Policy. The Governing Body consolidates cash balances for various funds using a pooled cash concept. The funds which are part of pooled cash vary dependent upon bond documents, internal/departmental requirements, etc.

The stated investment obligations set forth in the Investment Policy are as follows:

- A. Safety of principal is the foremost objective of the Governing Body. Each investment transaction shall seek to first ensure that capital losses are avoided, whether from security defaults or erosion of market value. Purchases and sales shall be made for investment purposes and not speculation.
- B. The investment portfolio will remain sufficiently liquid to enable the Governing Body to meet operating requirements, which may be reasonably anticipated.

- C. In investing public funds, the Clerk will strive to maximize the return on the portfolio and to preserve the purchasing power, but will avoid assuming unreasonable investment risk.

Authorized investments include: (A) Negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States Government at the then prevailing market price for such securities (Treasury bills, notes and/or bonds and State and Local Government Series); (B) U.S. Government sponsored enterprises (Federal Instrumentalities): Federal Home Loan Bank, Federal Home Loan Mortgage Corp., Federal National Mortgage Association, Federal Farm Credit Bank, and Student Loan Marketing Association; (C) U.S. Government Agencies: Tennessee Valley Authority and Government National Mortgage Association; (D) the Florida Local Government Surplus Funds Trust Fund (State of Florida State Board of Administration); (E) Interest-bearing time deposits or savings accounts; (F) securities of, or other interests in, certain open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended from time to time; (G) term repurchase agreements with any primary brokers/dealers who report daily to the New York Federal Reserve Bank so long as such agreements meet certain restrictions in the Investment Policy; (H) overnight repurchase agreements with collateral consisting of securities described in (A), (B) or (C) above, held by the trust department of the bank or custodian bank; (I) Bonds, notes, or obligations of any state of the United States, any municipality, political subdivision, agency, or authority of the State of Florida, which are exempt from federal income taxation, if such obligations are insured and rated by at least one of the nationally recognized rating agencies for municipal bonds in any one of the two highest classifications; (J) S.E.C. -registered, no load money market mutual funds whose portfolios consist of tax exempt securities and repurchase agreements; (K) Florida Local Government Investment Trust; and (L) S.E.C. - registered money market mutual funds with average portfolio maturities under one hundred and twenty (120) days, whose investment objectives include seeking to maintain a stable price of \$1.00 per share and the portfolio consists of government securities and repurchase agreements secured by such securities.

The following investments are prohibited: (A) Collateralized Mortgage Obligations; (B) Reverse Repurchase Agreements, Securities Lending; and (C) Leverage Purchases (i.e., purchases on margin). Further restrictions set forth in the Investment Policy may apply to the authorized investments.

The Investment Policy may be modified from time to time by the Governing Body. A copy of the Investment Policy may be obtained from the Clerk.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Florida law requires the County to make a full and fair disclosure of any bonds or other debt obligations which it has issued or guaranteed and which are or have been in default as to principal or interest at any time after December 31, 1975, as provided by rule of the Florida Department of Financial Services (the "Department of Financial Services"). Pursuant to Rule 69W-400.003, Florida Administrative Code, the Department of Financial Services has required that such disclosure include information concerning the dates, amounts and types of defaults, any legal proceedings resulting from such defaults, whether a trustee or receiver has been appointed

over the assets of the County, and certain additional financial information, unless the County believes in good faith that such information would not be considered material by a reasonable investor. The County is not and has not, since December 31, 1975, been in default as to principal of and interest on bonds or other debt obligations to which revenues of the County are pledged.

Although the County has certified that it is not aware of any other defaults with respect to bonds or other debt obligations as to which it has served only as a conduit issuer, it has not undertaken an independent review or investigation of such bonds or other debt obligations for which it served only as a conduit issuer. To the extent any of such bonds or other debt obligations are in default as to principal and/or interest, the obligation of the County thereunder is limited solely to payment from funds received by the party on whose behalf such bonds or other debt obligations were issued, and the County is not obligated to pay the principal of or interest on such bonds or other debt obligations from any funds of the County. The County in good faith believes the disclosure of such defaults or investigations would not be considered material by a reasonable investor in the Series 2013 Bonds.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale by the County of the Series 2013 Bonds and with regard to the exclusion from gross income of the interest thereon under existing laws are subject to the approving opinion of Nabors, Giblin & Nickerson, P.A., Bond Counsel. Copies of such opinion will be available at the time of the delivery of the Series 2013 Bonds and the proposed form of such opinion is set forth in APPENDIX E hereto and reference is made thereto for the terms thereof.

Certain legal matters will be passed upon for the County by Andrea R. Fraser, Esq., Interim County Attorney. Certain legal matters are subject to the approval of Squire Sanders (US) LLP, Disclosure Counsel to the County. Certain legal matters will be passed upon for the Underwriters by their counsel, Greenberg Traurig, P.A.

The opinions delivered by Bond Counsel and Disclosure Counsel are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel and Disclosure Counsel as of the date thereof. Neither Bond Counsel nor Disclosure Counsel assumes a duty to update or supplement its opinions to reflect any facts or circumstances, including changes in law, that may thereafter occur or become effective.

The legal opinions to be delivered concurrently with the delivery of the Series 2013 Bonds express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment, of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction, and the rendering of an opinion does not guarantee the outcome of any legal dispute that may arise out of the transaction.

LITIGATION

There is no litigation of any nature now pending or, to the knowledge of the County, threatened, against the County which in any way questions or affects the validity of the Series

2013 Bonds, or any proceedings or transactions on the part of the County relating to their issuance, sale or delivery. Although the County experiences claims, litigation and various legal proceedings from time to time, there are no judicial, administrative or regulatory proceedings pending or, to the knowledge of the County, threatened, against the County which may significantly affect the County's ability to perform its obligations to the holders of the Series 2013 Bonds or which would have a material adverse effect upon the Pledged Funds or the financial condition or operations of the System or, except as described below, financial condition or operations of the County.

As noted under the caption "Litigation" in Note VIII to the Financial Statements of the County attached as APPENDIX C hereto, claims have been filed against the County seeking to recover significant amounts from the County stemming from the alleged loss of property values resulting from changes to the County's comprehensive plan and related to the denial of rezoning requests to permit mining. Certain of the proceedings are currently in the discovery phase and others are in the trial phase.

FINANCIAL STATEMENTS

The Basic Audited Financial Statements of the County for the Fiscal Year ending September 30, 2012, and report thereon of a firm of independent certified public accountants engaged by the County is attached hereto as APPENDIX C. Such financial statements, including the auditor's report, have been included in this Official Statement as public documents and consent from the County's auditor was not requested. Cherry Bekaert, L.L.P., the independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Cherry Bekaert, L.L.P. also has not performed any procedures relating to this official statement.

CONTINUING DISCLOSURE

The County will agree, pursuant to a Continuing Disclosure Certificate, a proposed form of which is included as APPENDIX F hereto (the "Continuing Disclosure Certificate") in accordance with the provisions of Rule 15c2-12 (the "Rule"), as promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, in effect from time to time and applicable to the Series 2013 Bonds, to provide or cause to be provided, to the Electronic Municipal Market Access ("EMMA") system operated by the Municipal Securities Rule Making Board (a) on or before April 30 of each year for the Fiscal Year ending September 30 of the preceding calendar year, beginning September 30, 2013, certain financial information and operating data relating to the County and the System and to provide notices of the occurrence of certain enumerated material events.

The specific nature of the financial information, operating data, and of the type of events which trigger a disclosure obligation, and other details of the undertaking are described in "APPENDIX F – FORM OF THE CONTINUING DISCLOSURE CERTIFICATE" attached hereto. The Continuing Disclosure Certificate shall be executed by the County upon the issuance of the Series 2013 Bonds. The covenants in the Continuing Disclosure Certificate have been made in order to assist the Underwriters in complying with the continuing disclosure requirements of the Rule.

The County will reserve the right to terminate its obligation to provide annual financial information and notices of material events if and when the County no longer remains an obligated person with respect to the Series 2013 Bonds within the meaning of the applicable rule or rules.

The County agrees that its undertaking pursuant to the Rule described in the Continuing Disclosure Certificate is intended to be for the benefit of the Holders and beneficial owners of the Series 2013 Bonds and shall be enforceable by such Holders and beneficial owners; provided that the right to enforce the provisions of this undertaking shall be limited to a right to seek mandamus or specific performance to cause the County to comply with its obligations. Any failure by the County to comply with the provisions of the undertaking shall not be an event of default with respect to the Series 2013 Bonds under the Resolution. With respect to the Series 2013 Bonds, no party other than the County is obligated to provide, nor is expected to provide, any continuing disclosure information.

The undertakings described above may be amended or modified from time to time in accordance with the terms of the Continuing Disclosure Certificate. See “APPENDIX F – FORM OF THE CONTINUING DISCLOSURE CERTIFICATE.”

In the past five years, the County has not failed to comply with any prior agreements to provide continuing disclosure information pursuant to the Rule.

UNDERWRITING

Citigroup Global Markets Inc., Morgan Stanley & Co. LLC and Raymond James & Associates, Inc. (collectively, the “Underwriters”) have agreed, subject to certain conditions set forth in a Bond Purchase Agreement with the County, to purchase the Series 2013 Bonds from the County, at a price of \$100,534,804.57 (\$93,195,000.00 par amount, plus net original issue premium of \$7,505,296.90 and less an Underwriters’ discount of \$165,492.33). The Underwriters have committed to purchase all of the Series 2013 Bonds, if any are purchased. The Underwriters’ obligation to make such purchase is subject to certain conditions precedent set forth in the Bond Purchase Agreement. The Underwriters have furnished the information on the inside cover page of this Official Statement pertaining to the offering prices of Series 2013 Bonds. The Series 2013 Bonds may be offered and sold to certain dealers (including other dealers depositing such Series 2013 Bonds into investment trusts) and others at prices lower than the public offering price stated on the inside cover of this Official Statement. Such public offering prices of the Series 2013 Bonds may be changed from time to time by the Underwriters.

Morgan Stanley and Citigroup Inc., the respective parent companies of Morgan Stanley & Co. LLC and Citigroup Global Markets Inc., each an underwriter of the Series 2013 Bonds, have entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, each of Morgan Stanley & Co. LLC and Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC, in addition to other retail distribution channels. As part of this arrangement, each of Morgan Stanley & Co. LLC and Citigroup Global Markets Inc. may compensate Morgan Stanley Smith Barney LLC. for its selling efforts in connection with their respective allocations of Series 2013 Bonds.

EXPERTS AND CONSULTANTS

Carollo Engineers, Inc. as the Consulting Engineers were retained by the County to prepare the Engineer of Record Report for purposes of Section 5.06 of the Authorizing Resolution. However, the Consulting Engineers have not performed any services relating to the preparation of this Official Statement and have not reviewed or participated in any discussions with the County related to the System except as described in the Engineer of Record Report. Certain sections of the Engineer of Record Report have been updated in this Official Statement.

The references herein to Public Resources Management Group, Inc., as the Feasibility Consultants has been approved by said firm. The Feasibility Report has been included as APPENDIX B to this Official Statement in reliance upon such firm as an expert in the areas encompassed by such report and has been included in this Official Statement with the consent of said firm.

References to and excerpts herein from such reports do not purport to be adequate summaries of such reports or to be complete in all respects. *Such reports are an integral part of this Official Statement and should be read in their entirety (as updated to the extent described in this Official Statement) for complete information with respect to the subjects discussed therein.*

FINANCIAL ADVISOR

Dunlap & Associates is serving as Financial Advisor to the County with respect to the issuance and sale of the Series 2013 Bonds. The Financial Advisor assisted in the preparation of the Official Statement and in other matters relating to the planning, structuring and issuance of the Series 2013 Bonds and provided other advice. The Financial Advisor will not engage in any underwriting activities with regard to the issuance and sale of the Series 2013 Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement and are not obligated to review or ensure compliance with continuing disclosure undertakings.

RATINGS

Moody's Investors Service, Inc., Fitch Ratings, and Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC Business are expected to give the Series 2013 Bonds a rating of "Aa3," "AA" and "AA+," respectively. Such rating agencies may have obtained and considered information and material which have not been included has not been included in this Official Statement. Generally, the rating agencies base their ratings on information and material so furnished and on investigations, studies and assumptions made by them. The ratings reflect only the views of the rating agency and an explanation of the significance of such rating may be obtained from them. No assurance can be given that the rating will be maintained for any given period of time or that the rating may not be revised downward or withdrawn entirely by the rating agencies, if, in their judgment, circumstances warrant. Any such downward change in or withdrawal of the rating may have an adverse effect on the market price of the Series 2013 Bonds. The Underwriters and the County have

undertaken no responsibility after issuance of the Series 2013 Bonds to assure the maintenance of the rating or to oppose any such revision or withdrawal.

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Series 2013 Bonds upon an event of default under the Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the federal bankruptcy code, the remedies specified by the Resolution and the Series 2013 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2013 Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by general principles of equity, bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery. See "APPENDIX D – FORM OF AUTHORIZING RESOLUTION" attached hereto for a description of events of default and remedies.

VERIFICATION OF ARITHMETICAL COMPUTATIONS

The accuracy of (a) the arithmetical computations of the adequacy of the cash on deposit in the Escrow Fund to pay when due or upon earlier redemption, the principal of, redemption premium, if any, and interest on the Refunded Bonds, and (b) the arithmetical computations supporting the conclusion that the Series 2013 Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, have been verified by the Verification Agent.

CONTINGENT FEES

The County has retained Bond Counsel, Disclosure Counsel and the Financial Advisor with respect to the authorization, sale, execution and delivery of the Series 2013 Bonds. Payment of all or a portion of the fees of such professionals relating to the issuance of the Series 2013 Bonds and a discount to the Underwriters (which includes the fees of Underwriters' Counsel) are each contingent upon the issuance of the Series 2013 Bonds.

FORWARD-LOOKING STATEMENTS

This Official Statement contains certain "forward-looking statements" concerning the County's operations, performance and financial condition, including its future economic performance, plans and objectives and the likelihood of success in developing and expanding. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of the County. The words "may," "would," "could," "will," "expect," "anticipate," "believe," "intend," "plan," "estimate" and similar expressions are meant to identify these forward-looking statements. Actual results may differ materially from those expressed or implied by these forward-looking statements.

MISCELLANEOUS

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Series 2013 Bonds, the security for the payment of the Series 2013 Bonds and the rights and obligations of the holder thereof.

The information contained in this Official Statement has been compiled from official and other sources believed by the County to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of this date.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with owners of the Series 2013 Bonds.

The Appendices hereto are integral parts of this Official Statement and must be read in their entirety together with all foregoing statements.

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AUTHORIZATION OF OFFICIAL STATEMENT

The execution and delivery of this Official Statement has been duly authorized and approved by the Board of County Commissioners of Lee County, Florida. At the time of delivery of the Series 2013 Bonds, the Chair of the Board of County Commissioners and the Clerk of the Circuit Court will furnish a certificate to the effect that nothing has come to their attention which would lead them to believe that this Official Statement, as of its date and as of the delivery date of the Series 2013 Bonds, contains an untrue statement of material fact or omits to state a material fact which should be included therein, for the purposes for which the Official Statement is intended to be used, or which is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading; provided, however, no representation will be made concerning the information set forth under the “DESCRIPTION OF SERIES 2013 BONDS - Book-Entry System.”

LEE COUNTY, FLORIDA

By: /s/ Cecil L Pendergrass
Chair, Board of County Commissioners

By: /s/ Linda Doggett
Clerk of the Circuit Court and Ex-Officio
Clerk of the Board of County Commissioners

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APPENDIX A

**LEE COUNTY
GENERAL INFORMATION**

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APPENDIX A

ECONOMIC AND DEMOGRAPHIC INFORMATION RELATING TO LEE COUNTY, FLORIDA

INTRODUCTION

Lee County, Florida (the "County") was founded in 1887 and named in honor of General Robert E. Lee. The County is a political subdivision of the State of Florida ("Florida" or the "State") and operates under a Home Rule Charter adopted in accordance with the provisions of Chapter 125, Part II, Florida Statutes, as amended. The County is located on the Gulf of Mexico in the southwestern portion of Florida and encompasses approximately 811 square miles, including several small islands in the Gulf of Mexico. Three incorporated municipalities are located on the mainland: Fort Myers (one of two County seats), Bonita Springs, and Cape Coral (second County seat). The Town of Fort Myers Beach is located on Estero Island and the City of Sanibel is situated on Sanibel Island. The unincorporated communities include Lehigh Acres, Estero, North Fort Myers, Tice, Alva, Matlacha, Bokeelia, St. James City and Captiva Island.

The following table shows the number of square miles within each incorporated municipality and the County:

<u>Land Area</u>	<u>Square Miles</u>
Bonita Springs	39.6
Cape Coral	109.9
Fort Myers	40.2
Fort Myers Beach	2.5
Sanibel	15.3
Unincorporated Area	<u>603.8</u>
Lee County Total	811.3

Source: Lee County Property Appraisers Office, GIS Department.

The County's climate can be classified as subtropical with temperatures averaging from 66 degrees (F) in winter to 83 degrees (F) in summer.

POPULATION

The County is coterminous with the Fort Myers - Cape Coral Metropolitan Statistical Area ("MSA"). The U.S. Department of Commerce, Bureau of the Census has determined it to be the sixth fastest growing MSA from 2000 to 2010. The County experienced significant growth between 2000 and 2010, increasing its population by approximately 41%. The estimated population of the County, Florida and the United States for years 2000 through and including 2012 are included in the table below.

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Population
Lee County, State of Florida and the United States

<u>Year/Period</u>	<u>Lee County</u>	<u>Florida</u>	<u>United States</u>
2000	440,888	15,982,378	281,421,906
2001	461,037	16,356,966	284,968,955
2002	478,889	16,689,370	287,625,193
2003	497,662	17,004,085	290,107,933
2004	522,431	17,415,318	292,805,298
2005	555,029	17,842,038	295,516,599
2006	582,678	18,166,990	298,379,912
2007	604,716	18,367,842	301,231,207
2008	610,984	18,527,305	304,093,966
2009	612,297	18,652,644	306,771,529
2010	618,754	18,801,310	308,745,538
2011	631,330	19,082,262	311,587,816
2012	638,029	19,317,568	313,914,040

Source: U.S. Department of Commerce, Bureau of the Census.

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The following table provides a profile in the composition of the population by sex, race and age.

**Percent Composition of Population by Sex, Race and Age
Lee County and State of Florida
2006-2010***

Lee County

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Total	585,608	615,741	623,725	615,124	618,745
Non-Hispanic White	76.7%	73.5%	73.4%	74.1%	71.0%
Non-Hispanic Black	7.2	7.4	7.5	7.4	7.7
Non-Hispanic Other	1.3	1.3	1.4	1.3	3.0
Hispanic	<u>14.9</u>	17.8	17.9	17.2	18.3
Total	100.0	100.0	100.0	100.0	100.0

Age

0-17	20.2	20.5	20.4	20.1	19.5
18-34	17.0	17.5	17.3	17.1	18.3
35-54	25.3	25.0	24.7	24.4	24.6
55-64	13.8	13.8	14.0	14.4	14.1
65-79	17.0	16.5	16.4	16.6	17.5
80 and over	<u>6.8</u>	<u>6.8</u>	<u>7.1</u>	<u>7.4</u>	<u>6.0</u>
Total	100.0%	100.0%	100.0%	100.0%	100.0%

State of Florida

Total	18,349,132	18,680,367	18,807,219	18,750,483	18,801,310
Non-Hispanic White	62.3%	60.9%	60.4%	60.5%	57.9%
Non-Hispanic Black	15.5	15.7	15.6	15.5	15.2
Non-Hispanic Other	2.5	2.6	2.6	2.6	4.5
Hispanic	<u>19.7</u>	<u>20.8</u>	<u>21.4</u>	<u>21.4</u>	<u>22.4</u>
Total	100.0	100.0	100.0	100.0	100.0

Age

0-17	22.4	22.4	22.3	22.1	21.3
18-34	21.1	21.2	21.1	21.1	21.4
35-54	28.0	27.8	27.5	27.2	27.5
55-64	11.4	11.6	11.8	12.1	12.4
65-79	12.0	11.9	11.9	12.0	12.5
80 and over	<u>5.2</u>	<u>5.2</u>	<u>5.4</u>	<u>5.5</u>	<u>4.9</u>
Total	100.0%	100.0%	100.0%	100.0%	100.0%

*Totals vary due to rounding

Source: University of Florida, Bureau of Economic and Business Research, Population Program.

COUNTY FINANCES

Fund Structure

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operation of each fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds, based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The purpose of the County's various funds and account groups are as follows:

Governmental Funds

General Fund. The General Fund is the general operating fund of the County. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Funds. Special Revenue Funds are used to account for proceeds of specific revenue sources, other than expendable trusts, debt service, or capital projects that are legally restricted to expenditures for specific purposes.

Debt Service Funds. Debt Service Funds are used to account for accumulation of resources to be used for payment of governmental fund's debt principal, interest, and related costs.

Capital Projects Funds. Capital Projects Funds are used to account for financial resources to be used for the acquisition, construction, or improvement of major capital facilities and infrastructure other than those financed by the Proprietary Funds.

Proprietary Funds

Enterprise Funds. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the County is that costs of providing the goods or services to the general public on a continuous basis be financed or recovered primarily through user fees.

Internal Service Funds. Internal Service Funds are used to account for the financing of goods or services provided by one County department or agency to other County departments or agencies on a cost reimbursement basis, including depreciation.

Fiduciary Funds

Trust and Agency Funds. Trust and Agency Funds are used to account for assets held by the County in a trustee capacity, or as an agent for individuals, private organizations, and other governments.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared on a full accrual basis using the economic resources measurement focus, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all of the eligibility requirements have been met. Fiduciary fund financial statements are prepared on an accrual basis.

Proprietary funds record both operating and non-operating revenues and expenses. Operating revenues are those that are obtained from the operations of the proprietary fund that include user fees, tolls, rental and franchise fees, and concessions. Non-operating revenues are not related to the operations of the proprietary fund and include taxes, interest earnings, grants, and passenger facility charges. Operating expenses represent the cost of operations, which includes depreciation. Non-operating expenses are not related to operations such as interest expense.

Governmental fund financial statements are prepared on the modified accrual basis using the current financial resources measurement focus. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets. The County considers all revenues, except grants, available if they are collected within sixty (60) days after year-end. Primary revenues, such as property taxes, special assessments, inter-governmental revenues, charges for services, sales and franchise taxes, rents, and interest are treated as susceptible to accrual under the modified accrual basis and so have been recognized as revenues. Expenditures reported in governmental fund financial statements are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule includes principal and interest on general long-term debt, which is recognized when due, and compensated absences which are accrued when matured.

Budget Process

The County's annual budget is prepared pursuant to Chapter 129, Florida Statutes, and a formal budget policy which is incorporated into the County's Administrative Code.

The Director of Budget Services, on behalf of the County Manager, is responsible for the preparation of the County's budget. The legally adopted total appropriation for a fund may only be changed by resolution of the Board of County Commissioners of Lee County (the "Governing Body"). Full authority to transfer budgetary amounts other than these instances is delegated to the County Manager or the Director of Budget Services. When the Governing Body adopts the program budget it is integrated into the reporting system for management reporting purposes. Budget-to-actual comparisons are provided in the report for each fund for which an appropriated annual budget has been adopted. Original and final budgets for major governmental funds are also provided. The Constitutional Officers' budgets control is retained at the fund level; the budgets of the Property Appraiser and Tax Collector are approved by the Florida Department of Revenue and those of the Clerk of the Circuit Court (excluding fees and court-related budgets), Sheriff, and Supervisor of Elections are approved by the Governing

Body. Until June 30, 2009, the court-related portion of the Clerk of the Circuit Court's budget was approved by the State Clerks of Court Operations Corporation. Effective July 1, 2009, the court-related portion of the Clerk of Circuit Court's budget is determined by the Florida Legislature in the General Appropriations Act and distributed to the Clerk via an appropriation from the State.

Awards

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2011. This was the twenty-seventh (27th) consecutive year that the County has received this prestigious award. To be awarded a Certificate of Achievement, the County had to publish an easily readable and efficiently organized Comprehensive Annual Financial Report which satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

DEBT OF THE COUNTY

The Series 2013 Bonds are not general obligations of the County. General obligation bonds are supported by ad valorem taxes levied on real and personal property without limit as to rate or amount. Article VII, Section 12 of the Constitution of the State requires approval of the electors to authorize obligations payable from ad valorem taxation other than refunding obligations.

Pursuant to its general powers and to statutory authority as interpreted by the courts of Florida, the County issues obligations which are not payable from ad valorem taxes and thus do not require approval of the electors. The Series 2013 Bonds covered by this Official Statement are included in this latter category. In these issues, appropriate categories of non-ad valorem revenues of the County legally available for payment of the bonds are normally pledged. In addition, the County may issue bond anticipation notes without obtaining voter approval. Bond anticipation notes are payable from the proceeds of a future bond issue.

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**Property Value Data
Lee County, Florida
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(dollars in thousands)**

Fiscal Year	Real Property			Personal Property	Less:	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value As a Percentage of Actual Value*
	Residential Property	Commercial Property	Other		Tax-Exempt Real Property				
2003	\$28,601,778	\$5,100,577	\$612,303	\$2,598,152	\$9,130,847	\$27,781,963	\$26.0916	\$46,222,203	79.86%
2004	33,974,995	5,463,467	711,938	3,040,545	11,134,146	32,056,799	25.5880	54,486,377	79.27
2005	40,146,873	6,101,600	758,194	3,248,635	13,644,616	36,610,686	24.7705	64,109,276	78.39
2006	51,598,837	7,988,437	1,021,789	3,455,695	18,280,190	45,784,568	23.7771	82,578,117	77.58
2007	73,753,174	11,065,933	990,847	3,850,680	28,459,057	61,201,577	21.9282	118,369,446	75.75
2008	78,264,100	12,649,523	1,212,764	4,122,676	28,724,259	67,524,804	20.4350	125,483,375	76.70
2009	66,592,240	12,757,889	1,250,737	3,927,562	25,496,141	59,032,287	21.4526	110,753,036	76.32
2010	50,045,073	10,106,431	750,756	4,022,513	16,818,192	48,106,581	24.9753	82,498,303	78.70
2011	42,639,954	8,531,480	541,038	3,808,042	13,836,043	41,684,471	26.1007	70,138,366	79.16
2012	41,682,601	7,543,635	588,774	3,450,443	14,089,660	39,175,793	25.4385	68,116,399	78.20

*Includes tax-exempt property

Source: Lee County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2012.

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**Lee County, Florida
Principal Property Taxpayers
Current Year and Nine Years Ago
(dollars in thousands)**

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
	Coconut Point Developers LLC	\$125,818	1	0.252%		
Christian & Missionary Alliance, Inc.	100,264	2	0.201%	\$75,333	2	0.220%
Gulf Coast Town Center CMBS	98,010	3	0.197%			
Miromar Outlet West LLC	79,021	4	0.159%	49,152	5	0.143%
Edison Mall Business Trust	76,938	5	0.154%	86,709	1	0.253%
Target Corporation	53,646	6	0.108%			
Tavira at Bonita Bay Inc.	50,759	7	0.102%			
Bell Tower Shops LLC	49,989	8	0.100%	35,586	10	0.104%
Tarpon Land LP	49,333	9	0.099%			
Wal-Mart Stores East LP	43,034	10	0.086%	40,717	8	0.119%
Long Bay Partners LLC				52,756	3	0.154%
Merry Land & Investment Co., Inc.				51,917	4	0.151%
Centex Homes				45,432	6	0.132%
Gatorland Vistas				42,887	7	0.125%
WCI Communities Inc.				38,691	9	0.113%
Total	\$726,812		1.458%	\$519,180		1.514%

Source: Lee County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2012.

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Florida Constitutional Limitations and Property Tax Reform

General. During recent years, various legislative proposals and constitutional amendments relating to ad valorem taxation and revenue limitation have been introduced in the State. Many of these proposals sought to provide for new or increased exemptions to ad valorem taxation, limit the amount of revenues that local governments could generate or otherwise restrict the ability of local governments in the State to levy ad valorem taxes at recent, historical levels. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon the County or its finances.

Several Constitutional and Legislative amendments affecting ad valorem taxes have been approved by voters in the past including the following:

Save Our Homes Amendment. By voter referendum held on November 3, 1992, Article VII, Section 4 of the State Constitution was amended by adding thereto a subsection which, in effect, limits the increases in assessed just value of homestead property to the lesser of (1) three percent of the assessment for the prior year or (2) the percentage change in the Consumer Price Index for all urban consumers, U.S. City Average, all items 1967=100, or successor reports for the preceding calendar year as initially reported by the United States Department of Labor, Bureau of Labor Statistics. Further, the amendment provides that (1) no assessment shall exceed just value, (2) after any change of ownership of homestead property or upon termination of homestead status such property shall be reassessed at just value as of January 1 of the year following the year of sale or change of status, (3) new homestead property shall be assessed at just value as of January 1 of the year following the establishment of the homestead, and (4) changes, additions, reductions or improvements to homestead shall initially be assessed as provided for by general law, and thereafter as provided in the amendment. This amendment is known as the "Save Our Homes Amendment." The effective date of the amendment was January 5, 1993 and, pursuant to a ruling by the Florida Supreme Court, it began to affect homestead property valuations commencing January 1, 1995, with 1994 assessed values being the base year for determining compliance.

Millage Rollback Legislation. In 2007, the Florida Legislature adopted Chapter 2007-321, Laws of Florida, a property tax plan which significantly impacted ad valorem tax collections for Florida local governments. One component of the adopted legislation required counties, cities and special districts to rollback their millage rates for the 2007-2008 fiscal year to a level that, with certain adjustments and exceptions, would generate the same level of ad valorem tax revenue as in fiscal year 2006-2007; provided, however, depending upon the relative growth of each local government's own ad valorem tax revenues from 2001 to 2006, such rolled back millage rates were determined after first reducing 2006-2007 ad valorem tax revenues by zero to nine percent (0% to 9%). In addition, the legislation limits how much the aggregate amount of ad valorem tax revenues may increase in future fiscal years. A local government may override certain portions of these requirements by a supermajority, and for certain requirements, a unanimous vote of its governing body.

The County fell into the 5% ad valorem tax revenue reduction category. As a result, the County's countywide general millage rate in fiscal year 2011-2012 was 4.1506. The County's general millage rate remained the same for fiscal year 2010-2011. While the constitutional amendments which passed on January 29, 2008 did not impact the County's fiscal year 2009-2010 budget, they did have an impact on the approach the County took to formulate the budget for fiscal year 2009-2010 and beyond. On August 31, 2011, the Board adopted a General Fund millage rate of 3.6506 for fiscal year 2011-2012 which is equal to the millage rate which was adopted by the Board for the previous year. After taking into account

approximately \$135 million in reduced operating costs achieved by staff reductions and other operating efficiencies, the County has utilized reserves to balance the General Fund. General Fund balance has declined from \$278.2 million at September 30, 2009 to \$249.5 million in 2010, \$202.5 million in 2011 and \$147.5 at September 30, 2012. Fund balance is expected to be about \$110 million at September 30, 2013.

Constitutional Amendments Related to Ad Valorem Exemptions. On January 29, 2008, in a special election held in conjunction with the State's presidential primary, the requisite number of voters approved amendments to the Florida Constitution exempting certain portions of a property's assessed value from taxation. The following is a brief summary of certain important provisions contained in such amendments:

1. Provides for an additional exemption for the assessed value of homestead property between \$50,000 and \$75,000, thus doubling the existing homestead exemption for property with an assessed value equal to or greater than \$75,000.

2. Permits owners of homestead property to transfer their Save Our Homes Amendment benefit (up to \$500,000) to a new homestead property purchased within two years of the sale of their previous homestead property to which such benefit applied if the just value of the new homestead is greater than or is equal to the just value of the prior homestead. If the just value of the new homestead is less than the just value of the prior homestead, then owners of homestead property may transfer a proportional amount of their Save Our Homes Amendment benefit, such proportional amount equaling the just value of the new homestead divided by the just value of the prior homestead multiplied by the assessed value of the prior homestead. As discussed above, the Save Our Homes Amendment generally limits annual increases in ad valorem tax assessments for those properties with homestead exemptions to the lesser of three percent (3%) or the annual rate of inflation.

3. Exempts from ad valorem taxation \$25,000 of the assessed value of property subject to tangible personal property tax.

4. Limits increases in the assessed value of non-homestead property to 10% per year, subject to certain adjustments. The cap on increases would be in effect for a 10-year period, subject to extension by an affirmative vote of electors.

The amendments were effective for the 2008 tax year (fiscal year 2008-2009 for local governments).

Over the last few years, the Save Our Homes Amendment assessment cap and portability provisions described above have been subject to legal challenge. The plaintiffs in such cases have argued that the Save Our Homes Amendment assessment cap constitutes an unlawful residency requirement for tax benefits on substantially similar property in violation of the equal protection provisions of the Florida Constitution and the Privileges and Immunities Clause of the Fourteenth Amendment to the United States Constitution. The plaintiffs also argued that the portability provision simply extends the unconstitutionality of the tax shelters granted to long-term homeowners by Save Our Homes Amendment. The courts in each case have rejected such constitutional arguments and upheld the constitutionality of such provisions; however, there is no assurance that any future challenges to such provisions will not be successful.

In addition to the legislative activity described above, the constitutionally mandated Florida Taxation and Budget Reform Commission (required to be convened every 20 years) (the "TBRC") completed its meetings on April 25, 2008 and placed several constitutional amendments on the November 4, 2008 General Election ballot. Three of such amendments were approved by the voters of Florida, which, among other things, do the following: (a) allow the Florida Legislature, by general law, to exempt from assessed value of residential homes, improvements made to protect property from wind damage and installation of a new renewable energy source device; (b) assess specified working waterfront properties based on current use rather than highest and best use; (c) provide a property tax exemption for real property that is perpetually used for conservation (began in 2010); and (d) for land not perpetually encumbered, require the Florida Legislature to provide classification and assessment of land use for conservation purposes solely on the basis of character or use.

Exemption for Deployed Military Personnel. In the November 2010 General Election voters approved a constitutional amendment which provides an additional homestead exemption for deployed military personnel. The exemption equals the percentage of days during the prior calendar year that the military homeowner was deployed outside of the United States in support of military operations designated by the Florida Legislature. This constitutional amendment took effect on January 1, 2011. At this time, it is impossible to estimate with any certainty the level of impact that the constitutional amendment will have on the County.

Other Proposals Affecting Ad Valorem Taxation. During the Florida Legislature's 2011 Regular Session, it passed Senate Joint Resolution 592 ("SJR 592"). SJR 592 allows totally or partially disabled veterans who were not Florida residents at the time of entering military service to qualify for the combat-related disabled veteran's ad valorem tax discount on homestead property. The amendment is effective January 1, 2013.

During the Florida Legislature's 2012 Regular Session, it passed House Joint Resolution 93 ("HJR 93"). HJR 93 allows the Florida Legislature to provide ad valorem tax relief to the surviving spouse of a veteran who died from service-connected causes while on active duty as a member of the United States Armed Forces and to the surviving spouse of a first responder who died in the line of duty. The amount of tax relief, to be defined by general law, can equal the total amount or a portion of the ad valorem tax otherwise owed on the homestead property. The amendment is effective January 1, 2013.

Also during the Florida Legislature's 2012 Regular Session, it passed House Joint Resolution 169 ("HJR 169") allowing the Florida Legislature by general law to permit counties and municipalities, by ordinance, to grant an additional homestead tax exemption equal to the assessed value of homestead property to certain low income seniors. To be eligible for the additional homestead exemption the county or municipality must have granted the exemption by ordinance; the property must have a just value of less than \$250,000; the owner must have title to the property and maintained his or her permanent residence thereon for at least 25 years; the owner must be age 65 years or older; and the owner's annual household income must be less than \$27,300. The additional homestead tax exemption authorized by HJR 169 would not apply to school property taxes.

During the Florida Legislature's 2013 Regular Session, it passed Senate Bill 1830 ("SB 1830"), which creates a number of changes affecting ad valorem taxation. First, SB 1830 adds a tax exemption for immature aquacultural crops. Aquacultural crops are now treated like agricultural crops and not taxable until they have reached maturity or a stage of marketability and have passed from the producer or offered for sale. Second, SB 1830 reduces the procedural requirements to obtain a reduction in the

assessed value of property for persons housing their parents or grandparents. The bill requires the property owner to notify the property appraiser when the owner would no longer qualify for the reduction. The bill also provides for penalties for used of a reduction that the property owner was not entitled to. Third, SB 1830 provides a tax discount for disabled veterans regardless of where they resided prior to entering the military. The bill repeals the prior requirement that the person be a resident of Florida prior to entry in to the military to qualify for the discount. Fourth, SB 1830 eliminates Florida based limited partnerships, with the sole general partner as a charitable corporation under 501(c)(3), from utilizing the affordable housing property exemption. Fifth, SB 1830 extends the availability of the educational property exemption to situations where the entity owning the educational institution and the entity owning the property are separate, so long as the entities are owned by the same natural persons. Sixth, SB 1830 removes the requirement that a person reside on their homestead in order to qualify for the homestead exemption, provided that a dependant is permanently residing on the homestead property. SB 1830 became effective on July 1, 2013.

Also during the Florida Legislature's 2013 Regular Session, the Florida Legislature passed House Bill 277 ("HB 277"). HB 277 provides that certain renewable energy devices are exempt from being considered when calculating the assessed value of residential property. HB 277 only applies to devices installed on or after January 1, 2013. HB 277 became effective on July 1, 2013.

Also during the Florida Legislature's 2013 Regular Session, the Florida Legislature passed House Bill 1193 ("HB 1193"). HB 1193 eliminated three ways in which the property appraiser had authority to reclassify agricultural land as non-agricultural land. Additionally, HB 1193 relieves the value adjustment board of the authority to review the property appraisers. HB 1193 is currently effective and will apply retroactively to January 1, 2013.

Also, during the Florida Legislature's 2013 Regular Session, the Florida Legislature passed Senate Bill 354 ("SB 354"). SB 354 expands the breadth of United States property that is exempt from ad valorem taxation. SB 354 includes leasehold interests of and improvements affixed to land owned by the United States, United States Armed Forces, or any agency or quasi-governmental agency of the United States if the leasehold interests and improvements are acquired or constructed and used pursuant to the federal Military Housing Privatization Initiative of 1996, 10 U.S.C. § 2871 et seq. SB 354 was vetoed by the Governor on June 12, 2013. Therefore, SB 354 will only become law if the Governor's veto is overridden by two-thirds of each house of the Florida Legislature. The County is unable to predict whether SB 354 will become law. Should SB 354 become law, it will apply retroactively to January 1, 2007.

At present, the impact of these amendments on the County's finances cannot be accurately ascertained. There can be no assurance that similar or additional legislative or other proposals will not be introduced or enacted in the future that would, or might apply to, or have a material adverse effect upon, the County's finances.

EMPLOYEE RELATIONS

Labor Relations

The Constitution of the State gives employees the right to bargain collectively. Currently, the County has three collective bargaining units, one for Lee County Port Authority and two for Lee County Emergency Medical Services.

Florida Retirement System

As is the case with many local governments in Florida, the County participates in the Florida Retirement System ("FRS"), a cost sharing, multiple-employer, public employee retirement system, which covers substantially all of the full-time and part-time employees. The FRS is contributory and is administered by the State. Benefits under the plan vest after six years of service for members who joined FRS prior to July 1, 2011, and vest after eight years for members who first joined FRS on or after July 1, 2011. Employees who joined FRS prior to July 1, 2011, and retire at or after age 62 (age 55 for special risk employment categories) with six years of credited service, or 30 years of service (25 years for special risk employment categories) regardless of age, are entitled to receive an annual retirement benefit, payable monthly for life. Employees who joined FRS on or after July 1, 2011, and retire at or after age 65 (age 60 for special risk employment categories) with eight years of credited service, or 33 years of service (30 years for special risk employment categories) regardless of age, are entitled to receive an annual retirement benefit, payable monthly for life. The FRS also provides for early retirement at reduced benefits and death and disability benefits. These benefit provisions and all other requirements are established by Chapters 112 and 121, Florida Statutes. The FRS offers several other plan and/or investment options that may be elected by the employee. Each offers specific contribution and benefit options. The FRS plan documents should be referenced for complete details of these options and benefits.

Pension costs for the County as required and defined by State statute ranged between 4.91% and 14.90% of gross salaries for fiscal year 2012. For fiscal years ended September 30, 2012, 2011, and 2010, the County contributed 100% of the required contributions. These contributions aggregated \$19 million, \$31 million, and \$34 million, respectively, which represents 8%, 13%, and 14% of covered payroll. The employee is required to contribute 3% of their gross salary.

The Deferred Retirement Option Program ("DROP") is a program that provides an alternative method for payment of retirement benefits for a specified and limited period for members of FRS, effective July 1, 1998. Under this program, the employee may retire and have their benefits accumulate in the Florida Retirement System Trust Fund, earning interest, while continuing to work for a system employer. The participation in the program does not change conditions of employment. When the DROP period ends, maximum of 60 months, employment must be terminated. At the time of termination of employment, the employee will receive payment of the accumulated DROP benefits, and begin receiving their monthly retirement benefit (in the same amount determined at retirement, plus annual cost-of-living increases).

The Governmental Accounting Standards Board ("GASB") recently issued Statement No. 65, affecting future financial reporting by the County for assets and liabilities. Specifically, it is anticipated that the County will be required to begin reporting the unfunded pension liability, if any, associated with participation in the FRS Pension Fund administered by the Florida State Board of Administration ("SBA"). The SBA reports that as of June 30, 2011 the FRS pension liability was 87.5% funded. Based on information provided by the County as of the date of this report, no estimate of the County's allocable share of the unfunded pension liability in the FRS was available. Although the change in this reporting requirement is anticipated to affect the County's financial statements and reporting, based on discussions with County staff it is not anticipated to affect the annual FRS contributions made by the County.

A copy of the FRS's June 30, 2012 annual report can be obtained by writing to the Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000, or by phoning (850) 488-5706.

Senate Bill 1810. During the Florida Legislature's 2013 Regular Session, the Florida Legislature passed Senate Bill 1810 ("SB 1810"). SB 1810 establishes the contribution rates paid by employers participating in the FRS. These rates are intended to fund the full normal cost and amortization of the unfunded actuarial liability of the FRS. The FRS will receive approximately \$885 million of additional revenues on an annual basis beginning July 1, 2013. SB 1810 also increases the contributions paid by employers participating in the retiree health insurance subsidy program. The Retiree Health Insurance Trust Fund will receive roughly \$42 million of additional revenues on an annual basis beginning July 1, 2013. SB 1810 has been presented to the Governor. The Governor may sign SB 1810 into law or let the 60 day period expire without taking any action which would mean it will become the law. On the contrary, the Governor may also veto SB 1810, upon the occurrence of which, SB 1810 will only become law if the Governor's veto is overridden by two-thirds of each house of the Florida Legislature. The County is unable to predict whether SB 1810 will become law. Should SB 1810 become law, it will be effective July 1, 2013.

At present, the impact of SB 1810 on the County's finances cannot be accurately ascertained.

Other Postemployment Benefit Plans

The County maintains two single-employer, defined benefit other postemployment benefit plans ("OPEB"), the Group Health Program for Lee County, and the Lee County Sheriff Health Care Plan.

Plan Description

Group Health Program for the Lee County. The Group Health Program for Lee County ("GHPLC") provides medical, dental, vision and life insurance benefits to eligible County retirees and their spouses. All the Constitutional Officers, except the County Sheriff, participate in GHPLC. All retirees and their dependents are eligible to use the active employee self-funded insurance plan that is administered by Aetna. Beginning in 2012, Medicare eligible retirees and their Medicare eligible dependents may enroll in the Medicare Advantage Plan ("MAP"), a fully funded insurance plan administered by United Healthcare. The Governing Body has the authority to establish and amend the benefit provisions of the plan in accordance with Chapter 110.123, Florida Statutes.

Lee County Sheriff Health Care Plan. The Lee County Sheriff's Office ("LCSO") operates a separate health care plan. Lee County Sheriff Health Care Plan ("LCSHCP") offers health, dental, and vision coverage to eligible LCSO retirees and their spouses. The plan also allows retirees the option to continue to participate in the LCSHCP life insurance policy. The life insurance is only available to the retiree, and has a face value of \$5,000. The LCSHCP is a single-employer plan and is administered by Self Insured Benefit Administrator. Authority to establish and amend the benefit provisions of the plan is in accordance with Chapter 110.123, Florida Statutes.

Funding Policy

Group Health Program for Lee County. The contribution requirements of the plan members are established and may be amended by the Governing Body and the Constitutional Officers. The County subsidizes medical premiums for the MAP and self-insurance plan at 60%, and 50%, respectively. A \$96 discount is applied for plan members enrolled in Medicare Part B for the self-insurance plan. No discount is offered for MAP. However, this policy was modified on January 1, 2008; therefore, the Governing Body does not currently subsidize any portion of the medical or Medicare premiums for the

employees hired after that date. The Clerk does not subsidize any contribution rates. Vision and dental insurance are offered to retirees; however, they are not subsidized by the County. The plan also allows retirees the option to continue to participate in the GHPLC life insurance policy. The life insurance is only available to the retiree, and has a face value of \$5,000.

An irrevocable trust has been established with the International City/County Management Association Retirement Corporation (the "OPEB Trust Fund") and a payment of \$42,594,000 was made in December, 2008. The current year's contribution is the County's payment on behalf of the retirees for their insurance coverage on a pay-as-you-go basis. Distributions of \$4,714,000 were made from the trust fund for the employer's portion of the insurance premiums. The balance in the OPEB Trust Fund on September 30, 2012 was \$37,950,000.

Lee County Sheriff Health Care Plan. Chapter 74.522, Laws of Florida, as amended by Chapter 99.434, and 2003.329, Laws of Florida, establishes the contribution requirements of the plan members. The current published monthly rates for Health Care coverage are \$762 for single and \$1,470 for retiree and spouse. An \$80 discount is applied for plan members enrolled in Medicare Part B. The LCSO subsidizes a percentage of the monthly major medical and hospitalization insurance based on the number of years of service credited to the Florida Retirement System ("FRS") before retirement. Vision and dental insurance are offered to retirees; however, they are not subsidized by LCSO.

The retiree contribution rate for the life insurance policy is \$0.90 per month. The plan is funded on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The annual OPEB cost (expense) is calculated based on the Annual Required Contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over 30 years. The current ARC rate as a percentage of annual covered payroll is 19% and 26% for GHPLC and LCSHCP, respectively.

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 and the two preceding years were as follows:

	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percent of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
GHPLC	09/30/2012	\$26,827,000	6.8%	\$81,961,000
	09/30/2011	32,686,000	16.2	56,948,000
	09/30/2010	20,446,000	18.5	29,543,000
LCSHCP	09/30/2012	\$20,396,000	17.3%	\$80,364,000
	09/30/2011	19,248,000	20.6	63,496,000
	09/30/2010	16,354,000	18.7	48,220,000

Status and Funding Progress

The funded status of the plans was as follows:

	GHPLC <u>As of 09/30/12</u>	LCSHCP <u>As of 09/30/12</u>
Actuarial accrued liability (a)	\$252,387,000	\$215,911,000
Actuarial value of plan assets (b)	<u>37,950,000</u>	<u>0</u>
Unfunded actuarial accrued liability (funding excess) (a)-(b)	<u>\$214,437,000</u>	<u>\$215,911,000</u>
Funded ratio (b)/(a)	15.0%	0.0%
Covered payroll (c)	\$151,468,000	\$75,694,000
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ((a)-(b))/(c)	141.6%	285.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Certain of the actuarial assumptions are included in Note VII to the Financial Statements of the County included as APPENDIX B to the Official Statement.

THE ECONOMY

Labor Force, Employment and Unemployment

Lee County has seen tremendous growth in the past. According to the United States Department of Labor, Bureau of Labor Statistics, the labor force has increased 35% from 2000 to 2012. The estimated labor force at December 31, 2012 was 280,742, at September 30, 2011 was 282,699 and at September 30, 2010 was 278,148.

Employment in the County as of September 30, 2012, is estimated at 255,425 and is predicted to increase by 9.5% to 268,728 by 2017.

Lee County's economy shows indications of a slight recovery. Unemployment declined in Lee County this past year although it still lags the State and Country. The unemployment rate for December 31, 2012, for the County was 8.7%, compared to 8.7% for Florida and 7.8% nationally.

According to the United States Department of Labor, Bureau of Labor Statistics, in 2011 the nonagricultural employment for the Lee County Metropolitan Area was comprised of 21.6% in Trade, Transportation and Utilities, 18.5% in Government (Federal, State and Local), 14.8% in Leisure and

Hospitality, 12.4% in Education and Health Services, 12.3% in Professional and Business Services, 7.3% in Natural Resources, Mining and Construction, and 13.1% in all other.

**Lee County, Florida
Demographic and Economic Statistics
Last Ten Fiscal Years**

<u>Year</u>	<u>Total Personal</u>	<u>Per Capita</u>	<u>Median Age</u>	<u>School</u>	<u>Unemployment Rates</u>		
	<u>Income</u>				<u>Personal Income</u>	<u>Enrollment</u>	<u>County</u>
2003	\$14,375,870	\$29,037	45.6	62,566	4.0%	5.1%	6.0%
2004	15,644,366	30,013	45.8	70,782	4.0	4.6	5.1
2005	19,098,604	34,760	44.2	75,558	2.9	3.7	4.8
2006	20,736,965	35,411	43.7	78,775	2.7	3.4	4.4
2007	24,266,353	39,410	43.2	80,526	5.2	4.3	4.5
2008	26,111,623	41,864	42.7	79,457	9.2	6.8	6.0
2009	24,674,348	41,954	42.7	80,161	13.9	11.1	9.8
2010	24,077,000	38,653	42.8	81,929	13.5	11.9	9.6
2011	18,986,288	30,363	45.6	83,771	11.2	10.6	9.1
2012	27,161,256	43,022	45.7	85,581	8.7	8.7	7.8

Source: Lee County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2012.

Foreclosures in the County decreased significantly in Fiscal Year 2011 to 4,979, which is a 63.8% decrease from the prior year. According to the Florida Realtors and the University of Florida Bergstrom Center for Real Estate Studies, the median sales price of an existing single-family home for the Fort Myers-Cape Coral metropolitan area in September 2011 and 2010, was \$110,600 and \$94,400, respectively. This represents a 17.2% increase. The median price for existing condominiums in September 2011 and 2010, was \$114,700 and \$105,500, respectively. This represents an 8.7% increase. While the median sales price increased, the number of sales of existing single-family homes decreased in 2011. Sales of existing single-family homes for the calendar year 2011 were 14,711, as compared to 16,277 for the previous year, which is a decrease of 9.6%. However, sales of existing condominiums increased for the current year to 5,095, as compared to 4,913 for the previous year, which is a 3.7% increase.

Lee County, Florida
Employment by Major Industry

<u>Industry</u>	<u>Establishments</u>	<u>Employees</u>
Retail Trade	2,786	33,915
Health Care and Social Assistance	1,489	30,872
Accommodation and Food Services	1,390	26,024
Construction	2,535	16,128
Education Services	156	14,712
Administration, Support, Waste Management, Remediation	1,534	12,194
Public Administration	148	11,155
Professional, Scientific & Technical Services	2,214	10,100
Other Services (except Public Administration)	1,553	6,930
Arts, Entertainment and Recreation	346	6,483
Wholesale Trade	861	5,535
Finance and Insurance	969	5,409
Real Estate and Rental and Leasing	1,292	5,088
Manufacturing	478	4,482
Transportation and Warehousing	381	4,414
Information	233	2,906
Agriculture, Forestry, Fishing & Hunting	87	2,789
Management of Companies and Enterprises	111	2,751
Utilities	34	818
Mining	13	150
Unclassified Establishments	22	4

Source: Florida Research and Economic Information Database, Labor Market Statistics, Quarterly Census of Employment and Wages Program, 2nd quarter 2012.

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Employers

The ten largest employers located within the County together with the total number of employees employed by each are presented below.

**Lee County, Florida
Largest Employers
July 1, 2012**

<u>Name of Firm</u>	<u>Industry</u>	<u>Number of Employees</u>
Lee Memorial Health System	Non-profit hospital/healthcare system	10,249
Lee County School District	Public Schools	9,394
Publix Super Markets	Retail Grocer	4,362
Lee County Administration	Government	2,538
Wal-Mart Corporation	General Merchandise Retailer	1,967
Lee County Sheriff's Office	Public Safety	1,585
U.S. Postal Service	Postal Service	1,291
Chico's FAS, Inc.	Corporate HQ for Women's Apparel	1,253
City of Cape Coral	Government	1,197
Target	General Merchandise Retailer	1,100

Source: Lee County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2012.

Tourism

A combination of favorable climate and available recreational activities including public beaches, tennis courts, golf courses and theaters has made tourism a major industry in the County. For Fiscal Year 2011 (October 1, 2010 to September 30, 2011), tourism generated \$23,980,741 in resort taxes. In the calendar year ended December 31, 2011, the tourism industry employed (directly and indirectly) 52,313 residents.

The total passengers at Southwest Florida International Airport increased annually between the airport's first full year of operation in 1984 after moving from Page Field with 1,311,937 until 2007 when a high of 8,049,676 was reached. Passenger traffic fell 5.5% in 2008 and 2.5% in 2009 as a reflection of the economic downturn and reduction in the tourism industry. However, annual increases resumed beginning in 2010 with an increase of 1.3% over 2009 and an increase of 0.3% for 2011 over 2010. The 2011 passenger level was 7,537,745.

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Income

In 2011, the County had a per capita personal income of \$43,022, compared to a per capita income of \$27,521 in 2001. The 2011 per capital personal income reflects an increase of 3.5% from 2010. The State and national average for 2011 was \$39,636 and \$41,560, respectively.

The analysis of income is presented in the following tables.

Lee County, Florida
Personal Income by Industry Classification
(in Thousands)

<u>Industry*</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Forestry & Fishing	\$23,022	\$29,850	\$29,978
Mining	7,874	11,933	14,111
Utilities	81,336	75,065	77,990
Construction	1,061,889	936,546	911,207
Manufacturing	329,424	308,220	335,756
Wholesale Trade	454,287	439,400	468,169
Retail Trade	1,157,904	1,188,374	1,214,340
Transportation & Warehousing	160,722	191,755	240,329
Information	473,947	375,485	390,133
Finance & Insurance	509,351	502,453	510,244
Real Estate & Rental	283,540	386,979	358,546
Professional, Scientific & Technical Services	757,811	825,714	999,796
Management of Companies & Enterprises	323,968	301,542	311,808
Administrative & Waste Management Services	542,379	548,576	563,642
Educational Services	121,836	118,296	113,891
Health Care & Social Assistance	1,339,618	1,430,400	1,468,328
Arts, Entertainment & Recreation	253,128	231,909	278,987
Accommodation & Food Services	589,471	599,437	631,842
Other Services, except Public Administration	557,083	586,574	608,556
Government & Government Enterprises	2,320,378	2,399,106	2,480,034

*Based on 2012 North American Industry Classification System.

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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Construction

The following table presents residential building activity in the County for 2008 through and including 2011.

Lee County, Florida Total Residential Building Permits

		Total Residential Value (\$1,000)	Single-Family	Multifamily
<u>2008</u>	Bonita Springs	\$52,211	123	19
	Cape Coral	25,529	201	14
	Fort Myers	88,242	219	231
	Fort Myers Beach	3,228	6	8
	Sanibel	12,017	13	0
	Unincorporated	<u>223,317</u>	<u>654</u>	<u>114</u>
	Total County	\$404,544	1,216	386
<u>2009</u>	Bonita Springs	\$37,620	139	0
	Cape Coral	20,599	178	0
	Fort Myers	44,312	174	16
	Fort Myers Beach	1,839	3	0
	Sanibel	7,956	13	8
	Unincorporated	<u>117,771</u>	<u>399</u>	<u>14</u>
	Total County	\$230,097	906	38
<u>2010</u>	Bonita Springs	\$45,746	249	0
	Cape Coral	26,048	216	0
	Fort Myers	70,306	215	93
	Fort Myers Beach	3,465	7	0
	Sanibel	10,962	16	0
	Unincorporated	<u>83,053</u>	<u>472</u>	<u>8</u>
	Total County	\$239,580	1,175	101
<u>2011</u>	Bonita Springs	\$80,525	235	1
	Cape Coral	33,718	269	2
	Fort Myers	90,089	337	13
	Fort Myers Beach	470	2	0
	Sanibel	10,844	16	0
	Unincorporated	<u>97,492</u>	<u>403</u>	<u>102</u>
	Total County	\$313,138	1,262	118

Source: University of Florida, Bureau of Economic and Business Research, Building Permit Activity in Florida.

FINANCIAL INSTITUTIONS

Financial services for the County are provided by approximately 33 banks, 6 savings and loan associations and two credit unions, with a combined total of approximately 229 branches throughout the County.

Source: Lee County Economic Development Office.

EDUCATION

The Lee County School System operates 120 schools, 45 elementary, 17 middle, 13 high schools, 11 special centers and vocational schools, 23 charter schools, 5 high tech center community schools, 4 K-8 grade schools, 1 virtual school (K-12) and 1 early learning center. For the 2012-2013 school year, a total of 85,581 students (including Pre-K) as of September, 2012 were enrolled which is a 2.1% increase over the enrollment in 2011-2012. Sixty-nine (69) private schools are also located in the County.

Source: Lee County School Board.

Six colleges serve the region: Edison State College, Florida Gulf Coast University, Barry University, Hodges University, Nova Southeastern University and Southwest Florida College. Florida Gulf Coast University offers bachelor and graduate degrees while Edison State College offers certificate, associate and bachelor degrees. Barry University offers certificates and bachelor degrees. Hodges University offers associate, bachelor and masters degrees. Nova Southeastern University offers associates, bachelors, masters and doctoral degrees while Southwest Florida College offers certificates and associate degrees.

TRANSPORTATION

Highways

Interstate 75 is presently the principal north-south highway running from the Canadian border at Sault Ste. Marie, Michigan to Miami, Florida, on the east coast of Florida. In Lee County, Interstate 75 is presently being expanded from four to six lanes. U.S. Highway 41, also a north-south highway, is a limited-access four-lane road for most of the distance between Bradenton to the north and Naples to the south, connecting the Fort Myers Standard Metropolitan Statistical Area ("SMSA") with Tampa to the north and Miami via the route of the Tamiami Trail. State Road 80 connects with U.S. Highway 27 in the central part of the State, providing additional access to the Orlando/Central Florida area and the east coast from Palm Beach, north.

Bus Service

Greyhound Bus Lines with a terminal in Fort Myers offers daily scheduled service for nationwide thru-line and charter service. Local bus service is provided by Lee Tran, a transit system operated by the County.

Truck Line

Approximately thirty (30) interstate and intrastate truck lines serve the County.

Source: Business Development Corporation.

Rail Transportation

Rail transportation, for both freight and passenger excursions, is provided by Seminole Gulf Railway. The rail line is approximately ninety miles long and connects the County with the national rail system in Arcadia. Seminole Gulf provides connecting truck distribution services to off-rail system accounts.

Source: Seminole Gulf Railway.

Airports

There are two airports in the County: The Southwest Florida International Airport and Page Field General Aviation Airport. The Page Field General Aviation Airport is situated on a 670-acre site in Fort Myers.

On September 9, 2005, the new Southwest Florida Midfield Terminal ("RSW") opened. The Midfield Terminal Complex (located on the opposite side of the runway from the former facility which had been in operation since 1983) includes a three-story terminal building with 28 aircraft gates on three concourses; a 3,800 space parking structure and 9,800 public surface parking spaces; a 12,000-foot parallel taxiway and connecting taxiways to the new aircraft parking apron access roads, including a two-level terminal circulation roadway system; an airline cargo building and expanded rental car facilities. The former airport terminal was demolished and the area is being developed for airport related uses.

On August 31, 2011, a new general aviation terminal opened on the west side of Page Field. The 22,613 square-foot terminal building included first-class services and amenities for passengers and crews, executive conference room, seminar facility, easy access from runways with a new parallel taxiway, a new 24,000 square-foot itinerant aircraft hangar and 600,000 square feet of ramp space with exclusive business aircraft parking.

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Historical Enplanements by Carrier Type

Fiscal Year	Commercial Air Carriers	Regionals/ Commuters	International Air Carriers	Domestic Charters	Airport Total
2003	2,637,152	129,875	58,395	57,351	2,882,773
2004	3,055,423	134,044	70,807	11,914	3,272,188
2005	3,495,001	160,366	75,913	9,791	3,741,071
2006	3,484,671	224,102	91,865	2,925	3,803,563
2007	3,799,938	154,413	103,988	3,597	4,061,936
2008	3,644,495	130,160	90,815	3,118	3,868,588
2009	3,552,775	87,677	94,173	2,714	3,737,339
2010	3,541,118	73,477	103,544	3,236	3,721,375
2011	3,646,656	108,630	117,975	2,052	3,875,313
2012	3,491,950	58,721	121,323	4,959	3,676,953
Compounded Growth					
2003-2012	3.17%	-8.44%	8.46%	-23.81%	2.74%

Source: Lee County, Florida Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2012.

Water Transportation

Florida's fifth largest deep water port is located at Boca Grande on Charlotte Harbor in the northwest section of the County. The port is 32 feet deep and approximately 200 feet in width. The Okeechobee Waterway provides a navigable link between the Gulf of Mexico and the Atlantic Ocean via the Caloosahatchee River, Lake Okeechobee and the St. Lucie Canal.

HEALTH CARE FACILITIES

There are eight health care facilities in the County under the Lee Memorial Health System and Health Management Associates, Inc. ("HMA"). Lee Memorial Hospitals include Cleveland, Health Park Medical Center, Cape Coral Hospital, Rehabilitation Hospital, Children's Hospital, Health Park Care Center, and Gulf Coast Hospital. HMA operates Lehigh Regional Medical Center.

Source: Economic Development Office of Lee County.

RECREATION FACILITIES

There are numerous parks in the County as well as a Nature Center and Children's Museum. Also included are the "Ding" Darling Wildlife Sanctuary, country clubs, auditoriums, Thomas Edison's and Henry Ford's homes, over 45 marinas and 92 golf courses. All are open to the public.

Included among the 103 county park facilities in the area are the following:

Regional parks (including 12 beach parks and 4 sports complexes)	35
Community parks (including 14 recreation centers or community centers)	31
Large boat ramps	9
School shared park sites	21
Pools	9
Civic Center	<u>1</u>
TOTAL	106

Source: Lee County Parks and Recreation.

PUBLIC LODGING

As of October 2012, there were 195 licensed accounts for hotels and motels. Figures from October, 2012 revealed that there were 28,753 room nights available per day among hotels, motels, condominiums, interval owners, mobile homes, private residences, RV parks and units marked through rental agents.

Source: Lee County Tourist Development Tax Audit Department.

COMMUNICATION

There are 20 newspapers and 15 magazines servicing the County area as well as 50 radio stations and 8 television broadcast facilities, and telephone service is provided by Century Link and numerous cellular service companies. Cable television is provided by Comcast.

Source: Lee County Office of Economic Development.

MUNICIPALITIES OF CAPE CORAL, FORT MYERS, FORT MYERS BEACH, BONITA SPRINGS AND SANIBEL – GENERAL INFORMATION

City of Cape Coral General Information

Incorporated in 1970, the City of Cape Coral lies on a peninsula that is bordered by the Gulf of Mexico on the west and the Caloosahatchee River on its eastern shore. With an area of 109.9 square miles, the City is Florida's second largest city in land area. The City of Cape Coral is governed by a Mayor and seven Council members. A city manager, chosen by the Council, is the chief administrator.

Growth has occurred primarily in the southeastern portion of the City. More than 90% of Cape Coral's urban development is situated in this quadrant, covering less than 35% of the City's total acreage. The 2000 and 2010 Census populations were 102,286 and 154,305, respectively. The 2012 estimated population was 160,184. The resulting additional residential and commercial development will mostly progress toward the north and the west. The City is presently composed of residential homes, many of which are waterfront condominiums, rental units and commercial establishments, consisting of shops, office buildings and service oriented establishments. Proposed land use plans for the City indicate that the primary proposed land use includes high density residential development, commercial businesses and recreational facilities.

City of Fort Myers General Information

Built originally as Fort Harvie in 1841, Fort Myers was a military base until the end of the Civil War. The City itself was platted in 1876 and underwent a slow growth on the grounds of the old military base and along the Caloosahatchee River. The twentieth century brought uneven growth, with the "Boom Times" bringing tremendous growth in the 1920's and the "Great Depression" creating havoc in that growth. Today, the growth is gradual but constant, as the City plans on revitalizing old neighborhoods and preparing the infrastructure and civic needs of new developments. For the future, the City plans on straightening its boundaries to include all the land between Interstate 75 and the river approximately north of Page Field, as well as some land just north of the Six Miles Cypress Slough and west of I-75 in order to provide better services to the area. As of September, 2009, the City encompasses 40.2 total square miles, including waterways. The 2000 and 2010 Census populations were 48,208 and 62,298, respectively. The 2012 estimated population was 66,835. The City of Fort Myers is administered by a Mayor and five City Council members.

Town of Fort Myers Beach General Information

The Town of Fort Myers Beach was incorporated on December 31, 1995. The area includes a 2.5 square mile area known as Estero Island. Estero Island is separated from the mainland on the north by Estero Bay. Its southern shore is on the Gulf of Mexico. The island is connected to the mainland on its western side by the Matanzas Bridge and on the east to Bonita Beach by a causeway. The major beach road is Estero Boulevard. The 2000 and 2010 Census populations were 6,561 and 6,277, respectively. The 2012 estimated population was 6,253.

City of Bonita Springs General Information

On December 31, 1999, the City of Bonita Springs became an incorporated municipality in the State. The City of Bonita Springs includes 39.6 square miles. The 2000 and 2010 Census populations were 32,797 and 43,914, respectively. The 2012 estimated population was 45,129.

City of Sanibel General Information

The City of Sanibel (connected by the Blind Pass Bridge) lies about 2.5 miles off the west coast of Florida near Fort Myers at the entrance to the Caloosahatchee River which provides a deep water channel to Fort Myers. Sanibel Island is 15 miles long and 3 miles wide at some points and Captiva Island is 6 miles long and about 0.5 miles wide. The islands possess what is said to be some of the most famous beaches in the world for shell collecting. Some 300 different varieties of shells are found, including many rare specimens. Lying across the prevailing currents, the islands have a long southern exposure, each high tide bringing a new charge of shells to the beach. Sanibel has gained national recognition for the Sanibel Shell Fair which has been held in the Spring for 35 years, the "Ding" Darling Wildlife Sanctuary and a month-long Fall Festival. Fishing is an important recreation. A free public fishing pier is provided and Blind Pass Bridge is equipped with pedestrian lanes for fishing.

Of the 11,317 total land acres on Sanibel Island, 4,754 are held by the J.N. "Ding" Darling National Wildlife Refuge and 540 by the Sanibel-Captiva Conservation Foundation, leaving 6,023 acres not preserved by federal or Conservation owned lands.

The 2000 and 2010 Census populations were 6,064 and 6,469, respectively. The 2012 estimated population was 6,489.

The City of Sanibel was incorporated November 5, 1974. Soon after incorporation, the City employed Wallace Roberts and Todd of Philadelphia to draft a Comprehensive Land Use Plan. The Plan has been adopted by the City Planning Commission and is currently in effect. Under the Plan, there will be no building permits and no conventional zoning; however, building will be based on development permits that will be obtained only after consideration of a number of factors, primarily of an ecological nature. For instance, the only freshwater river on a Florida island must not be damaged and the sea oats and other vegetation which control beach erosion may not be destroyed. Bird rookeries, and fish and alligator breeding areas are to be protected.

The City is governed by a mayor and four council members while a City Manager directs the administration of the City affairs.

Captiva Island is not incorporated.

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APPENDIX B
FEASIBILITY REPORT

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LEE COUNTY
S O U T H W E S T F L O R I D A

FINANCIAL FEASIBILITY REPORT

For the issuance of

**Water and Sewer Revenue Bonds,
Series 2013A**

and

**Water and Sewer Refunding Revenue Bonds,
Series 2013B**

July 9, 2013

Appendix B



Public Resources Management Group, Inc.
Utility, Rate, Financial and Management Consultants



Public Resources Management Group, Inc.

Utility, Rate, Financial and Management Consultants

July 9, 2013

Honorable Chairman and
the Board of County Commissioners
Lee County Government
2115 Second Street
Fort Myers, FL 33901

Subject: **Financial Feasibility Report – Lee County, Florida – Water and Sewer Revenue Bonds, Series 2013A and Water and Sewer Refunding Revenue Bonds, Series 2013B**

Ladies and Gentlemen:

Presented herein is our Financial Feasibility Report (the "Report") prepared by Public Resources Management Group, Inc. ("PRMG") in its capacity as the feasibility consultant for inclusion in the Official Statement that summarizes our analyses, studies and conclusions with regard to the proposal by Lee County, Florida (the "County") to issue approximately \$53,925,000^[1] Water and Sewer Revenue Bonds, Series 2013A (the "Series 2013A Bonds") and approximately \$40,160,000^[1] Water and Sewer Refunding Revenue Bonds, Series 2013B (the "Series 2013B Bonds" and collectively with the Series 2013A Bonds, the "Series 2013 Bonds"). The County plans to issue the Series 2013 Bonds to: i) fund capital improvements to the County's water and wastewater utility system from the proceeds of the Series 2013A Bonds; ii) refund the County's outstanding Water and Sewer Refunding Revenue Bonds, Series 2003A (the "Series 2003A Bonds" or "Refunded Bonds") from the proceeds of the Series 2013B Bonds; and iii) pay certain expenses related to the issuance and sale of the Series 2013 Bonds. Capitalized undefined terms referenced in this letter shall have the meaning ascribed thereto in the Bond Resolution as defined later in this Report.

The primary purpose of this Report is to summarize our estimate of the anticipated financial projections of the County's water and sewer utility system operations (including, without limitation, any reuse or reclaimed water system owned, operated and maintained by the County and referred to as the "System" or "Utility") and the ability of the revenues derived from the System operations to meet the estimated expenditure and funding obligations of such system to provide information for parties relying upon the Official Statement associated with the issuance of the Series 2013 Bonds. As such, the Report includes, among other things, discussions of: i) the capital improvement needs anticipated to be financed by System operations; ii) recent historical and projected sales and customer growth and usage statistics; iii) the schedule of currently effective and anticipated rates and fees for Utility service; and iv) the recent historical and projected financial operating results of the System. The forecast of operating results includes projections of the System's ability to meet the rate covenant requirements of Resolution

[1] Amounts shown as provided by the County's Financial Advisor as of July 5, 2013 and are preliminary and subject to change.

No. 93-06-04 adopted by the Board of County Commissioners (the "Board") of Lee County, Florida on June 30, 1993, as amended and supplemented (the "Bond Resolution"), authorizing the issuance of the water and sewer revenue bonds from time to time including the Series 2013 Bonds. PRMG does not offer any opinion as to the general condition of the System, the compliance with regulations imposed by various agencies upon the System, or the estimated costs of the improvements anticipated to be funded during the Forecast Period as defined herein.

The financial projections in the Report, associated with the issuance of the Series 2013 Bonds, were based on discussions with and information provided by the management and staff of the County, the County's Financial Advisor, Dunlap and Associates, Inc. (the "Financial Advisor"), Carollo Engineers as the Engineer of Record for the County (the "Engineer of Record" or "Consulting Engineers"), as well as certain assumptions and analyses made by PRMG with respect to such financial projections.

CONCLUSIONS

Based upon the principal considerations and assumptions and the results of our studies and analyses as summarized in this Report, which should be read in its entirety and in conjunction with the following, we are of the opinion that:

1. The projected growth in customers and usage of the System and the corresponding revenues derived from the application of the existing and projected rates applied to such customers and usage represent reasonable and attainable projections for the purposes of this Report.
2. The projections of the Operating Expenses represent reasonable projections for the purposes of this Report.
3. The Water System and Wastewater System, taking into account capacity expansion-related capital improvements as discussed later in this Report, will, respectively, have sufficient capacity to meet the anticipated service area needs for the Forecast Period reflected in this Report which includes the five fiscal year period ending September 30, 2017 based on the customer and sales or usage forecast assumed for the purposes of this Report.
4. The System Gross Revenues for the Fiscal Years ending September 30, 2013 through 2017 under the County-approved rates should be sufficient to: i) fund the Operating Expenses of the System; ii) fund the annual debt service coming due in such years on the Outstanding Bonds^[2], the Additional Parity Bonds, and Outstanding Subordinated

[2] For purposes of this Report, the Outstanding Bonds as of the date of this Report include the following utility revenue bonds issued on parity in accordance with the Bond Resolution: Water and Sewer Revenue Refunding Bonds, Series 2003A, Water and Sewer Refunding Revenue Bonds, Series 2011, Water and Sewer Refunding Revenue Bonds, Series 2012A, and the Water and Sewer Refunding Revenue Bonds, Series 2012B in the principal amount of \$144,115,000 as of October 1, 2012.

Indebtedness^[3], accounting for changes associated with a) the refunding of the Refunded Bonds; and b) the issuance of the proposed Series 2013 Bonds; iii) fund the required deposits pursuant to the Bond Resolution; iv) maintain compliance with the rate covenants and provisions for the issuance of additional bonds as required pursuant to the Bond Resolution; and v) fund the identified capital expenditures of the Utility.

5. It is anticipated by the County that the current rates for water and wastewater service will be adjusted during the Forecast Period as reflected in this Report which were approved by the Board. To the extent that the adopted future adjustments are not implemented, the County will need to adjust the expenditures identified in this Report. Based on the assumptions developed herein, such adjustments would focus primarily on the funding of the ongoing capital needs of the System. The rate increases have been adopted by resolution by the Board, and although no assurance can be given that such rate increases will be implemented by the County, the County has historically implemented all adopted rates as established by resolution. To the extent that the adopted rate adjustments are not made or are delayed from what is assumed herein, it is anticipated that the Net Revenues and legally available Connection Fees during the Forecast Period will be sufficient to be in compliance with the rate covenant described in the Bond Resolution but that the future funding of the capital improvements identified for the Forecast Period may need to be adjusted.
6. The existing rates for water and wastewater service are generally competitive to charges for similar service provided by other neighboring and coastal utilities located in Southwest Florida. The approved rate adjustments as represented in this Report are not expected by the County to negatively affect the customer growth or sales (billed water and wastewater use or flow) during the Forecast Period.
7. The existing Water Connection Fees and Sewer Connection Fees are comparable to the fees charged by neighboring utilities located in Southwest Florida. Based on discussions with Utility staff, the continued imposition of the Connection Fees is not expected to negatively affect System growth.

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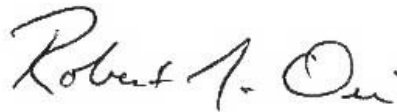
[3] The Outstanding Subordinate Indebtedness includes State Revolving Fund Loans administered by the Florida Department of Environmental Protection with an outstanding liability of \$55,643,751 as of October 1, 2012; no other form or type of subordinate indebtedness is outstanding as of October 1, 2012 allocable to the System.

Honorable Chairman and the Board of County Commissioners
Lee County Government
July 9, 2013
Page 4

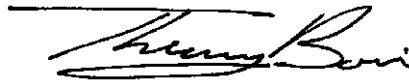
The ability of the Net Revenues of the System to meet the debt service requirements and comply with the rate covenants of the Bond Resolution are subject to the assumptions and considerations identified in the Report and information obtained during the preparation of the Report regarding the System and the associated financial projections reflected herein. As such, the Report should be read in its entirety with respect to such projections.

Very truly yours,

Public Resources Management Group, Inc.



Robert J. Ori
President



Thierry A. Boveri, CGFM
Senior Rate Consultant

RJO/dlc
Attachments

LEE COUNTY, FLORIDA
FINANCIAL FEASIBILITY REPORT
WATER AND SEWER REVENUE BONDS, SERIES 2013A
AND
WATER AND SEWER REFUNDING REVENUE BONDS, SERIES 2013B
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LEE COUNTY, FLORIDA
FINANCIAL FEASIBILITY REPORT
WATER AND SEWER REVENUE BONDS, SERIES 2013A
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WATER AND SEWER REFUNDING REVENUE BONDS, SERIES 2013B
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LEE COUNTY, FLORIDA

FINANCIAL FEASIBILITY REPORT

WATER AND SEWER REVENUE BONDS, SERIES 2013A
AND
WATER AND SEWER REFUNDING REVENUE BONDS, SERIES 2013B

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1	Historical and Projected Water System Customer Statistics
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Figure No.	Description
1	Lee County Location Map

[*] Represents tables that are located at the end of this Report.

LEE COUNTY, FLORIDA
FINANCIAL FEASIBILITY REPORT
WATER AND SEWER REVENUE BONDS, SERIES 2013A
AND
WATER AND SEWER REFUNDING REVENUE BONDS, SERIES 2013B

INTRODUCTION

Presented herein is the Bond Feasibility Report (the "Report") prepared by Public Resources Management Group, Inc. ("PRMG") in its capacity as the feasibility consultant to Lee County, Florida (the "County") that summarizes our analyses, studies and conclusions with regard to the ability of the County to issue indebtedness to finance capital improvements and refund certain outstanding bonds and for the construction of capital improvements to the water and wastewater utility system owned and operated by the County. Specifically, this Report is being prepared for inclusion in the Official Statement with regard to the County's proposed issuance of approximately \$53,925,000^[1] Water and Sewer Revenue Bonds, Series 2013A (the "Series 2013A Bonds") and approximately \$40,160,000^[1] Water and Sewer Refunding Revenue Bonds, Series 2013B (the "Series 2013B Bonds" and, collectively with the Series 2013A Bonds, the "Series 2013 Bonds"). The Series 2013 Bonds are being issued under the authority of Resolution No. 93-06-41 as adopted by the Board of County Commissioners of Lee County (the "Board") on June 30, 1993, as amended and supplemented from time to time (the "Bond Resolution"). For a more complete description of the Bond Resolution, please refer to Appendix D – Form of Authorizing Resolution in the Official Statement relating to the Series 2013 Bonds. Capitalized undefined terms used in this Report shall have the meanings ascribed thereto in the Bond Resolution.

The County plans to issue the Series 2013 Bonds to: i) fund capital improvements to the water and wastewater system from the proceeds of the Series 2013A Bonds; ii) refund the County's outstanding Water and Sewer Revenue Refunding Bonds, Series 2003A (the "Series 2003A Bonds" or the "Refunded Bonds") from the proceeds of the Series 2013B Bonds; and iii) pay certain expenses related to the issuance and sale of the Series 2013 Bonds. Payment of the Series 2013 Bonds and any bonds issued by the County pursuant to the Bond Resolution on behalf of the water and wastewater utility system (including without limitation, any reuse or reclaimed water system) owned, operated, and maintained by the County (the "System" or "Utility"), together with interest thereon, are payable solely from, and secured by, a lien and pledge of i) the Net Revenues derived by the County from the operation of the System to the extent legally available; ii) Water Connection Fees and Sewer Connection Fees received by the County in connection with the System; and iii) certain moneys and investments on deposit in the funds and accounts established pursuant to the Bond Resolution (collectively, the "Pledged Funds"). Neither the credit nor taxing power of the County is pledged for debt repayment of the Series 2013 Bonds or any other indebtedness issued pursuant to the Bond Resolution.

[1] Amounts shown as provided by the County's Financial Advisor as of July 5, 2013 and are preliminary and subject to change.

The primary purpose of this Report is to i) summarize the financial projections of the operations for the Fiscal Years ending September 30, 2013 through 2017 (the "Forecast Period") of the System; ii) present the ability of the revenues derived from the System operations to meet the estimated expenditure and funding obligations of such System; and iii) present the anticipated ability of the System to meet the rate covenant requirements as defined in the Bond Resolution in order to provide information for parties relying upon the Official Statement associated with the issuance of the Series 2013 Bonds. As such, the Report includes, among other things, discussions of: i) recent historical and projected sales and customer growth and usage statistics for the System; ii) the capital improvement needs anticipated to be financed by System operations for the Forecast Period; iii) the schedule of currently effective and anticipated rates and fees for utility service as adopted by the Board; iv) the recent historical financial operating results of the System; and v) the recent projected financial operating results of the System. The forecast of operating results includes projections of the System's ability to meet the rate covenant requirements and flow of funds requirements as delineated in the Bond Resolution.

PRMG, serving as the Feasibility Consultant to the County, was responsible for the compilation of financial information and the preparation of the projected financial results, including the projections of customer and sales revenues and other components that comprise the projected operating results of the System. A recognized utility management consulting firm, PRMG specializes in the development of rates, charges, and financial projections for publicly-owned and not-for-profit utility systems, primarily in Florida. The firm has been involved in a number of utility financings which have involved the preparation of financial forecasts on behalf of local governments and utility corporations in Florida that are issuing utility bonds secured for repayment solely by the revenues of such utility. The firm has provided utility rate and consulting services to the County for the System on an ongoing basis since 2000.

PRMG does not offer any opinion as to the general condition of the System, the compliance with regulations promulgated and imposed by various agencies upon the operation of the System, the estimated cost of improvements to be funded from System operations as referenced in this Report, or any other engineering aspects of the System. For information describing the System, please refer to the Official Statement.

In the preparation of this Report, PRMG relied upon financial, statistical, and operational data provided by the County that has been derived from operating and financial reports and records prepared and provided by County management, including information contained in the Comprehensive Annual Financial Report ("CAFR") prepared by the County. In addition, we have been furnished additional financial and statistical information and assumptions from the County and others including the estimated levels of debt service requirements associated with the issuance of the Series 2013 Bonds by the County's Financial Advisor, Dunlap and Associates, Inc. (the "Financial Advisor") of Winter Park, Florida, and have utilized information obtained from other utility systems in Florida and other sources. While we believe the sources of such information, assumptions, and projections to be reasonable for the purposes of this Report, we offer no assurances with respect thereto. The actual results achieved during the Forecast Period reflected in this Report may vary from those projected and such variations could be material. Such projections are, therefore, subject to adjustment and we can give no assurances that the projections will be realized.

This Report summarizes the results of our studies and analyses up to the date of this Report. Changed conditions occurring or becoming known after such date could affect the material presented herein to the extent of such changes.

The remainder of this Report provides i) a general overview of the County; ii) a presentation of the outstanding debt and plan of finance for the System; iii) a summary of the existing rates, fees and charges for the System as approved by the Board; iv) a discussion of the recent and projected customer statistics and service area requirements; v) a presentation of the recognized funding program for the County's identified capital improvement plan for the System; vi) a discussion of the recent historical and projected System operating results for the Forecast Period, including the delineation of all primary assumptions and analyses relied upon in the development of such projections; and vii) a summary of our conclusions based on the results of our analyses and forecasts.

GENERAL

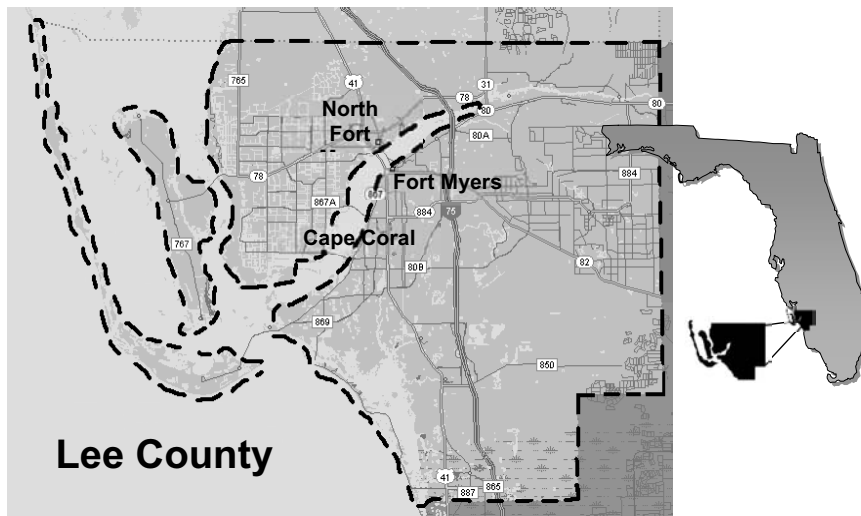


Figure 1 – Location Map

Lee County is a political subdivision of the State of Florida governed by the State Constitution, the general laws of the State of Florida, and the County's Charter. The County occupies approximately 811 square miles and is located on the lower west coast of Florida as shown on Figure 1. Based on information published by the Florida Legislative Office of Economics and Demographic Research (the

"OEDR") the County's total population as of April 1, 2012 was 638,029 making it the eighth most populous county in the State of Florida (out of 67 counties). Based on information published by OEDR, the County's population is estimated to have grown from 440,888 (2000 Census) to 638,029 persons in 2012, which represents an overall increase of 45% or approximately 16,400 persons per year. Based on projections published by the OEDR, the total population of Lee County is projected to increase by almost 45,000 people from 2012 through 2015 which results in an annual compound growth rate approximately 2.3% and by approximately 136,000 people through 2020 which also equates to a compound growth rate of approximately 2.3%. The incorporated municipalities in the County include the City of Fort Myers, the County seat, and the Cities of Cape Coral, Bonita Springs, and Sanibel and the Town Ft. Myers Beach. It should be noted that the County provides wastewater utility service on a retail basis to customer's located with the Town of Fort Myers Beach.

The County is authorized to operate the System pursuant to the authority granted by Chapter 125, Florida Statutes, as amended. The County has been providing water service in the County since

1965 and is responsible for providing safe, reliable potable water service to an estimated population of approximately 334,000 (as of 2012) in a service area that covers nearly 201 square miles. The wastewater service area encompasses approximately 158 square miles (a portion of northern Lee County is provided water-only service by the County; another utility provides wastewater service as discussed later in this Report). Currently, the retail water service area population of the System as estimated by the County represents approximately 52% of the County population as reported by the OEDR for 2012. The service area generally encompasses the urban services area boundary as adopted by the Board and includes the western portion of the County less those areas served by municipalities and other units of local government (e.g., the Gateway Services Community Development District and the Florida Governmental Utility Authority) or any private utilities franchised by the Florida Public Service Commission ("FPSC"); the FPSC regulates the private utilities located in the County in terms of rates and the exclusive right to provide utility service (within a specific certificated service area as approved by the FPSC).

The County's water system currently includes five (5) raw water production wellfields and one (1) raw water river intake, six (6) County-owned water treatment plants with a permitted capacity of 47.4 million gallons per day ("MGD") expressed on a maximum daily flow ("MDF") basis, twenty-one (21) finished water storage tanks, including two (2) elevated storage tanks and seven (7) aquifer storage and recovery ("ASR") wells, eight (8) booster pumping stations, and over 1,395 miles of water transmission and distribution lines which provided potable water service to 77,396 retail accounts during Fiscal Year 2012 (the "Water System"). The County's wastewater system currently includes seven (7) County-owned treatment plants with a permitted treatment capacity of 20.817 MGD (excluding Waterway Estates WWTP which was removed from service October 9, 2012) expressed on an annual average daily flow ("AADF") basis, a wastewater treatment capacity entitlement of 11.500 MGD (equal to 50% of the total plant capacity) in the City of Fort Myers Central and South wastewater treatment plants and a 1.25 MGD wastewater treatment entitlement in the Florida Governmental Utility Authority ("FGUA") North Fort Myers wastewater treatment plant (with such capacity established by inter-local or wholesale agreement referred to as "treatment by contract" or "TBC"), over 935 miles of collection and transmission gravity and force mains, and over 600 lift stations, which during Fiscal Year 2012 provided service to approximately 55,922 retail wastewater accounts (the "Wastewater System").

EXISTING SYSTEM DEBT AND PLAN OF FINANCE

The County has historically issued debt to fund a portion of the costs of capital improvements to the System. As of October 1, 2012, the County had Bonds outstanding in the aggregate principal amount of approximately \$144,115,000 (outstanding balance reduced by payments made October 1, 2012), issued pursuant to the terms and conditions of the Bond Resolution (the "Outstanding Bonds") which are secured by a senior lien pledge of the Net Revenues and Connection Fees of the System. The County intends to refund a portion of the Outstanding Bonds from the proceeds of the Series 2013B Bonds to achieve interest rate savings for the benefit of the System. The then Outstanding Bonds after the refunding transaction and the issuance of the Series 2013 Bonds are referred to in this Report as the "Senior Lien Bonds."

The County has also historically issued Subordinated Obligations on behalf of the System to fund capital improvements to the System. All of the Outstanding Subordinated Obligations are associated with low-interest loans through the State Revolving Fund ("SRF") Loan Program as administered by the Florida Department of Environmental Protection ("FDEP"). The estimated principal outstanding associated with the Subordinated Obligations as of October 1, 2012 is \$55,643,751.

The following is a summary of the amount outstanding for the Outstanding Bonds and the Subordinated Obligations as of October 1, 2012, the first day of Fiscal Year 2013 for the County:

<u>Outstanding Bonds and Subordinated Obligations</u>	<u>Outstanding as of October 1, 2012 [1]</u>
Outstanding Bonds:	
Water and Sewer Refunding Revenue Bonds, Series 2003A ("Series 2003A Bonds") [2]	\$45,510,000
Water and Sewer Refunding Revenue Bonds, Series 2011 ("Series 2011 Bonds")	71,125,000
Water and Sewer Refunding Revenue Bonds, Series 2012A ("Series 2012A Bonds")	19,990,000
Water and Sewer Refunding Revenue Bonds, Series 2012B ("Series 2012B Bonds")	<u>7,490,000</u>
Total Outstanding Bonds	\$144,115,000
Subordinated Obligations:	
SRF – CS12039232P	1,885,782
SRF – DW3610010	21,735,269
SRF – WW392330	<u>32,022,701</u>
Total Subordinate Obligations	\$55,643,751
Total Outstanding Bonds and Subordinated Obligations	<u>\$199,758,768</u>

[1] Except as noted below, the amounts shown reflect the outstanding principal amount of the Bonds after the payment that was due and payable on October 1, 2012.

[2] Amount shown does not include any change in principal amount outstanding as a result the issuance of the Series 2013 Bonds.

As previously mentioned, the County intends to refund the Series 2003A Bonds from the proceeds of the Series 2013B Bonds. The outstanding liability shown above does not recognize the refunding.

(Remainder of page intentionally left blank)

The following is a summary of the sources and uses of the proceeds of the Series 2013 Bonds as provided by the County's Financial Advisor:

Summary of Series 2013 Bonds Estimated Sources and Uses of Funds [1]		
	<u>Series 2013A Bonds</u>	<u>Series 2013B Bonds</u>
Sources of Funds:		
Bond Proceeds – Par Amount	\$53,925,000	\$40,160,000
Premium	2,421,081	4,190,665
Other Sources of Funds:		
Cash Contribution	0	2,532,594
Total Sources of Funds	\$56,346,081	\$46,883,259
Uses of Funds:		
Project Fund	\$56,000,000	\$0
Refunding Escrow Deposit	0	46,627,641
Issuance Costs	246,857	185,043
Underwriter's Discount	95,755	69,794
Other Uses of Funds	3,470	780
Total Uses of Funds	\$56,346,081	\$46,883,259

[1] Amounts are preliminary and subject to change based on the actual terms regarding the sale of the Series 2013 Bonds.

It is estimated that the amount of debt outstanding to the net fixed assets^[2] (also referred to as the Debt to Net Plant Ratio) is projected to be approximately 34% after the issuance of the Series 2013 Bonds and is considered by PRMG to be a favorable indicator of the amount of System indebtedness relative to the amount of investment in net fixed assets.

RATES, FEES, AND CHARGES

General

The rate covenant as contained in Article V, Section 5.04 of the Bond Resolution^[3] requires the County shall fix, establish, maintain and collect such rates, fees and charges for the product, services and facilities of the System and revise the same from time to time, whenever necessary, as will always provide in each Fiscal Year:

"(A) Net Revenues and Special Assessment Proceeds adequate at all times to pay in each Fiscal Year at least one hundred percent (100%) of (i) the Annual Debt Service on all Outstanding Bonds becoming due in such Fiscal Year, (ii) any amounts required by the terms [of the Bond Resolution] to be deposited in the Reserve Account (as a result of any deficiency therein)...(iii) the amounts required [by the Bond Resolution]...to be repaid to the Water Connection Fees Funds and Sewer Connection Fees Fund, respectively, in such Fiscal Year,

[2] Net Fixed assets = Gross Fixed Assets less Accumulated Depreciation.

[3] See Appendix D of the Official Statement.

and

(B) Net Revenues, Special Assessment Proceeds and Connection Fees in each Fiscal Year adequate to pay at least one hundred twenty percent (120%) of the Annual Debt Service on all Outstanding Bonds becoming due in such Fiscal Year."

With respect to the discussion in this Report of the rate covenant referenced in Section 5.04 of the Bond Resolution, the first Annual Debt Service test identified in part A above will be referred to as "Test 1" and the second Annual Debt Service test referenced in part B above will be referred to as "Test 2." The Bond Resolution further provides if the County shall fail to comply with the rate covenant that it shall cause the Rate Consultant to review its rates, fees, charges, income, Gross Revenues, Operating Expenses and methods of operation and to make written recommendations as to the methods by which the County may promptly seek to comply with the rate covenant requirements as set forth in the Bond Resolution.

Water and Wastewater Rates for Monthly Service

The rates for water and wastewater service are set by the Board; the establishment and/or approval of rates is not under the jurisdiction of the FPSC. The estimated sales revenues derived from the monthly rates or user charges as reflected on Table 7 at the end of this Report associated with the projected operating results for the System were developed based on Resolution No. 11-08-26, which was adopted by the Board on August 9, 2011 (the "Rate Resolution"). The Rate Resolution adopted a rate phasing plan which recognized a series of increasing rate adjustments through Fiscal Year 2015 as summarized below on a percent rate adjustment change basis.

Existing and Adopted System Average Rate Revenue Adjustment [1]				
Fiscal Year	Water	Wastewater	Combined	Status
2013	6.0%	8.0%	7.0%	Implemented
2014	2.3%	4.6%	3.5%	Adopted
2015	2.3%	4.6%	3.5%	Adopted

[1] Rate adjustments are codified in the Rate Resolution and are scheduled to become effective on October 1st of each Fiscal Year.

The adopted monthly user rates as referenced in the Rate Resolution include: i) an administrative charge applied to each bill rendered to all accounts, regardless of service received; ii) a fixed service availability or readiness-to-serve charge which varies based on the customer classification and is predicated either on the number of units served (residential) or the size of the meter (commercial and irrigation service), regardless of service received; iii) for all customers of the Water System, a consumption charge consisting of inclining blocked rates to promote water conservation that for non-residential customers varies based on meter size (implied equivalent residential units served); and iv) for residential wastewater customers, a flow charge (based on metered water use) that is capped at 9,000 gallons per month per residential service dwelling unit and for the remaining customers of the Wastewater System, a constant volumetric flow charge based on one hundred percent (100%) of the metered water consumption to such account (domestic use; would not include separately metered water-only use). In addition, the County

charges a wellfield development surcharge of \$0.50 per Equivalent Residential Unit ("ERU") for all retail water service customers whose monthly water consumption exceeds the initial or first water conservation block (considered as essential use) during the monthly period (i.e., 6,000 gallons per ERU). In addition to the monthly retail rates for service, the County also provides wholesale water and wastewater service to customers which subsequently resale the service on a retail basis to the ultimate customer. The wholesale water and wastewater rates include only a uniform volumetric rate for all metered service provided to the wholesale customer. The rates for monthly water and wastewater service (including both retail and wholesale service) accounted for approximately 97% of the reported System Gross Revenue during Fiscal Year 2012.

As part of the consumptive use permitting process, the South Florida Water Management District ("SFWMD") requires water utilities located within the boundaries of the Water Management District to have a water conservation promoting rate structure. This requirement is part of SFWMD water conservation goals relative to the limitation of raw water withdrawals. SFWMD does not regulate the rates of the System regarding rate level but does encourage a conservation pricing strategy be in place. The County's Water System rates currently employ a water conservation rate structure which the County considers as being consistent with the general water conservation program goals encouraged by SFWMD.

The following is a summary of the current and adopted Water System rates of the County, all as contained in the Rate Resolution.

	Summary of Existing and Adopted Monthly County Water Rates		
	Fiscal Years Ending September 30,		
	2013 (Implemented)	2014 (Adopted)	2015 (Adopted)
Residential Service:			
Monthly Administrative Charge (per Bill)	\$3.29	\$3.36	\$3.44
Monthly Service Charge (per Unit/Lot):			
Single Family (1.0 ERU)	\$8.75	\$8.95	\$9.15
Multi-Family / Mobile Home (0.8 ERU)	7.00	7.16	7.32
Recreational Vehicle (0.4 ERU)	3.50	3.58	3.66
Metered User Charge (per 1,000 Gallons) [1]:			
Usage Block 1 (0 – 6,000 / 1.0 ERU)	\$3.13	\$3.20	\$3.27
Usage Block 2 (6,001 – 12,000 / 1.0 ERU)	3.91	4.00	4.09
Usage Block 3 (12,001 – 18,000 / 1.0 ERU)	4.70	4.80	4.91
Usage Block 4 (18,001 and Above / 1.0 ERU)	6.25	6.40	6.54

Table continued on following page.

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Summary of Existing and Adopted Monthly County Water Rates (cont'd.)

	Fiscal Years Ending September 30,		
	2013 (Implemented)	2014 (Adopted)	2015 (Adopted)
Commercial / Irrigation Service:			
Monthly Service & Administrative Charge (per Metered Account) [1][2]:			
5/8" ERU Ratio – 1.0	\$12.04	\$12.31	\$12.59
3/4" ERU Ratio – 1.5	16.42	16.79	17.17
1" ERU Ratio – 2.5	25.17	25.74	26.32
1-1/2" ERU Ratio – 5.0	47.04	48.11	49.19
2" ERU Ratio – 8.0	73.29	74.96	76.64
3" ERU Ratio – 16.0	143.29	146.56	149.84
4" ERU Ratio – 25.0	222.04	227.11	232.19
6" ERU Ratio – 50.0	440.79	450.86	460.94
8" ERU Ratio – 80.0	703.29	719.36	735.44
10" ERU Ratio – 145.0	1,272.04	1,301.11	1,330.19
Commercial Metered User Charge (Per 1,000 Gallons) [1]:			
Usage Block 1 (0 – 6,000 / 1.0 ERU)	\$3.13	\$3.20	\$3.27
Usage Block 2 (6,001 – 12,000 / 1.0 ERU)	3.91	4.00	4.09
Usage Block 3 (12,001 – 18,000 / 1.0 ERU)	4.70	4.80	4.91
Usage Block 4 (18,001 and Above / 1.0 ERU)	6.25	6.40	6.54
Non-Irrigation Metered User Charge (per 1,000 Gallons):	\$3.29	\$3.36	\$3.44
Irrigation Metered User Charge (per 1,000 Gallons) [1]:			
Usage Block 1 (0 – 6,000 / 1.0 ERU)	\$3.91	\$4.00	\$4.09
Usage Block 2 (6,001 – 12,000 / 1.0 ERU)	4.70	4.80	4.91
Usage Block 1 (12,001 and Above / 1.0 ERU)	6.25	6.40	6.54
Water Conservation Surcharge (per 1,000 Gallons) [3]	\$0.50	\$0.50	\$0.50

ERU = Equivalent Residential Unit

[1] Customers are billed the usage charge based on the customer's residential unit or commercial account's respective monthly use per identified usage block. The residential unit or commercial account usage blocks are determined based on the customer's assigned ERU factor.

[2] Amounts shown for commercial / non-residential customers reflect the addition of the Monthly Service and Administrative charges.

[3] Amounts shown charged to all customers whose monthly consumption exceeds the first water conservation block per monthly billing period.

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The following is a summary of the current and adopted Wastewater System rates of the County, all as contained in the Rate Resolution.

	Summary of Existing and Adopted Monthly County Wastewater Rates		
	Fiscal Years Ending September 30,		
	2013 (Implemented)	2014 (Adopted)	2015 (Adopted)
Residential Service:			
Monthly Administrative Charge (per Bill)	\$3.13	\$3.28	\$3.43
Monthly Service Charge (per Unit/Lot):			
Single Family (1.0 ERU)	\$15.55	\$16.27	\$17.02
Multi-Family / Mobile Home (0.8 ERU)	12.44	13.01	13.61
Recreational Vehicle (0.4 ERU)	6.22	6.51	6.81
Metered User Charge (per 1,000 Gallons) [1]	\$5.35	\$5.59	\$5.85
Unmetered User Charge [2]			
Single Family (1.0 ERU)	\$24.06	\$25.17	\$26.33
Multi-Family / Mobile Home (0.8 ERU)	19.25	20.13	21.06
Recreational Vehicle (0.4 ERU)	9.62	10.07	10.53
Commercial / Non-Residential Service:			
Monthly Service & Administrative Charge (per Metered Account) [1][3]:			
5/8" ERU Ratio – 1.0	\$18.68	\$19.55	\$20.45
3/4" ERU Ratio – 1.5	26.46	27.69	28.96
1" ERU Ratio – 2.5	42.01	43.96	45.98
1-1/2" ERU Ratio – 5.0	80.88	84.63	88.53
2" ERU Ratio – 8.0	127.53	133.44	139.59
3" ERU Ratio – 16.0	251.93	263.60	275.75
4" ERU Ratio – 25.0	391.88	410.03	428.93
6" ERU Ratio – 50.0	780.63	816.78	854.43
8" ERU Ratio – 80.0	1,247.13	1,304.88	1,365.03
10" ERU Ratio – 145.0	2,257.88	2,362.43	2,471.33
Metered User Charge (per 1,000 Gallons)	\$5.35	\$5.59	\$5.85

ERU = Equivalent Residential Unit

- [1] Residential units are billed wastewater user charges based upon their respective monthly metered water consumption. Monthly metered water use above 9,000 gallons per residential living unit (1 ERU) will not be billed the wastewater user charge.
- [2] Customers that do not receive metered water service used to determine the billed wastewater user charges shall be billed the unmetered user charge in-lieu of the metered user charge.
- [3] Amounts shown for commercial / non-residential customers reflect the addition of the Monthly Service and Administrative charges.

The County provides reclaimed water to customers charged through a variable charge per 1,000 gallons. The County has an adopted schedule of reclaimed water rates pursuant to the Rate Resolution; however the Rate Resolution also provides that customers who had prior agreements may be charged a negotiated rate. Pursuant to a letter from the Consulting Engineers dated October 29, 2011 to the Board (the "Reclaimed Rate Letter"), an alternative schedule of reclaimed water service charges has been established and is designed to phase-in the existing

customers with previously negotiated service agreements to a unified rate structure consistent with the identified rate levels within the Rate Resolution.

It should also be noted that pursuant to the Reclaimed Rate Letter applicable to customers that have entered into agreement for reclaimed service and recognizing that i) reclaimed water serves as a mechanism for effluent wastewater disposal for the Utility; and ii) it is in the interest of the Utility to incentivize reclaimed water use during off-peak months (i.e., during rainy season), the Utility provides an economic incentive by not billing those customers for monthly consumption during the summer months between June 1st and September 30th provided the customer utilizes more than fifty percent (50%) of the annual average usage of reclaimed water on a monthly basis (annual average determined as the twelve (12) consecutive months ending May 30th of each year). Pursuant to the Reclaimed Rate Letter, this policy is identified to continue for customers with previously established agreements for reclaimed water service through Fiscal Year 2015. The following provides a summary of those rates charged to reclaimed customers of the Utility:

	Summary of Existing and Adopted Monthly County Reclaimed Rates		
	Fiscal Years Ending September 30,		
	2013 (Implemented)	2014 (Adopted)	2015 (Adopted)
Adopted Reclaimed Water Rates [1]	\$0.50	\$0.52	\$0.55
Adopted Policy Reclaimed Water Rates [2][3]	\$0.40	\$0.45	\$0.50

[1] Adopted pursuant to the Rate Resolution and become effective October 1 of the respective fiscal year identified.

[2] Pursuant to the Rate Resolution, users who have entered into agreement with the County shall pay a mutually negotiated charge. Amounts shown reflect rate phasing for customers with previously established agreements as presented to the Board pursuant to a letter dated October 29, 2011 issued by the Utility. Rates shown become effective January 1 for each respective fiscal year identified.

[3] The County does not charge customers for monthly consumption during the summer months ranging from June 1st through September 30th in each fiscal year provided the customer uses more than fifty percent (50%) of the annual average usage of reclaimed water per month during the June 1st through September 30th period.

The County also provides wholesale water and wastewater service to several customers located adjacent to the County's water and wastewater service area. The rates for wholesale service are applicable to each customer that i) resells such services to its customers in accordance with Florida law and County ordinances; and ii) maintains all distribution/ collection systems, valves, hydrants, service connections, manholes and meters in the public rights-of-way or valid easements within its recognized service area. Wholesale service to a qualifying applicant shall be established by an agreement between such applicant and the County. The following is a summary of the existing wholesale water and wastewater rates for the County pursuant to the Rate Resolution.

	Summary of Existing and Adopted Wholesale Water and Wastewater Rates		
	Fiscal Years Ending September 30,		
	2013 (Implemented)	2014 (Adopted)	2015 (Adopted)
Water Service (\$/1,000 gallons)	\$3.67	\$3.75	\$3.84
Wastewater Service (\$/1,000 gallons)	4.68	4.89	5.12

Water Restriction Surcharge Adjustment

Pursuant to the Rate Resolution, in the event that SFWMD or other authority having appropriate jurisdiction declares a water shortage requiring a mandatory water usage reduction in the amount of 15%, the County's retail water user charges discussed above will be increased by 18%. Should a reduction of water use greater than 15% be required, the Board may establish by resolution, a water restriction surcharge based upon the recommendation of the Public Works Director that is designed in order to provide revenues required to comply with existing bond debt service covenants, or meet other requirements of the Water System. There is no water restriction surcharge adjustment applied to the wastewater system. Currently, the water restriction surcharge adjustment is not being billed since the SFWMD has not mandated water usage reductions that would necessitate the imposition of such a surcharge.

System Connection (Impact) Fees

In addition to the monthly rates for water and wastewater service, the County currently charges Connection Fees (commonly referred to as an Impact Fee) based upon the equitable and proportionate share of the cost for the: i) water production and transmission capacity, including facilities to which the County has a contractual capacity entitlement; and ii) wastewater transmission, treatment and effluent disposal capacity of the System. If an existing customer requests an increase in water or wastewater capacity due to increased development, an additional Connection Fee will be collected prior to the development consistent with the net increase in demand. The purpose of the Connection Fees is for paying or reimbursing the equitable share of the capital costs relating to the construction, expansion, or equipping of excess or unused capacity of the System in order to serve new users. The current Connection Fees were enacted by the Board pursuant to the adoption of the Rate Resolution. The following table summarizes the water and wastewater Connection Fees as adopted by the Board pursuant to the Rate Resolution for each respective utility service.

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System Connection Fees

Service	ERUs Per Unit	Existing System Connection Fee [1]
Residential		
Residential Water Fee per ERU	1.00	\$2,440.00
Residential Wastewater Fee per ERU	1.00	<u>2,660.00</u>
Total Residential Connection Fees per ERU		<u>\$5,100.00</u>
Multi-Family Residential (Per Dwelling Unit)		
Water Fee per ERU	0.80	\$1,952.00
Wastewater Fee per ERU	0.80	<u>2,128.00</u>
Total Multi-Family Connection Fees per ERU		<u>\$4,080.00</u>
Recreational Vehicle Service (Per Dwelling Unit/Lot)		
Water Fee per ERU	0.40	\$976.00
Wastewater Fee per ERU	0.40	<u>1,064.00</u>
Total Recreational Vehicle Connection Fees per ERU		<u>\$2,040.00</u>
Commercial and Non-Residential Service:		
Water Charge per Gallon of Reserved Capacity		\$9.76
Wastewater Charge per Gallon of Reserved Capacity		\$10.64

[1] ERU = Equivalent Residential Unit which equates the average capacity reserved for an individually metered residential dwelling unit whereby an ERU for the Water System equates to 250 gallons per day of average water use and 250 gallons per day of average wastewater flow for the Wastewater System which levels of service were adopted by resolution.

Miscellaneous Service Charges

Pursuant to the Rate Resolution, the County has also adopted a schedule of rates, fees, and charges that are applicable to miscellaneous or customer-requested services. The charges are generally imposed to recover the cost of specific services such as water and wastewater taps and utility turn-on fees. The County also requires as a condition of service a customer deposit to limit the risk of non-payment or an outstanding bill becoming uncollectible. The following is a discussion of the customer deposits and primary miscellaneous service fees and charges that have been adopted by the County which are a customary utility billing practice.

Security (Customer) Deposits

The County currently charges a security deposit to all new customers to limit the risk of non-payment of a utility bill (unless the customer can demonstrate that it has a good credit history and a deposit is not necessary). Interest on the security deposits held by the County is paid on an annual basis to the customer each September in the form of a credit on the customer's utility bill. The County refunds the single-family residential deposit to the customer if all payments are current and the deposit had been on file for 23 consecutive months; if the customer does not meet the above criteria then the County will hold the deposit until the credit history is satisfactory for the preceding 12 months or when service is terminated, whichever occurs first. All master-metered multi-family and commercial deposits are held for the term of service. The following is a summary of the existing security deposits as referenced in the Rate Resolution:

Summary of Security Deposits

	Water	Wastewater	Total
Single Family Residential (all meter sizes)	\$60.00	\$95.00	\$155.00
Multi-Family Residential per Unit (all meter sizes)	48.00	76.00	124.00
Recreational Vehicle per Unit (all meter sizes)	24.00	38.00	62.00
Commercial and Master-Metered Multi-Family (by meter size)			
5/8-inch meter	\$60.00	\$95.00	\$155.00
3/4 -inch meter	90.00	142.50	232.50
1-inch meter	150.00	237.50	387.50
1-1/2-inch meter	300.00	475.00	775.00
2-inch meter	480.00	760.00	1,240.00
3-inch meter	960.00	1,520.00	2,480.00
4-inch meter	1,500.00	2,375.00	3,875.00
6-inch meter	3,000.00	4,750.00	7,750.00
8-inch meter	4,800.00	7,600.00	12,400.00
10-inch meter	8,700.00	13,775.00	22,475.00

Water Meter Installation and Connection (Tap) Charges

The County has adopted a fee for the installation of a water meter as requested by a customer for the initiation of water service. The fees reflect the cost of a meter installation and the service connection (i.e., the connection or tap to the water main). The installation fees for the County represent operating revenue to the System and are summarized below:

Meter Size (Inches)	Water Meter Installation Charge without a Service Line Installation [1]	County Installed Water / Wastewater Service Tap-in Charge [1][2]
Water Service Charges:		
5/8-inch	\$260.00	\$1,025.00
3/4-inch	295.00	1,060.00
1-inch	325.00	1,090.00
1-1/2-inch	525.00	1,650.00
2-inch	595.00	1,800.00
3-inch or larger [3]	Actual Cost	Actual Cost
Wastewater Main Tap Charge [3]	N/A	Actual Cost

[1] Amounts shown derived from the Rate Resolution.

[2] Amounts shown are in addition to the meter installation charge.

[3] Charges for larger water meters and wastewater main taps will be based on actual time and expense incurred for the service as determined by the County.

Other Miscellaneous Service Charges

In addition to the above referenced charges, the County also has several other charges which are applicable to miscellaneous or customer requested services or for specific utility services. A summary of the other primary miscellaneous charges imposed by the County that are common in the utility industry include the following:

Other Miscellaneous Service Charges

Miscellaneous Fees for Services	Amount [1]
Premise Visit (Trip Charge) (includes meter re-reads, customer requested meter tests performed on-site, and any specific activities where a trip to customer premises is required by County utilities personnel)	\$35.00
Turn-on / Turn-off Charge	
Initiation of Service:	
During Normal Working Hours	\$45.00
After Normal Working Hours	55.00
Non-Payment Disconnection for Non-payment:	
During Normal Working Hours	\$50.00
After Normal Working Hours	65.00
Meter Testing Fee	\$70.00
Late Charge (on past due balance)	Greater of \$5.00 or 1%
Temporary Hydrant Meter / Backflow Prevention Deposit	
5/8 x 3/4-inch meter	\$280.00
1-inch meter	370.00
1-1/2-inch meter	730.00
2-inch meter	840.00
Unauthorized Water Tap Surcharge (fine)	\$500.00
Increase per each Subsequent Occurrence at same location	500.00
Wastewater Service Line Cleanout Tampering Charge	Actual Costs plus \$135.00 per occurrence
Unauthorized Sewer Tap Fine	\$400.00
Plan Review Fees (Initial Two Reviews)	The greater of 1.0% of the contributed asset value including labor, or \$790 minimum charge
Subsequent Reviews	Actual Costs
Fire Service Charges (Monthly Charge)	
5/8-inch meter	\$4.98
3/4-inch meter	4.98
1-inch meter	4.98
1-1/2-inch meter	4.98
2-inch meter	4.98
3-inch meter	9.96
4-inch meter	14.95
6-inch meter	29.89
8-inch meter	48.76
10-inch meter	59.78
Above 10-inch meter	59.78

[1] Reflects rates and charges as presented in the Rate Resolution.

Rate Comparisons

Tables 8 through 10 at the end of this Report provide a comparison of the monthly cost of providing water and wastewater service for a 5/8-inch x 3/4-inch or smaller water meter at various usage levels calculated under the existing rates of the System. Also included on the comparison are bills calculated under the rates of other neighboring Florida utilities as of the billing month of May 2013. The monthly bills for the various Florida utilities used for the comparison are exclusive of local taxes and surcharges, if any. Additionally, for municipally-owned utility systems, such utilities may apply to customers located outside the corporate limits of such municipality a surcharge up to 50% when compared to the rates for service to customers located within the corporate limits as allowed pursuant to Florida Statutes Section 180.191. The standard residential customer comparison (for the County being a 5/8-inch meter) was prepared since this represents the majority of the System's water and wastewater residential customers and the majority of the customers for the other utilities reflected in the comparisons. With respect to the municipal utility systems, only the inside-the-city rates are included in the comparison. As can be seen in the comparison, the System residential service rates produce bills for the County that is competitive with other neighboring utilities.

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The average individually-metered (single-family) residential customer for the County uses approximately 5,000 gallons of monthly water service and the comparison of water and wastewater rates at this consumption level between the County and the utilities surveyed is shown below:

Residential Service Assuming 5,000 Gallons of Monthly Utility Service			
	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Lee County			
Existing Rates as of October 1, 2012 [1]	\$27.69	\$45.43	\$73.12
Other Neighboring and Florida Utilities:			
Bonita Springs Utilities, Inc.	\$30.47	\$46.98	\$77.45
City of Bradenton	26.38	33.07	59.45
Charlotte County [2]	45.12	47.00	92.12
Collier County [2]	29.73	45.89	75.62
DeSoto County	43.55	53.30	96.85
Englewood Water District	25.27	37.72	62.99
FGUA – Golden Gate (Collier County) [2]	55.32	67.68	123.00
FGUA – Lehigh Acres (Lee County) [2]	40.82	65.93	106.75
City of Fort Myers	31.63	70.32	101.95
Hillsborough County [2]	30.18	34.63	64.81
Manatee County [2]	17.56	40.19	57.75
City of Marco Island [2]	49.01	54.96	103.97
City of Naples	14.96	35.99	50.95
City of North Port	36.15	55.59	91.74
Okeechobee Utility Authority [2]	44.06	55.51	99.57
Pinellas County [2]	28.25	33.35	61.60
City of Punta Gorda	30.68	32.59	63.27
City of Sarasota	29.27	47.46	76.73
Sarasota County [2]	28.91	52.59	81.50
Other Florida Utilities Average [3]	\$33.54	\$47.93	\$81.48

FGUA = Florida Governmental Utility Authority

[1] Amounts shown derived from the Rate Resolution and represent rates currently in effect; the water bills shown include the application of the billing charge that is rendered on a "per bill" basis, regardless of service required by the customer.

[2] Utility has indicated that it is currently involved in a rate study, is planning to conduct a rate study, or has indicated that it may implement a rate revision within the next twelve months.

[3] Amounts shown represent average of neighboring utility systems as shown on Tables 8 through 10 at the end of this Report.

Based on the median household income of \$49,444^[4] and the median utility use of 5,000 gallons per month, the County's average water and wastewater bill (based on Fiscal Year 2013 rates) currently approximates less than 1.8% of the median household income and is considered within the affordability levels generally recognized by the industry.

As discussed previously, the County charges Connection Fees to new development or applicants requesting water and/or wastewater capacity from the System in an effort to fund the capital cost of such capacity and to equitably assign such costs to those users which are imposing the need for the capital facilities. This application of a Connection Fee is commonly used by Florida utilities to fund capital or plant requirements associated with new growth. Table 11 at the end of

[4] Amount reported in 2011 inflation adjusted dollars per the U.S. Department of Commerce.

this Report provides a comparison of the Connection Fees for the County and those charged by neighboring utilities. The charges shown are based on an Equivalent Residential Unit or ERU basis. An ERU is representative of the average daily capacity of an individually metered single-family residential dwelling unit and generally represents the lowest level and the most common level of use. The County's currently effective Connection Fees for the Water System and Wastewater System are generally competitive with the utility average reflected on the comparison.

Connection Fees Rate per Equivalent Residential Unit (ERU)			
	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Lee County [1]	\$2,440.00	\$2,660.00	\$5,100.00
Other Florida Utilities Average [2]	<u>\$2,143.00</u>	<u>\$2,685.00</u>	<u>\$4,828.00</u>

[1] Amounts shown derived from the Rate Resolution.

[2] Amounts shown represent average of survey of 18 neighboring utility systems as shown on Table 11 at the end of this Report.

HISTORICAL AND PROJECTED SYSTEM SALES AND CUSTOMER STATISTICS

General

This section of the Report summarizes the recent trends in Water and Wastewater System customers, projected water production and wastewater treatment requirements, and associated sales and usage / billed flow characteristics for such utility systems. The historical period reflected in this Report covers the Fiscal Years ended September 30, 2008 through 2012 (the "Historical Period") and the Forecast Period is for Fiscal Years 2013 through 2017. Table 1 presents a detailed summary of the historical customers or accounts (terms used synonymously) as well as metered water sales (gallons sold) for the Water System. Similar information regarding the historical customers and billed wastewater flow (revenue gallons) for the Wastewater System is shown in Table 2. Tables 1 and 2 also summarize the projected customers and metered water sales, billed wastewater flow, and the water production and wastewater treated statistics for the Water and Wastewater Systems, respectively for the Forecast Period. The projection of System sales and customer statistics served as the basis for determining the estimated revenues derived from the application of the current and adopted rates for monthly water and wastewater service as discussed later in this Report.

The following is a discussion of the service area agreements and the historical and projected customer and sales statistics for the individual water and wastewater utility systems.

Water System

During Fiscal Year 2012, it is estimated that the County provided water service to an average of 77,396 retail customer accounts representing an estimated 129,850 equivalent residential units (ERUs) and nine (9) wholesale or bulk accounts representing an estimated 16,245 ERUs. For comparison purposes of the existing and projected customer base and the estimated number of dwelling units or ERUs served were identified. An ERU is representative of the average daily capacity or demands of a single-family residential unit and generally represents the lowest level and the most common level of use and is used to evaluate the size and capacity needs of a utility

system. Since commercial or multi-family customers are generally served by a larger-sized meter than the standard residential customers and generally have different (higher) water usage per account requirements, it is useful to equate such customers on an equivalent basis to the single-family residential class to provide a more consistent presentation of the total customer base served. The ERUs were estimated based on i) the number of dwelling units served for the residential class and information contained in the Rate Resolution; and ii) the number of commercial customers, the corresponding size of the meter used to provide service to such customers, and the use of meter equivalent (ERU) factors based on information contained in the Rate Resolution and information published by the American Water Works Association (AWWA), which documents the capacities of the various meters that are used by several Florida utilities in the establishment of rates for service, including the Florida Public Service Commission (FPSC) and the County.

In order to provide service and meet the Water System service area demands the County produces treated water through several treatment facilities located throughout the County. The following is a summary of the available and permitted water treatment capacity by treatment facility of the County as follows:

Summary of Water System Capacity	
Facility	Permitted Capacity (MGD) [1]
County-Owned Facilities:	
Corkscrew WTP	15.000
Green Meadows WTP [2]	9.000
North Lee County WTP [3]	11.600
Olga WTP	5.000
Pinewoods WTP	5.300
Waterway Estates WTP	1.500
Total Water Treatment Capacity	47.400

WTP = Water Treatment Plant

- [1] Amounts shown are as reported in the Engineer of Record *FY11 Comprehensive Report* dated December 2012 and reflect the current permitted capacity at the County's water treatment facilities.
- [2] County plans for a 5.0 MGD expansion of the Green Meadows WTP to 14.0 MGD commencing during the Forecast Period with expected completion by Fiscal Year 2016.
- [3] The County made improvements to the North Lee County WTP during the Calendar Year 2011 which increased the permitted capacity from 6.0 MGD to 11.6 MGD.

For reporting purposes and for the application of rates for monthly service, the County currently differentiates its Water System customer base into seven major classifications. This differentiation of customers allows the County to evaluate the service area characteristics and plan for the effects of future growth since the primary customer classes generally have differing water demand or usage requirements. The seven (7) major customer classifications include single-family residential, multi-family residential, recreational vehicle/mobile homes, commercial, irrigation, fire line service, and wholesale. A summary of the total average number of retail customers and associated estimated ERUs served by the Water System for Fiscal Year 2012 is summarized below:

**Fiscal Year 2012 Water System Average Accounts and
Estimated ERUs by Customer Classification**

Customer Classification	Water System			
	Accounts		ERUs [1]	
	Amount	Percent of Total	Amount	Percent of Total
Residential Service:				
Single-Family	66,963	86.51%	66,963	45.84%
Multi-Family [2]	2,976	3.84%	44,745	30.63%
Total Residential Service	69,939	90.35%	111,708	76.46%
Commercial and Non-irrigation [3]	5,476	7.08%	17,009	11.64%
Irrigation Only [3]	419	0.54%	1,133	0.78%
Fire Line Service [4]	1,562	2.02%	N/A	N/A
Total Retail Service	77,396	99.99%	129,850	88.88%
Wholesale / Bulk Service [3]	9	0.01%	16,245	11.12%
Total Water System	77,405	100.00%	146,095	100.00%

[1] Reflects average annual statistics; ERUs were calculated in accordance with the County's ERU factors based on the by-class customer relationships, the provisions of the Rate Resolution, and the corresponding meter size serving the customers.

[2] ERUs calculated based upon application of 0.8 ERU factor for standard multi-family units, apartments and mobile homes; and 0.4 ERU factor for recreational vehicles as contained in the Rate Resolution.

[3] Estimated ERUs based upon application of meter equivalent factors predicated on information published by the American Water Works Association applied to the number of accounts per meter size connection.

[4] Excludes calculation of fire line service ERUs recognizing that fire protection is a stand-by service.

The Water System customer base consists primarily of single-family and multi-family residential customers. As shown in the table above, this class accounts for approximately 90% of the total average annual accounts served during Fiscal Year 2012 (which represents the most recently completed fiscal year as of the date of this Report). Additionally, the number of retail residential ERUs accounts for approximately 76% of the total estimated ERUs served during the most recently completed Fiscal Year ended 2012 which provides an indication of the relative size in the customer base being served by the Water System.

As indicated in the above table and in addition to providing retail service, the County does provide wholesale or bulk water service to nine accounts. Such service is provided in accordance with the terms and conditions of a specific agreement entered into by the County with each respective wholesale customer. During Fiscal Year 2012, the wholesale water customers accounted for approximately 11% of the estimated water ERUs served and approximately 2.7% of the Gross Revenues. The following is a summary of the wholesale potable water service customers and agreement terms:

City of Cape Coral – The County and the City of Cape Coral ("Cape Coral") entered into the "Agreement for the Wholesale Sale of Potable Water by Lee County, Florida to the City of Cape Coral, Florida" dated January 27, 2004 which was subsequently amended on January 25, 2005 (the "Cape Coral Water Agreement") for the sale of potable water at two delivery points or interconnects in order to provide potable water service in northeast Cape Coral (such area being

referred to as the "Del Prado Service Area"). The Cape Coral Water Agreement provides, among other things, for i) the sale of approximately 0.78 MGD of potable water to Cape Coral; ii) the rates to be charged which shall equal the wholesale rate as contained in the Rate Resolution, which may be modified from time to time; and iii) the payment of impact fees to the County as Cape Coral retail customers connect in the Cape Coral service area which will rely on the wholesale water from the County to meet the potable water needs (but not less than 5% of the total amount due on an installment basis [maximum 20-year payment term] with the difference between what is paid versus then actual connected capacity will be returned to Cape Coral upon agreement termination). The term of the Cape Coral Water Agreement is for twenty (20) years with automatic five (5) year renewals unless notified one year in advance by either party to terminate. As of October 1, 2010 Cape Coral no longer purchases bulk water from the County and now directly provides water service from City-specific facilities to the Del Prado Service Area. Pursuant to the Cape Coral Water Agreement, the County reimbursed Cape Coral approximately \$1.9M in water connection fees paid through the Fiscal Year 2010. The Cape Coral Water Agreement is now maintained for emergency purposes only and therefore, no wholesale water sales to Cape Coral pursuant to the Cape Coral Water Agreement were reported during Fiscal Year 2012. Additionally, no wholesale sales agreement to the respective agreement is anticipated during the Forecast Period.

In addition to the Cape Coral Water Agreement, the County has also entered into agreement with Cape Coral for the wholesale purchase and/or sale of potable water during emergencies (the "Cape Coral Emergency Water Agreement") dated May 15, 2012 (for emergency service at other delivery points than the Del Prado Service Area). The Cape Coral Emergency Water Agreement provides, among other things, for i) the purchase or sale of finished potable water expressed on a gallons per day basis as mutually agreed upon at the time of need; ii) the rates to be charged shall equal the greater of either entities adopted potable wholesale rate, which may be modified from time to time; iii) service provided through existing water system interconnection points with the possibility for construction of a future connection point on Pine Island Road (SR 78); and iv) duration of service for any single emergency may not exceed twelve (12) continuous months without review of the receiving party's corrective plan and written approval by the delivering party. The term of the Cape Coral Emergency Water Agreement is for twenty (20) years with automatic five (5) year renewals unless notified one year in advance by either party to terminate.

Tamiami Village Water Company / NI-Florida LLC – The County and the Tamiami Village Water Company (the "Water Company" which was subsequently acquired by Ni-Florida LLC in March 2008) entered into the *"Agreement for Wholesale Sale and Purchase of Treated Potable Water by and between Lee County, Florida and Tamiami Village Water Company"* dated October 1, 2002 (the "Tamiami Water Agreement") for the sale of potable water to meet the retail potable water needs for the exclusive water service territory of the water company. The Tamiami Water Agreement provides, among other things, for i) the rates to be charged to the Water Company which shall equal the wholesale rate as contained in the Rate Resolution, which may be modified from time to time; ii) the Water Company to be responsible for all capacity-related charges associated with new connections to the Water System which constitute an increase in the flow from the service area; and iii) a term of service which shall remain in full

force and effect on a continuously effective basis. During Fiscal Year 2012, the wholesale water sales to the Water Company were approximately 0.062 MGD.

Florida Governmental Utility Authority (the "FGUA") – The County and the North Fort Myers Utility, Inc. entered into the *"Agreement for Wholesale Sale and Purchase of Treated Potable Water by and between Lee County, Florida and North Fort Myers Utility"* dated October 1, 2002 which was subsequently assigned to the FGUA upon the purchase of the utility by the FGUA on July 30, 2010 (the "FGUA Water Agreement") for the sale of potable water to meet a portion of the retail potable water needs for the exclusive water service territory of this specific FGUA water system (the FGUA owns and operates other utilities in Lee County but this service agreement is not applicable to any other utility owned by the FGUA). The FGUA Water Agreement provides, among other things, for i) the rates to be charged which shall equal the wholesale rate as contained in the Rate Resolution, which may be modified from time to time; and ii) a term of service which shall remain in full force and effect on a continuously effective basis. During Fiscal Year 2012, the wholesale water sales to the FGUA were approximately 0.092 MGD (which is in addition to the finished water produced at the FGUA-owned water treatment plant).

Town of Fort Myers Beach – The County and the Town of Fort Myers Beach ("FMB") entered into the *"Agreement for Sale and Purchase of Potable Water by and between Lee County, Florida and the Town of Fort Myers Beach"* on August 3, 2001, which was subsequently amended on November 13, 2001 and on August 5, 2008 (collectively, the "FMB Water Agreement") for the sale of potable water at two delivery points or interconnects to meet the retail potable water needs for the water service territory of FMB. The FMB Water Agreement provides, among other things, for the following: i) the County to be the exclusive provider of all potable water service requirements to FMB without the ability by FMB to sell such purchased water on a wholesale basis, except for emergency conditions, to any other utility or entity; ii) FMB will not construct any water production or treatment facilities which would supplant the potable water supply purchased from the Water System by FMB; iii) the rates to be charged which shall equal the wholesale rate as contained in the Rate Resolution, which may be modified from time to time; and iv) a term of service of twenty-five years through August 3, 2021. During Fiscal Year 2012, the wholesale water sales to FMB were approximately 1.159 MGD.

Gateway Services Community Development District – The County and the Gateway Services Community Development District ("Gateway" or "District") have entered into the *"Gateway Services Community Development District Interlocal Agreement"* dated July 11, 2003 (the "Gateway Water Agreement") for the sale of potable water to meet the retail potable water needs for Gateway's Service Area (as defined in such agreement). The Gateway Water Agreement provides, among other things, for i) the County to provide a quantity of potable water sufficient for the full requirements of all the Gateway present and future users; ii) the rates to be charged which shall equal the wholesale rate as contained in the Rate Resolution, which may be modified from time to time; iii) the County having the ability to collect Connection Fees from all new structures or users that connect to Gateway's internal potable water distribution system with the Gateway Service Area; and iv) a term of service of thirty (30) years to September 30, 2033, with successive thirty (30) year terms unless terminated by the parties as provided in the Gateway

Water Agreement. During Fiscal Year 2012, the wholesale water sales to Gateway were approximately 0.579 MGD.

BE Utility Systems, LLC – The County and BE Utility Systems, LLC (d/b/a Buccaneer Water Service) ("Buccaneer Water") have entered into the *"Agreement for Wholesale Sale and Purchase of Treated Potable Water by and Between Lee County, Florida and Buccaneer Water Service"* dated October 1, 2002 (the "Buccaneer Water Agreement") for the sale of potable water to meet the retail potable water needs for the exclusive water service territory of the water company. The Buccaneer Water Agreement provides, among other things, for i) the rates to be charged to Buccaneer Water which shall equal the wholesale rate as contained in the Rate Resolution, which may be modified from time to time; ii) Buccaneer Water being responsible for the payment of all capacity-related charges associated with new connections to the Water System which constitute an increase in the flow from the service area; and iii) a term of service which shall remain in full force and effect on a continuously effective basis. During Fiscal Year 2012, the wholesale water sales to the Buccaneer Water were approximately 0.077 MGD.

Mobile Manor, Inc. – The County and Mobile Manor, Inc. ("MMI") have entered into the *"Agreement for Wholesale Sale and Purchase of Treated Potable Water by and Between Lee County, Florida and Mobile Manor, Inc."* dated October 1, 2002 (the "MMI Water Agreement") for the sale of potable water to meet the retail potable water needs for the exclusive water service territory of the water company. The MMI Water Agreement provides, among other things, for i) the rates to be charged to MMI Water which shall equal the wholesale rate as contained in the Rate Resolution, which may be modified from time to time; ii) MMI being for the payment of all capacity-related charges associated with new connections to the Water System which constitute an increase in the flow from the service area; and iii) a term of service which shall remain in full force and effect on a continuously effective basis. During Fiscal Year 2012, the wholesale water sales to the MMI were approximately 0.015 MGD.

Charlotte County – The County and Charlotte County have entered into the *"Water and Wastewater Interlocal Agreement Between Charlotte County and Lee County"* dated February 3, 2004 (the "Charlotte Interlocal Agreement") for potable water to a service area referred to as Burnt Store located in southern Charlotte County and northern Lee County (such service area was previously served by Florida Water Services Corporation, Inc. prior to the purchase of the utility by Charlotte County and serves approximately 1,000 customers in Lee County). The Charlotte Wholesale Agreement provides, among other things, for i) Charlotte County to provide retail potable water service in Lee County within the Burnt Store service area and ii) the rates to be charged in such service territory will be uniform and consistent with the rates charged by Charlotte County in the respective Burnt Store service area. As such, there is no wholesale service provided to this area and the customers located in the Burnt Store service area are considered retail customers of Charlotte County. The term of the Charlotte Interlocal Agreement has no term but may be terminated by mutual agreement between the parties.

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The historical and projected customer statistics for the Water System are summarized below:

Water System [1]							
Fiscal Year [2]	Retail Service			Wholesale Water Sales (000s Gallons)	Total Water Sales (000s Gallons)	Finished Water	
	Average Annual No. of Accounts	Retail Sales (000s Gallons)	Average Monthly Use per Account (Gallons)			Thousand Gallons	ADF-MGD
2008	76,145	7,503,846	8,212	742,338	8,246,184	8,838,535	24.22
2009 [3]	75,275	7,414,916	8,209	766,239	8,181,155	8,719,119	23.89
2010 [3]	75,588	7,052,466	7,775	712,203	7,764,669	8,424,254	23.08
2011	76,189	7,279,995	7,963	715,428	7,995,423	8,591,946	23.54
2012	77,396	7,116,776	7,663	724,001	7,840,777	8,750,233	23.97
Annual Growth	<u>0.41%</u>	<u>(1.32%)</u>	<u>(1.72%)</u>	<u>(0.62%)</u>	<u>(1.25%)</u>	<u>(0.25%)</u>	<u>(0.25%)</u>
2013 [4]	78,086	7,119,771	7,598	707,212	7,826,983	8,554,080	23.44
2014	78,648	7,152,455	7,579	708,269	7,860,724	8,590,955	23.54
2015	79,208	7,185,027	7,559	709,331	7,894,358	8,627,714	23.64
2016	79,765	7,217,435	7,540	711,466	7,928,901	8,665,466	23.74
2017	80,319	7,249,676	7,522	713,623	7,963,299	8,703,059	23.84
Annual Growth [5]	<u>0.74%</u>	<u>0.37%</u>	<u>(0.37%)</u>	<u>(0.29%)</u>	<u>0.31%</u>	<u>(0.11%)</u>	<u>(0.11%)</u>

- [1] Amounts derived from Table 1 at the end of this Report; amounts shown include all customer classes, including wholesale customer accounts. It should be noted that the average use per single family residential customer, the largest customer class of the System, averaged approximately 4,600 gallons per month of water use during the last five years ended Fiscal Year 2012.
- [2] During Fiscal Year 2007 and continuing in some form today, the SFWMD has imposed water use restrictions on the use of potable water in order to reduce water demand during drought conditions being experienced in the region and the State of Florida that have occurred periodically during the Historical Period and the current fiscal year; reductions in water use demand was a direct result of such restrictions coupled with the reduction in Water System accounts (see Footnote 3).
- [3] The decline in Water System accounts is believed by the County to be a direct result of the economic downturn in the Florida economy, which materially affected new construction and development and which has resulted in an increase in inactive accounts.
- [4] Amounts shown are projected based upon actual customer billing statistics and reported revenues for five (5) months ending February 28, 2013.
- [5] Reflects average annual compound growth rate from Fiscal Year 2012 through Fiscal Year 2017.

As can be seen above, the average number of active accounts served for the Water System declined during Fiscal Year 2009, which is believed by the County to be attributable to the effects of the economic downturn experienced in both the State of Florida and nationally during such fiscal year and which has continued to linger during the Historical Period. However, the number of customer accounts being served by the System appears to have rebounded more recently and the County reports that the service area is experiencing growth from new meter sets; the average annual compound growth in active annual average customers served for the Historical Period was 0.4%. With respect to the average water use (billed sales) per account, such average usage levels declined to the lowest levels reported by the County for the last five Fiscal Years. Besides the effects of the recent economic downturn and rainfall events on the general use of potable water, the region had been under drought conditions for several years prior to and during the Historical Period. In reaction to the drought conditions the County adopted year-round two-day per week watering restrictions pursuant to County Ordinance No. 05-10 on June 14, 2005 (the "Water Restriction Ordinance") which is still in effect. Similarly, the SFWMD also imposed certain general water-use restrictions during the Historical Period. In some instances the SFWMD water-use restrictions exceeded those water use restrictions adopted by the County. Below is a brief summary of the restrictions imposed by the SFWMD:

SFWMD Water Use Restrictions Summary for Lee County [1]

District Administrative Item	Date	Summary Description
Order #2007-870	1/15/08 – 4/18/08	Modified Phase III – Irrigation Restrictions for Agricultural, Utility, Nursery, Athletic/Rec. Areas, & Golf Course
Order #2008-166	4/18/08 – 9/26/08	Modified Phase II – Rescinds & Modifies Order #2007-870
Order #2008-420	9/26/08 – 3/19/10	Modified Phase II – Partially Rescinds & Modifies Order #2007-166
Order #2009-109	5/18/09 – 7/2/09	Modified Phase III – Irrigation Restrictions for Agricultural, Utility & Golf Course
Order #2009-180	7/2/2009	Rescinds Order #2009-109
Order #2010-051	3/19/2010	Rescinds Order #2008-166
Order #2011-036	3/21/2011	Modified Phase I

[1] Information show was reported by the SFWMD reflecting all water shortage orders which has had a direct effect on water use since January 1, 2007. Subsequent to the final rescinding order made 3/19/2010, the SFWMD adopted permanent year-round watering restrictions equivalent to those in effect immediately prior to the rule change.

As can be seen above, SFWMD implemented Modified Phase III restrictions on several occasions, which was considered more restrictive than the County's adopted Water Restriction Ordinance. In March 2011, SFWMD relaxed the restrictions and made permanent two-day-per-week watering restrictions due to the return of normal rainfall to the region at that time and the general increase in the availability of water supply, which water use restrictions are still in effect. SFWMD is still encouraging year-round conservation of water resources and, to the extent there is a need to promote additional conservation of regional water resources, SFWMD may impose additional water use restrictions as may be required. In addition, the ongoing economic downturn facing the County as mentioned earlier is also considered by the County to have had a downward effect on historical water use and sales revenues. As a result of these trends and the external factors facing the utility industry, the financial forecast recognizes i) minimal active account growth during the Forecast Period; and ii) average water use per customer reflective of more recent customer usage characteristics which results in lower water sales and revenues based on long-term historical trends.

The forecast of Water System accounts and water sales was based on recent historical trends and new meter installations, discussions with County staff associated with the permitting of new development, and the assumption that growth will still be marginal based on recent historical trends as the service area continues to be developed (assumes no change in the utility service area boundaries). With respect to Fiscal Year 2013, it was assumed that a minimal increase in Water System customers would result which recognizes a general improvement in the area economy associated with new construction as well as a marginal improvement in the general financial condition of the existing customer base. Furthermore, it was assumed that the recent average use per account as experienced by the Water System would generally be maintained, with no increase in average water use per account (any rebound to 2009 pre-restriction levels) occurring during the Forecast Period. The water customer statistical forecast shown on Table 1 served as the basis for the projection of revenues derived from monthly water user charges for the Forecast Period reflected in the Report.

Most recently during the Historical Period, the Bayshore Utility Co. ("Bayshore"), a private utility located in Lee County that previously served approximately 208 residential water-only

customers, was condemned by the County Health Department due to water quality violations. The County Attorney's Office petitioned the Court requesting an emergency hearing to assign responsibility to the County of this private utility which was granted April 25, 2012. In order to protect the public health and safety for the community, the County constructed an emergency potable water interconnect to the Bayshore potable water distribution system on May 15, 2012. The County has assumed the ownership of this utility system and now provides retail service to these customers. The financial forecast reflects the incremental addition of these water customers during Fiscal Year 2013.

Since the water treatment plants and wholesale water supply are interconnected from a water conveyance standpoint, the available capacity from the various water production and treatment sources are considered by the County as a single service area and the Water System capacity for all the plants and sources has been combined for the purposes of the future determination of capacity utilization of such facilities. As previously mentioned, the permitted water treatment capacity expressed on a maximum daily flow basis as of October 1, 2012 was 47.4 MGD. The County additionally plans to increase the treatment capacity with the completion of the Green Meadows Water Treatment Plant upgrade and expansion with expected completion during Fiscal Year 2016. When the Green Meadows Water Treatment Plant project is completed, the County anticipates the Water System plant capacity to increase by 5.0 MGD from 47.4 MGD to 52.4 MGD.

Recognizing the respective treatment capacity of the Water System and the projection of water sales, it is anticipated that there will be sufficient water treatment capacity to meet the respective service area water demand (which rate revenues are based) for the Forecast Period as summarized below.

Projected Water Production – (Finished Water)				
<u>Fiscal Year Ending September 30,</u>	<u>Annual Average Daily Flow (MGD) [1]</u>	<u>Maximum Daily Flow (MGD) [2]</u>	<u>Permitted Capacity (MADF – MGD)</u>	<u>Percent Capacity Utilized</u>
2013	23.44	35.15	47.40	74.17%
2014	23.54	35.31	47.40	74.48%
2015	23.64	35.46	47.40	74.81%
2016	23.74	35.61	52.40 [3]	67.96%
2017	23.84	35.77	52.40	68.26%

[1] Amounts shown based on the forecast of total System water sales as shown on Table 1 adjusted for an unbilled water factor of 8.5% based on recent historical trends.

[2] Maximum daily flow based on the application of a 1.50 peaking factor to the finished water production expressed on an annual average daily flow basis predicated on historical trends and discussions with the County.

[3] Increase in permitted capacity represents the Green Meadows Water Treatment Plant upgrade and expansion of 5.0 MGD assumed to be completed during the Fiscal Year 2016.

As illustrated above, the use of the permitted water capacity expressed on a combined plant basis for the Water System during the Forecast Period is expected to approximate 74% until completion of the Green Meadows Water Treatment Plant project and then will be approximately 68% of the permitted capacity. Based on the available capacity in the Water System, the County is anticipated to have sufficient water production and treatment capacity to serve the Water

System service area and the assumed growth for such area as identified in this Report during the Forecast Period as well as beyond such period.

The Water System on average has experienced an unbilled water level of approximately 8.5% of total finished water production for the past three (3) fiscal years. Unbilled water represents the amount of finished water that is not billed rates for service and includes both accounted for water (e.g., hydrant flushing) and unaccounted for water (e.g., leaks). Unbilled water is due to a variety of factors, including water used for line flushing, hydrant testing, firefighting, utility use (wash down of lift stations for maintenance purposes), and water losses (system leakage). For the Forecast Period, unbilled water was assumed to remain at levels recently experienced based on historical water production and sales requirements relationships. The forecast of water production is based on the projection of water sales shown on Table 1 as adjusted for an allowance for unbilled water to recognize that a certain percentage of the finished water produced will not be billed. Table 4 at the end of this Report summarizes the projected finished water production for the Forecast Period.

Wastewater System

For reporting purposes and for the application of rates for monthly service, the County currently differentiates its Wastewater customer base into five major classifications. This differentiation of customers allows the County to evaluate the service area characteristics and plan for the effects of future growth since the primary customer classes generally have differing wastewater demand or usage requirements. The five major customer classifications include single-family residential, multi-family residential, recreational vehicle/mobile homes, commercial, and wholesale. During Fiscal Year 2012, the Wastewater System provided retail service to approximately 55,922 average accounts representing an estimated 108,426 ERUs and three (3) wholesale accounts representing an estimated 6,130 ERUs. A summary of the total average number of retail customers and associated ERUs served by the Wastewater System for Fiscal Year 2012 is summarized below:

(Remainder of page intentionally left blank)

**FY 2012 Wastewater System Average Customer Accounts
and Estimated ERUs by Customer Classification**

Customer Classification	Wastewater System			
	Accounts		ERUs [1]	
	Amount	Percent	Amount	Percent of Total Retail
Residential Service [2]:				
Single-Family	49,065	87.73%	49,065	42.83%
Multi-Family [3]	2,991	5.35%	45,943	40.11%
Total Residential Service	52,056	93.08%	95,008	82.94%
Commercial Service [2]	3,866	6.91%	13,418	11.71%
Total Retail Service	55,922	99.99%	108,426	94.65%
Wholesale / Bulk Service	3	0.01%	6,130	5.35%
Total Wastewater System	55,925	100.00%	114,556	100.00%

[1] Reflects average annual statistics; ERUs were calculated in accordance with the County's ERU factors based on the by-class customer relationships, the provisions of the Rate Resolution, and the corresponding meter size serving the customers.

[2] Amounts shown include County wastewater—only retail accounts that are billed by the Town of Fort Myers Beach.

[3] ERUs calculated based upon application of 0.8 ERU factor for standard multi-family units, apartments and mobile homes; and 0.4 ERU factor for recreational vehicles as contained in the Rate Resolution.

As mentioned previously for the Water System, the Wastewater System customer base consists primarily of single-family and multi-family residential customers. As shown in the table above, this class accounts for approximately 93% of the total average annual accounts served during Fiscal Year 2012. Additionally, the number of retail residential ERUs served is approximately 83% of the total estimated ERUs served providing an indication of the relative size of the customer base served by the Wastewater System.

As indicated in the above table and in addition to providing retail service, the County provides wholesale or bulk wastewater service to three (3) accounts. Such service is provided in accordance with the terms and conditions of a specific agreement entered into by the County with each respective wholesale customer. During Fiscal Year 2012, the wholesale wastewater sales revenue accounted for approximately 1.3% of the System Gross Revenues. The following is a summary of the wholesale waste water service customers and agreement terms:

Gateway Services Community Development District – The County and Gateway Services Community Development District ("Gateway") have entered into the "*Gateway Services Community District Interlocal Agreement*" dated July 11, 2003 (the "*Gateway Wastewater Agreement*") for the wholesale wastewater treatment and reuse water service to meet the retail wastewater needs for the Gateway Service Area (as defined in such agreement). The Gateway Wastewater Agreement provides, among other things, for the following: i) the reservation of 0.743 MGD of wastewater treatment capacity in the Gateway Wastewater Treatment Plant (which had a design capacity of 1.0 MGD at the time of agreement execution); ii) the County will provide a quantity of wastewater treatment and reuse sufficient for the full requirements of all the Gateway present and future users; iii) provides the rates to be charged which shall equal the wholesale rate as contained in the Rate Resolution, which may be modified from time to time; iv) Gateway must pay the County Connection Fees for new customer connections since it

(3,715 ERUs); v) Gateway is required to make payments totaling \$172,335 annually for 30 years with final repayment scheduled for Fiscal Year 2033 (installment payment for the initial capacity); and vi) a term of service of thirty (30) years to September 30, 2033, with successive thirty (30) year terms unless terminated by the parties as provided in the Gateway Wastewater Agreement. During Fiscal Year 2012, the wholesale wastewater sales billed to Gateway by the County were approximately 0.579 MGD (based on metered water sales).

Environmental Protection Systems of Pine Island, Inc. ("EPS") – The County entered into the *"Wastewater Treatment Service Agreement between Lee County and Environmental Protection Systems of Pine Island, Inc."* on November 26, 2002 (the "EPS Wastewater Agreement") to provide wholesale wastewater services to the Cherry Estates Mobile Home Park (the "Cherry Estates MHP") located on Pine Island. The EPS Wastewater Agreement provides, among other things, for i) the ability to serve connections in the Cherry Estates MHP only until flows sent to the County's Pine Island Wastewater Treatment Plant approach 95,000 gallons per day ("gpd") (which amount can be increased once the capacity at the County's wastewater treatment facilities are increased either by plant expansion, rerating of the current plant with the FDEP or by conveyance of waste to another County facility); ii) the rates to be charged which shall equal the wholesale rate as contained in the Rate Resolution, which may be modified from time to time; and iii) a term of service of fifty (50) years to November 25, 2052, with a second successive fifty (50) year term unless terminated by the parties as provided in the EPS Wastewater Agreement. During Fiscal Year 2012, the wholesale wastewater sales billed to the Cherry Estates MHP by the County were approximately 0.024 MGD (based on metered water sales).

Jamaica Bay West Associates, Ltd. – The County and Jamaica Bay West Associates, Ltd. ("Jamaica Bay") initially entered into an *"Agreement for a Temporary, Emergency Connection for Wastewater Disposal Services"* with Lee County on September 23, 2003, which was amended on July 3, 2008 (First Amendment) to extend the term of such agreement, and which was further amended on June 1, 2010 (Second Amendment), May 3, 2011 (Third Amendment) and April 17, 2012 (Fourth Amendment) to extend the term of such agreement to May 31, 2013 (collectively, the "Jamaica Wastewater Agreement"). The purpose of the Jamaica Wastewater Agreement was to allow the development to enter into a temporary wholesale wastewater treatment agreement due to operational problems with its connection to Forest Utilities (a private utility) wastewater collection system. While contractually the Jamaica Wastewater Agreement will expire May 31, 2013 based on discussions with Utility staff the owners of Jamaica Bay are currently in the process of negotiating a fifth amendment to continue service. For purposes of this financial forecast service to Jamaica Bay is assumed to continue throughout the Forecast Period. The Jamaica Wastewater Agreement provides, among other things, for i) the rates to be charged to Jamaica Bay which shall equal the wholesale rate as contained in the Rate Resolution, which may be modified from time to time; ii) provides for the County to provide all the wastewater treatment needs of the development; and iii) the term of service as previously mentioned. During Fiscal Year 2012, the wholesale wastewater sales to Jamaica Bay were approximately 0.153 MGD.

The historical and projected customer (account) and sales (billed flow) statistics for the Wastewater System has reflected similar trends as discussed for the Water System. The effects of the economic downturn slowed historical customer growth and negatively affected the average

billed wastewater flows. Below is a summary of the historical and projected Wastewater System customer account growth and billed flows which is also shown in greater detail on Table 2 at the end of this Report.

Wastewater System [1]							
Fiscal Year	Retail Service			Wholesale Billed Flows (000s Gallons)	Total Billed Flows (000s Gallons)	Total Treated Wastewater	
	Average Annual No. of Accounts	Billed Flows (000s Gallons)	Billed Flows per Account (Gallons)			Thousands of Gallons	Daily Flow (ADF –MGD)
2008	54,403	4,907,131	7,517	249,849	5,156,980	5,833,278	15.98
2009 [2]	53,873	5,078,114	7,855	247,458	5,325,572	5,602,042	15.35
2010	54,162	4,954,609	7,623	214,507	5,169,116	6,067,368	16.62
2011	54,763	5,014,164	7,630	254,450	5,268,614	5,663,066	15.52
2012	55,922	4,910,717	7,318	276,247	5,186,964	5,580,126	15.29
Annual Growth	<u>0.7%</u>	<u>0.0%</u>	<u>(0.7%)</u>	<u>2.5%</u>	<u>0.1%</u>	<u>(1.1%)</u>	<u>(1.1%)</u>
2013 [3]	56,396	4,927,090	7,280	276,247	5,203,337	5,594,986	15.33
2014	56,782	4,946,748	7,260	277,304	5,224,052	5,617,260	15.39
2015	57,166	4,966,315	7,240	278,366	5,244,681	5,639,442	15.45
2016	57,548	4,985,788	7,220	279,434	5,265,222	5,661,529	15.51
2017	57,928	5,005,169	7,200	280,507	5,285,676	5,683,523	15.57
Annual Growth [4]	<u>0.7%</u>	<u>0.4%</u>	<u>(0.3%)</u>	<u>0.3%</u>	<u>0.4%</u>	<u>0.4%</u>	<u>0.4%</u>

[1] Amounts derived from Table 2 at the end of this Report; amounts shown include all customer classes including wholesale customers. It should be noted that the average billed wastewater flow per single family residential customer, the largest customer class of the System, averaged approximately 3,900 gallons per month during the last five years ended Fiscal Year 2012 and is based on metered water use at the customer's premise.

[2] The decline in Wastewater System accounts was anticipated by the County to primarily be a direct result of the economic downturn in the Florida economy, which affected new construction and development resulting in an increase of inactive accounts.

[3] Amounts shown are projected based upon actual customer billing statistics for Fiscal Year 2012 and further adjusted based upon a review of reported revenues for the five (5) months ending February 28, 2013.

[4] Reflects average annual compound growth rate from Fiscal Year 2013 through Fiscal Year 2017.

It has been assumed that the growth rate for wastewater customers will remain consistent with trends recently experienced by the Wastewater System for the Historical Period shown above. Based on reported development/service area information provided by the County, growth is expected to be consistent with the projections assumed for the Water System with such growth continuing to be primarily residential in nature consistent with the land use requirements of the service area. The Wastewater System customer and billed flow (sales) projections shown on Table 2 served as the basis for the projection of rate revenues derived from monthly wastewater service charges for the Forecast Period reflected in the Report.

Wastewater billed flow, sometimes referred to as revenue gallons as shown in the above table, represents the metered water consumption for which the County's wastewater flow or usage charge is billed. As previously mentioned in the Report regarding the rates for service, metered water consumption provides the basis for the billing of the wastewater usage charges. As was the case with the Water System, average monthly wastewater gallons billed expressed on a per account basis has generally decreased over the recent historical period, concurrent with the decrease in billed water consumption. This decrease in billed flow or use is not as dramatic as that reported for the Water System since there is less discretionary use for the Wastewater System (all flow generally for indoor use and not irrigation service which is considered as a discretionary use and which water conservation pricing measures are primarily targeted). Projections of wastewater gallons billed per account are anticipated to remain relatively constant

at current (reduced) levels during the Forecast Period as a result of the assumption of permanent water restrictions over the long-term being instituted by SFWMD which will have an effect on billed wastewater flow, the continuing effects of conservation on water use including the recognition of an overall general downward trend in indoor water use (e.g., all new development must install conservation-promoting fixtures such as low flow toilets), and that the customers will not rebound to pre-water restriction and favorable economic times usage levels (customers have responded to current conditions and it is assumed such overall usage reductions will generally be permanent in amount).

It should be noted that most of the water customers added to the System which are associated with new property development (not due to extensions of service to existing areas or acquisition of utility systems) are expected to receive wastewater service. As shown below, the amount of average wastewater customers approximated 72% of the number of average water customers served by the System during Fiscal Year 2012:

Active Accounts – Annual Average Fiscal Year 2012 [1]			
	<u>Water Accounts</u>	<u>Wastewater Accounts [2]</u>	<u>Percent to Water Accounts</u>
Residential Service:			
Single-Family (Individual Metered)	66,963	49,065	73.27%
Multi-Family (Master Metered)	2,976	2,991	100.50%
Commercial and Non-irrigation Service	5,476	3,866	70.60%
Irrigation Service	419	N/A	N/A
Subtotal	<u>75,834</u>	<u>55,922</u>	<u>73.74%</u>
Fire Line Service	<u>1,562</u>	<u>N/A</u>	<u>N/A</u>
Totals	<u>77,396</u>	<u>55,922</u>	<u>72.25%</u>

[1] Amounts shown reflect retail customer accounts, exclusive of bulk / wholesale customer accounts.

[2] Includes County wastewater-only retail accounts that are billed by the Town of Fort Myers Beach.

As can be seen above, the County reports that there are more water customers than wastewater customers. As previously mentioned, this is primarily due to the County currently providing water service to a larger territory than that of the Wastewater System.

The wastewater treatment requirements for the Wastewater System service area are currently met through a combination of on-site wastewater treatment and disposal facilities and wholesale service (capacity entitlement) agreements with other units of local government. The following is a summary of the available wastewater treatment capacity to the County as of October 1, 2012:

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Summary of Wastewater System Capacity as of October 1, 2012

Facility	Permitted Capacity (MGD) [1]
County-Owned Facilities:	
Fiesta Village AWWTP	5.000
Fort Myers Beach WWTP	6.000
Gateway WWTP	3.000
High Point WWTP	0.025
Pine Island WWTP	0.492
San Carlos WWTP [2]	0.300
Three Oaks WWTP	6.000
Waterway Estates AWWTP [3]	----
Total	20.817
Treatment by Contract (TBC): [4]	
City of Fort Myers – Central WWTP [5]	7.000
City of Fort Myers – South WWTP [5]	4.500
Subtotal – City of Fort Myers	11.500
FGUA – North Fort Myers WWTP [6]	1.250
Subtotal – Treatment by Contract	12.750
Total Available Wastewater Capacity	33.567

MGD = Million Gallons per Day
 AWWTP = Advanced Wastewater Treatment Plant
 WWTP = Wastewater Treatment Plant

- [1] Amounts shown expressed on a three-month maximum daily flow basis.
- [2] County anticipates decommissioning and removing from service the San Carlos WWTP during Fiscal Year 2015 with flow from the facility being diverted to the Three Oaks WWTP.
- [3] The County has removed from service the 1.25 MGD Waterway Estates AWWTP on October 9, 2012 coincident with the activation of the interconnection with the FGUA North Fort Myers WWTP; the County anticipates to formally commence the decommissioning of the facility during Fiscal Year 2013; reference Footnote Nos. 4 and 6 below.
- [4] Reflects capacity that County has secured a long-term service agreement which extends beyond the Forecast Period.
- [5] County has a combined 11.50 MGD entitlement of the permitted capacity in the City of Fort Myers Central and South wastewater treatment plants.
- [6] The County executed a wholesale wastewater service agreement with the FGUA on June 17, 2010 to meet the Waterway Estates wastewater service area needs from this facility. The County interconnected with the North Fort Myers WWTP on or about October 9, 2012 and has removed the Waterway Estates WWTP from service.

As can be seen above, the County has entered into wastewater treatment agreements (previously defined as "Treatment by Contract" or "TBC") for wastewater capacity with the City of Fort Myers and the FGUA. With respect to the City of Fort Myers, the County has entered into an "Interlocal Wastewater Treatment Agreement" with the City on November 16, 1983, which was subsequently amended by the parties on April 9, 1986 (First Amendment), on April 18, 1990 (Second Amendment), on March 3, 1993 (Third Amendment), and on November 4, 1996 (Fourth Amendment) for a total of 11.50 MGD in the City of Fort Myers's Central WWTP (4.50 MGD) and South WWTP (7.00 MGD) (collectively, the "Interlocal Wastewater Agreement"). The terms and conditions of the Interlocal Wastewater Agreement provide, among other things, for

i) the rates to be charged to the County for the cost of operating the facilities by the City of Fort Myers and ii) the obligation that the City of Fort Myers will continuously provide wastewater treatment services to the County until such time as the Interlocal Wastewater Agreement is terminated by mutual consent from both parties.

The County also entered into the *"Interconnection and Bulk Wastewater Treatment Agreement between Lee County, Florida and the Florida Governmental Utility Authority"* on June 17, 2010 (the "FGUA Wastewater Agreement") to allow the County to interconnect its wastewater system with the FGUA service area which will also allow the County to secure 1.50 MGD in the FGUA North Fort Myers WWTP. The primary purpose of this agreement was to allow the County to remove from service the Waterway Estates AWWTP which was under consent order (OGC Case No: 08-0151-36-DW) issued on April 2, 2008 by the FDEP associated with need for submission of plant expansion plans. The County interconnected to the North Fort Myers WWTP and removed the Waterway Estates AWWTP from service on October 9, 2012; the County plans to initiate demolition during Fiscal Year 2013. As a result the available capacity to the County wastewater service area was not affected as a result of the decommissioning of the Waterway Estates AWWTP. The County does have the ability to increase the capacity reservation at the FGUA North Fort Myers WWTP in the future if capacity is available at the wastewater treatment plant and the County desires an increase in such capacity entitlement. Furthermore, in accordance with i) the Interlocal Agreement Relating to Establishment of the Florida Governmental Utility Authority dated February 1, 1999; ii) the Interlocal Agreement Relating to the Re-Admission of Lee County to the Florida Governmental Utility Authority dated October 18, 2005; and iii) the First Amendment to the Interlocal Agreement Relating to the Re-admission of Lee County to the Florida Governmental Utility Authority dated May 18, 2010 (collectively, the "Interlocal FGUA Agreement"), the County, among other things, has the right to acquire the FGUA North Fort Myers System. Pursuant to the Interlocal FGUA Agreement, the purchase price shall be based on the amount required to repay the FGUA Bonds and any additional obligations of the FGUA related to the North Fort Myers System which may be outstanding on the date of closing of the sale of such system to the County. For the purposes of this Report and based on discussions with both the County, no assumption of the North Fort Myers System has been recognized during the Forecast Period.

The County plans to remove the San Carlos WWTP from service during Fiscal Year 2014 with demolition planned during Fiscal Year 2015 in order to provide long-term operating cost savings by diverting wastewater flows to the Three Oaks WWTP as well as the continued regionalization of wastewater treatment capacity in the service area. The flow diversion is not anticipated by the County to materially affect the treatment capacity of the Wastewater System and the ability to serve existing and anticipated growth. Moreover, the County has included within its ten (10) year capital improvement plan for a 3.0 MGD expansion of the Three Oaks WWTP from 6.0 MGD to 9.0 MGD; construction of the wastewater treatment plant expansion is expected to occur outside of the Forecast Period. Based on discussions with the County, marginal operational cost savings associated with the closure of the San Carlos WWTP is assumed during the Forecast Period (beginning in Fiscal Year 2015) for purposes of this Report.

The wastewater treatment plants are not interconnected from a consolidated System wastewater conveyance standpoint (generally the plants treat specific components of the service area). Since

the growth of the wastewater service area occurs in all service areas and no separate accounting of customers served by wastewater plant is available, the capacity utilization has been combined for the purposes of the future determination of capacity availability in this Report. The Wastewater System currently has a combined service area permitted facility capacity of 33.567 MGD on an average annual daily flow basis. With respect to the Forecast Period reflected in this Report and the forecast of customer growth and usage requirements, the estimated utilization of the wastewater treatment capacity for the Wastewater System service area expressed on a combined plant basis for the Forecast Period was estimated as follows:

Wastewater Treatment Capacity Utilization			
<u>Fiscal Year</u> Ending September 30	<u>Average</u> Daily Flow (MGD) [1]	<u>Permitted</u> Capacity (MGD) [2]	<u>Percent</u> Capacity Utilized
2013	15.329	33.567	45.67%
2014	15.390	33.567	45.85%
2015	15.451	33.267 [3]	46.44%
2016	15.511	33.267	46.63%
2017	15.571	33.267	46.81%

[1] Amounts shown based on estimated account growth of the Wastewater System and historical wastewater treatment requirements for the combined Wastewater System service area; does not recognize any reserved but unused capacity which would relate to future growth of the Wastewater System service area.

[2] Includes both County-owned and TBC capacity expressed on an annual average daily flow basis.

[3] Recognizes reduction in permitted capacity associated with the anticipated decommissioning of the San Carlos WWTP currently permitted at 0.3 MGD.

As can be seen above, the use of the permitted wastewater capacity expressed on a combined plant basis for the Wastewater System during the Forecast Period is expected to approximate 46%. Based on the available capacity in the Wastewater System, the County will have sufficient wastewater treatment capacity to serve the Wastewater System service area needs and anticipated growth assumed for the development of the financial forecast included in this Report during the Forecast Period as well as beyond such period.

Ten Largest Customers of System

In order to provide additional information regarding the System's existing customer base, a summary of certain statistical information of the ten largest retail customers in Fiscal Year 2012 on the basis of revenue billed (pursuant to rates in effect for the System) has been presented based on information compiled by the County. With respect to the top ten retail customers based on billed water sales (consumption), the County reports that such customers accounted for approximately 4% of the total System Gross Revenues as shown below:

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Water and Wastewater Top Ten Retail Utility Customers – Fiscal Year 2012 [1]

Account	Service Class	Meter Size	Type of Service	Total Rate Revenue	Percent of Total System Rate Revenue
Landings Env. Wrm. Assoc. Inc.	Multi-family [2]	6"	Water/Sewer	\$661,708	0.74%
Richard E. Jacobs Group-Gulf Coast Town Center	Commercial	10"	Water/Sewer	460,519	0.52%
Shell Point Village	Commercial	8"	Water/Sewer	438,043	0.49%
Gulf Coast Medical Center	Commercial	10"	Water/Sewer	393,532	0.44%
Jamaica Bay Assoc. LDT.	Multi-family [2]	8"	Water	369,995	0.41%
Lee Memorial Health System-Health Park	Commercial	2"	Water/Sewer	311,660	0.35%
Corkscrew Woodlands	Multi-family [2]	6"	Water/Sewer	304,729	0.34%
Indian Creek Park	Multi-family [2]	6"	Water/Sewer	281,132	0.32%
Health Park Medical Center	Commercial	6"	Water/Sewer	231,285	0.26%
Lee County Port Authority	Commercial	6"	Water/Sewer	228,212	0.26%
Total				\$3,680,815	4.13%
Total Water and Wastewater Revenue				\$89,180,059	100.00%

[1] Based on information provided by the County; reflects amounts for the twelve (12) months ended September 30, 2012 (the most recently completed fiscal year). Amounts do not include wholesale customers which the County provides service based on a specific contractual arrangement.

[2] Multi-family customers represent accounts that are served by a master meter which generally represents a large meter serving a large number of residential dwelling units.

CAPITAL IMPROVEMENTS PROGRAM

Capital Project Summary

In order to meet future needs based on increases in customer growth and consumption rates and to maintain the System properly, the County has developed a Capital Improvement Program ("CIP") comprising a variety of major additions, extensions, improvements, replacements, rehabilitations, and enhancements of the Water and Wastewater System. Projects are to be funded from Net Revenues (based on assumed rate increases hereinafter described), Connection Fees, available unencumbered funds on deposit, and future borrowings. The County reports that several of the capital projects and improvements contemplated under the CIP are in the preliminary planning stages and contracts have not been awarded. The County reviews its CIP annually and updates such program recognizing changes in cost and priority of the improvements. Accordingly, the total cost of the CIP could be more or less depending on future demand, actual contract awards, and other economic factors.

The CIP is summarized on Table 3 at the end of this Report and is based on i) projects that were approved in prior years by the Board that are still ongoing as of the end of Fiscal Year 2012 (funds are appropriated and projects are underway); ii) the County's five-fiscal year capital plan as adjusted by the County for changes in project priority or needs; and iii) the recognition of a construction cost inflation index beginning in Fiscal Year 2014 and ranging from 1.7% to 2.2% annually (applied to the estimated capital cost as contained in the CIP) based on discussions with the County. As can be seen on Table 3 and as summarized below, the County has identified approximately \$233.7 million in capital expenditures for the financial Forecast Period (which includes previous Board-approved capital projects with funds appropriated in prior years that have not been completed as of the date of this Report as well as the adjustments for inflation on the cost of construction).

	Prior Appropriations (2012 Carryover) [1]	Estimated Appropriations Fiscal Years 2013 – 2017 [1]	Total Capital Appropriations Recognized During Forecast Period	Percent of Total
Water System – CIP	\$16,321,869	\$136,037,702	\$152,359,571	65.18%
Wastewater System – CIP	12,126,706	63,354,987	75,481,693	32.29%
Department Capital [2]	0	5,907,831	5,907,831	2.53%
Total	\$28,448,575	\$205,300,520	\$233,749,095	100.00%

[1] Amounts shown derived from Table 3 at end of this Report; for expenditures beginning in Fiscal Year 2014 such capital costs as identified by the County were escalated for inflation.

[2] Amounts shown are not considered by the County as a component of the System CIP; amounts do represent capital expenditures that are funded annually from operations (Rate Revenues) but are a capital expenditure for financial reporting and rate covenant compliance purposes.

Funding Sources for Capital Program

Based on an analysis of available funds to the County (e.g., Connection Fees, available Capital Account reserves, etc.) and the estimated amount of bond proceeds to be derived from the issuance of future additional bonds, the funding sources for the total CIP as identified by the County and recognized for the purpose of preparing the financial projections contained in this Report were assumed as follows:

	County Fund Ref. No.	Estimated Funding Amount [1]	Percent
Renewal and Replacement Fund	720	\$58,680,455	25.10%
Capital Improvement Fund [2]	730	94,913,927	40.61%
Series 2013A Bonds [3]	N/A	56,000,000	23.96%
Water Connection Fees	712	9,190,420	3.93%
Sewer Connection Fees	713	8,149,168	3.49%
Vehicle Replacement Account [4]	703	961,815	0.41%
Water Surcharge Fund [5]	735	907,294	0.39%
Annual Operations/Rate Revenues [6]	700	4,946,016	2.12%
Total		\$233,749,095	100.00%

[1] Amounts derived from Table 3 at the end of this Report; amounts include estimated expenditures associated with previously appropriated projects approved in prior periods which are still in process (carryover capital projects) and the CIP for the five Fiscal Year period 2013 – 2017.

[2] The Capital Improvement Fund is a fund separately created by the County and is considered by PRMG as an unrestricted sub-fund of the Utility Reserve Account.

[3] Reflects anticipated additional parity bonds expected to be issued by the County during the Forecast Period to fund the Green Meadows Water Treatment Plant rehabilitation and expansion.

[4] Reflects a fund not required by the Bond Resolution but established by the County essentially as a sub-fund of the Utility Reserve Account for the specific purpose of having an established funding program for vehicle replacement which is an annually recurring expenditure due to the short service lives of such assets.

[5] Reflects fund not required by the Bond Resolution but established by the County essentially as a sub-fund of the Utility Reserve Account which is funded by a water surcharge applied to high water users (reference discussion on water rates earlier in this Report) with the proceeds used to fund water supply and enhancement projects.

[6] Amounts reflect funding of the Capital Outlay from annual operations and reflect capital expenditures not considered as a part of the County's formal CIP or funded from the Vehicle Replacement Account or Water Surcharge Fund but as a part of the annual operating budget of the System (annual rate revenues).

As can be seen above, the County plans to fund approximately 24% of the capital program through the issuance of the Series 2013A Bonds, while the remaining funding sources are due

from existing cash reserves and projected revenues. It should be noted that the County annually updates its CIP and corresponding funding analysis as part of the budget process to evaluate the timing of project expenditure requirements and the need for additional debt or loan issues as a result of changes in growth, levels of service, and other factors.

Renewal and Replacement Fund Summary

Pursuant to the terms and conditions of the Bond Resolution, the County must establish and maintain a Renewal and Replacement Fund (the "R&R Fund"). With respect to the R&R Fund, such amounts must be used by the County for the purpose of paying the costs of major extensions, improvements or additions to, or the replacement or renewal of capital assets of the System, or extraordinary repairs of the System. Pursuant to the Bond Resolution, the Renewal and Replacement Fund Requirement shall mean an amount of money equivalent to either i) 5% of the Gross Revenues received by the County in the immediately preceding Fiscal Year; or ii) an amount as determined by the Consulting Engineers. Furthermore, pursuant to Section 4.05(B)(v) of the Bond Resolution, until the amount accumulated in the R&R Fund is equal to the Renewal and Replacement Fund Requirement, the County shall deposit to the R&R Fund an amount equal to 1/12th of 5% of prior year's Gross Revenues until such amount is accumulated in the fund that equals the Renewal and Replacement Fund Requirement. Pursuant to the Consulting Engineers' R&R Fund Requirement Letter dated December 14, 2012 (the "R&R Letter"), the Renewal and Replacement Fund Requirement shall continue to be equal to five percent (5%) of the preceding year's Gross Revenues Requirement.

For the purposes of the financial forecast to provide a capital plan that includes System funded capital and to be consistent with County CIP funding policies, the forecast includes annual transfers to the R&R Fund in order to maintain a minimum balance at least equal to the Renewal and Replacement Fund Requirement. The projected transfers to the R&R Fund for the Forecast Period were calculated based upon the identified capital funding requirements of the CIP and direction from Utility staff. The projected R&R Fund transfers for the Forecast Period provide ongoing funds for future facility replacement, upgrade, and betterment. The following table illustrates the projected transfers and projected compliance with the requirements of the Bond Resolution:

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Projected R&R Fund Deposits and Bond Resolution Requirement Compliance [1]

Fiscal Year	Prior Yr. Gross Revenues [2]	R&R Fund Deposits [3]		Projected Renewal and Replacement Fund Ending Balance	Renewal and Replacement Fund Requirement [4]
		Recognized Deposit	% of Gross Revenues		
2013	\$91,371,816	\$15,291,151	16.7%	\$4,570,000	\$4,568,591
2014	97,747,268	8,693,707	8.9%	4,888,000	4,887,363
2015	101,703,178	10,540,726	10.4%	5,087,000	5,085,159
2016	105,730,084	12,286,368	11.6%	5,289,000	5,286,504
2017	106,445,730	10,132,356	9.5%	5,325,000	5,322,286

- [1] Not recognized in the calculations above, the County maintains a separate sub-fund of the Utility Reserve Account for vehicle replacement (referred to in this report as the Vehicle Replacement Account). For more information regarding the additional deposits and fund balances held for vehicle replacements please reference Table 5 at the end of this Report.
- [2] Amounts shown are derived from Tables 6 and 7 at the end of this Report and reflect the Prior Fiscal Year's Gross Revenues exclusive of the Gateway debt service contributions. Amounts assume recognition of approved rate adjustments that have been adopted by the Board pursuant to the Rate Resolution.
- [3] Amounts shown reflect the recognized annual R&R Fund transfers for the Forecast Period from operations which served as a funding source for the financing of the CIP discussed earlier in this Report.
- [4] If the balance in the Renewal and Replacement Fund falls below the Renewal and Replacement Fund Requirement the Utility is required to make monthly transfers at least equal to 1/12th of five (5%) percent of the immediately preceding fiscal year's gross revenues pursuant to the requirements of the Bond Resolution.

As can be seen above, the County is anticipated to maintain compliance with the requirements of the Bond Resolution relative to the annual funding of the R&R Fund with deposits projected to be in excess of the minimum required transfers.

Vehicle Replacement Account Summary

It should be noted that during Fiscal Year 2009, the County established a dedicated fund for the replacement of existing vehicles which have short service lives and which cost less than or equal to approximately \$25,000 (i.e., to replace the majority of the Utility's vehicle fleet excluding certain high cost vehicles with longer service lives such as Vacuum Trucks which are funded from operations). The County has made and anticipates continuing annual transfers during the Forecast Period equal to approximately \$185,000 from annual operations to establish a working capital balance to fund future vehicle replacements. The annual transfer amount is determined upon the age and cost of vehicles in service through the County's existing fleet maintenance software. Based on discussions with Utility staff, it was assumed that the County would recognize annual vehicle replacement expenditures equivalent to approximately \$185,000 as adjusted for inflation during the Forecast Period.

Consent Orders and Regulatory Issues

The County reports that it currently has certain consent orders and pending regulations which may affect the financial projections during the Forecast Period. The following provides a brief summary as provided by the County to disclose such orders and possible future regulations and whether such the County actions will affect the CIP or ongoing Operating Expenses:

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Outstanding County Water and Wastewater Utility Consent Orders / Regulatory Issues [1]

Order No./Issue	Description	Action / Status
08-0151-36-DW	Failure to comply with State requirements to submit application for plant expansion of Waterway Estates WWTP in a timely manner.	County has purchased wastewater capacity in the FGUA North Fort Myers WWTP and has now removed the Waterway Estates WWTP from service with plans to decommission such facility during Fiscal Year 2013. The forecast of Operating Expenses recognize the TBC contract sales for wholesale wastewater treatment service provided by the FGUA and the decommissioning costs of the Waterway Estates WWTP in Fiscal Year 2013.
09-0735	While the Olga WTP has met all required water quality standards, it had been operating through an Emergency Final Order that provided more lenient treatment standards. The order expired as of 12/31/10.	During Fiscal Year 2009, the County reported Total Dissolved Solids ("TDS") at levels greater than standard requirements, but in compliance under secondary standards of the Emergency Final Order. Future drought conditions could cause similar TDS issues, however if such an event were to occur again the County would place the Olga WTP offline and provide service through the North Lee County WTP until the TDS is within acceptable limits.
A0-050-SD/UIC 90	ASR groundwater storage zone Arsenic monitoring and reporting for the Corkscrew WTP.	The County is currently working with the FDEP to finalize monitoring requirements to resolve the issue. Utility staff reports that any additional monitoring and testing expenses to meet the additional monitoring and testing requirements have been included as an additional expense component of the Fiscal Year 2013 Budget and therefore a component of the financial forecast.
A0-051-SD/UIC 09	ASR groundwater storage zone Arsenic monitoring and reporting for the Olga WTP.	The County is currently working with the FDEP to finalize monitoring requirements to resolve the issue. Utility staff reports that any additional monitoring and testing expenses to meet the additional monitoring and testing requirements have been included as an additional expense component of the Fiscal Year 2013 Budget and therefore a component of the financial forecast.
11-0640-36-DW	Dichlorobromomethane ("DCBM") discharge violation at the Fiesta Village WWTP.	In accordance with Consent Order OGC Case No. 11-0640-36-W the County conducted a mixing zone study and submitted the study summary report to FDEP on December 10, 2012 for consideration. As stipulated in Item 5a of the Consent Order, the County will formally apply for a mixing zone in the Fiesta Village WWTP permit renewal application due June 13, 2013. Additionally, the County also is evaluating other options to stop the formation of trihalomethanes, including ammonia additions or UV disinfection. Alternatively, improvement to effluent transmission piping to the Fort Myers beach WWTP and installation of an additional Deep Injection Well also is being evaluated. Utility staff does not believe compliance will have an adverse operational or financial impact.
Numeric Nutrient Criteria	As of 11/14/10 final standards have been adopted by the United States Environmental Protection Agency ("EPA") related to nutrient limitations (e.g., nitrogen, phosphorous, etc.) in surficial discharge of wastewater treatment plants to Florida's lakes, rivers, streams, and springs.	At this time, the County is of the opinion that the Fiesta Village AWWTP will not be affected by the current standards. This facility discharges to an area of the Caloosahatchee River that is deemed a Class III Marine water body, not a fresh water body. All other County wastewater facilities do not have surficial discharge.

As can be seen above, the County anticipates maintaining compliance with all existing regulatory requirements affecting the System.

HISTORICAL OPERATING RESULTS

General

The historical operating results for the combined Water and Wastewater Systems are presented for the Fiscal Years ended September 30, 2008 through 2012 (the "Historical Period"), and are shown in detail on Table 6 at the end of this Report. The operating results for the Historical Period were prepared based on financial information compiled and provided by the County and information included in the CAFR of the County for the respective fiscal years shown. In general, the historical operating results have been presented in a manner consistent with the requirements of the Bond Resolution relative to the determination of Net Revenues of the System. Therefore, the amounts shown reflect certain differences in the presentation of the financial results when compared to the CAFR of the County. Specifically, these major differences relate to: i) the determination of the Operating Expenses (i.e., total expenses calculated in accordance with generally accepted accounting principles less depreciation and amortization); ii) the development of interest income reflected as Investment Earnings which is exclusive of any interest income or earnings related to the Construction Fund or Rebate Fund; iii) and the recognition of certain non-operating revenues as a component of Gross Revenues (e.g., debt service payment contributions from Gateway per the Gateway Wastewater Agreement).

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Summary of Historical Operating Results

The historical operating results for the System are shown on Table 6 at the end of this Report and are summarized below:

Description	Fiscal Year Ended September 30,				
	2008	2009	2010	2011	2012
Summary of Historical System Operating Results and Debt Coverage [1]					
Gross Revenues [2]					
Water User Fees	\$43,203,147	\$41,451,298	\$40,805,496	\$40,699,581	\$42,953,620
Wastewater User Fees	44,505,109	42,510,679	42,685,162	42,523,198	46,376,807
Rentals and Franchise Fees	156,900	189,607	170,087	170,270	180,298
Miscellaneous Revenues [3]	1,630,255	1,554,513	1,459,983	1,342,621	1,480,222
Investment Earnings [4]	4,511,544	1,694,366	870,073	483,221	380,869
Other Revenue Adjustments:					
Gateway Debt Service Contribution [5]	292,251	318,820	318,820	318,820	318,820
Total Gross Revenues	\$94,299,205	\$87,719,282	\$86,309,622	\$85,537,711	\$91,690,636
Operating Expenses [6]:					
Salaries and Wages	\$14,835,983	\$14,204,535	\$14,069,455	\$13,174,471	\$13,416,603
Employee Benefits	8,003,704	7,665,450	7,554,961	8,455,147	8,035,179
Contract Services, Materials, and Supplies	17,129,863	19,316,262	18,665,859	17,969,995	19,467,511
Utilities	7,646,289	7,072,886	5,797,177	6,270,562	5,813,436
Repairs and Maintenance	3,228,043	3,485,743	4,610,401	3,574,098	4,316,906
Insurance	1,219,326	1,218,710	1,014,355	885,059	822,249
Other	3,136,337	2,448,373	2,168,215	1,986,022	1,979,988
Indirect Cost	1,624,200	1,624,200	1,616,079	1,616,080	1,512,770
Administrative Fees	58,355	48,506	60,292	47,266	41,792
Total Operating Expenses	\$56,882,100	\$57,084,665	\$55,556,794	\$53,978,700	\$55,406,435
Pledged Funds [7]:					
Net Revenues	\$37,417,105	\$30,634,617	\$30,752,827	\$31,559,011	\$36,284,201
Connection Fees [8][9]	5,181,287	1,928,400	1,188,300	2,062,291	2,850,234
Total	\$42,598,392	\$32,563,017	\$31,941,128	\$33,621,303	\$39,134,435
Annual Debt Service – Outstanding Bonds [10]:					
Series 1999A Bonds	\$8,540,875	\$8,539,595	\$8,539,985	\$6,672,010	\$1,039,792
Series 2003A Bonds	4,376,375	4,381,425	4,380,225	4,381,050	4,382,831
Series 2003B Bonds	414,250	414,250	414,250	414,250	370,524
Series 2011 Bonds	0	0	0	1,581,759	7,119,483
Series 2012A Bonds	0	0	0	0	88,844
Series 2012B Bonds	0	0	0	0	33,289
Annual Debt Service	\$13,331,500	\$13,335,270	\$13,334,460	\$13,049,069	\$13,034,763
Rate Covenant Compliance [11]:					
Test A – Net Revenues and Special Assessments					
Proceeds	\$37,417,105	\$30,634,617	\$30,752,827	\$31,559,011	\$36,284,201
Annual Debt Service	13,331,500	13,335,270	13,334,460	13,049,069	13,034,763
Calculated Coverage	280.67%	229.73%	230.63%	241.85%	278.36%
Required Coverage	100.00%	100.00%	100.00%	100.00%	100.00%
Test B – Net Revenues, Special Assessments					
Proceeds and Connection Fees	\$42,598,392	\$32,563,017	\$31,941,128	\$33,621,303	\$39,134,435
Annual Debt Service	13,331,500	13,335,270	13,334,460	13,049,069	13,034,763
Calculated Coverage	319.53%	244.19%	239.54%	257.65%	300.23%
Required Coverage	120.00%	120.00%	120.00%	120.00%	120.00%

Table continued on following page.

Summary of Historical System Operating Results and Debt Coverage [1] (cont'd.)

Description	Fiscal Year Ended September 30,				
	2008	2009	2010	2011	2012
State Revolving Fund Loan Compliance [12]:					
Pledged Revenues:					
Gross Revenues	\$94,299,205	\$87,719,282	\$86,309,622	\$85,537,711	\$91,690,636
Less Operating Expenses	(56,882,100)	(57,084,665)	(55,556,794)	(53,978,700)	(55,406,435)
Less Senior Revenue Obligations Debt Service	(13,331,500)	(13,335,270)	(13,334,460)	(13,049,069)	(13,034,763)
Net Amount Available for SRF Debt Coverage	\$24,085,605	\$17,299,347	\$17,418,367	\$18,509,942	\$23,249,438
Outstanding SRF Loan Debt Service [13]					
SRF Loan 1991 CS120342230	\$720,926	\$720,926	\$720,926	\$720,926	\$720,926
SRF Loan 2001 CS12039232P	451,988	451,988	451,988	451,987	451,988
SRF Loan 2005 DW3610010	979,339	1,382,596	1,619,358	1,716,847	1,716,847
SRF Loan 2009 WW392330	0	0	625,666	2,084,154	2,255,559
Total	\$2,152,253	\$2,555,510	\$3,417,938	\$4,973,914	\$5,145,320
Calculated Coverage	1,119.1%	676.9%	509.6%	372.1%	451.9%
Required Coverage	115.0%	115.0%	115.0%	115.0%	115.0%
Other Required Transfers from Net Revenues: [14]					
Reserve Account [15]	\$0	\$0	\$0	\$0	\$0
Renewal and Replacement Fund [16]	3,973,260	4,700,348	4,370,023	4,299,540	4,260,945
Water and Sewer Connection Fees Funds [17]	0	0	0	0	0
Subordinated Indebtedness Debt Service [18]	2,152,253	2,555,510	3,417,938	4,973,914	5,145,320
Amounts Available for Other System Purposes	\$17,960,092	\$10,043,489	\$9,630,406	\$9,236,488	\$13,843,173

[1] Amounts derived from Table 6 at the end of this Report. This table provides a review of historical compliance with the covenants of the Bond Resolution related to the Outstanding Bonds and compliance with the covenants of the outstanding FDEP SRF Loan Agreements. Unless otherwise noted amounts shown are derived from the Comprehensive Annual Financial Report (the "CAFR" or "audited financial statements") and other supporting financial information as provided by Utility staff and in support of the audited financial statements.

[2] Pursuant to the Bond Resolution Gross Revenues shall mean all income and moneys received by the County from rates, fees, rentals, charges and other income for water and wastewater services calculated in accordance with generally accepted accounting principles ("GAAP") without limiting the generality of the foregoing, Investment Earnings.

[3] Amounts shown include charges for permit, tapping, delinquent, turn-on / turn-off, etc. and other miscellaneous charges.

[4] Pursuant to the Bond Resolution, Investment Earnings pledged and available for calculating compliance with the rate covenant (Section 5.04 of the Bond Resolution) shall include all income and earnings on all funds and accounts as established through the Bond Resolution, other than the Construction Fund and Rebate Fund. Such amounts do not include fair market value ("FMV") adjustments as reported at the close of the respective fiscal year in order to report realized earnings. Amounts shown below provide detail in the determination of Investment Earnings and reconciliation to amounts as reported in the financial statements included in the CAFR of the County.

	2008	2009	2010	2011	2012
Income and Earnings on All Funds [a]	\$4,185,597	\$1,848,572	\$795,897	\$504,887	\$415,559
FMV Adjustment on All Funds [a] [b]	352,027	(151,754)	82,486	(8,763)	(9,758)
Less Construction/Rebate Funds [c]	(26,079)	(2,453)	(8,310)	(12,904)	(24,932)
Investment Earnings Avail. for Coverage	\$4,511,544	\$1,694,366	\$870,073	\$483,221	\$380,869

[a] Amounts shown reconcile to the Statement of Revenues, Expenses, and Changes in Fund Net Assets as reported by the County in the CAFR. Amounts shown include interest income and earnings related to balances on deposit in the Connection Fees Funds.

[b] Represents removal of the FMV adjustments which reflect unrealized gains or losses on investments as reported at the close of the respective Fiscal Year shown. It should be noted that such FMV adjustments are not considered to materially affect the calculation of debt coverage in compliance with the rate covenant of the Bond Resolution (represent at most less than 0.4% of Gross Revenues for the historical Fiscal Years shown).

[c] Amounts shown reflect income and earnings related to the Construction Fund and Rebate Fund, including FMV adjustments.

Footnotes continued on following page.

Footnotes (cont'd.)

- [5] Amounts shown reflect reclassification of non-operating revenues for purposes of calculating compliance with the rate covenant to reflect funds received by the County from Gateway Services Community Development District related to payment of debt service regarding the purchase of capacity pursuant to the Gateway Wastewater Agreement.
- [6] Amounts shown are exclusive of depreciation and amortization pursuant to the Bond Resolution; amounts shown derived from the CAFR and other financial information provided by the County. The following provides a reconciliation to Operating Expenses from those amounts identified within the Statement of Revenues, Expenses, and Changes in Fund Net Assets as reported by the County in the CAFR:

	2008	2009	2010	2011	2012
Total Reported Expenses	\$84,604,156	\$86,752,036	\$88,600,508	\$92,129,957	\$94,411,411
Less Depreciation and Amortization	(27,722,055)	(29,667,371)	(33,043,713)	(38,151,258)	(39,004,975)
Operating Expenses	<u>\$56,882,100</u>	<u>\$57,084,665</u>	<u>\$55,556,794</u>	<u>\$53,978,700</u>	<u>\$55,406,435</u>

- [7] Amounts shown reflect the Pledged Funds pursuant to the Bond Resolution and include Net Revenues (Gross Revenues less Operating Expenses), Special Assessment Revenues and Connection Fees for use in evaluating compliance with the rate covenant delineated in the Bond Resolution.
- [8] Amounts shown reflect Connection Fees as received (as opposed to earned) for the respective fiscal years shown and do not include any interest income of Connection Fees Fund balances. Any earnings related to the Connection Fees Fund have been included as a component of Gross Revenues (recognized as a component of Investment Earnings) pursuant to the Bond Resolution. For the purposes of the evaluation of the capital funding plan, earnings on Connection Fee funds were assumed to be restricted to such fund and not considered as part of the operating revenues of the System.
- [9] Generally, under Florida law Connection Fees (also referred to as "Impact fees") may be validly imposed for construction of improvements and the expansion of the System to new customer growth or development that drive the need for such improvements (i.e., "Growth Pays for Growth"). Connection Fees may also be used to pay the debt service for the expansion-related capital improvements funded from the proceeds of any respective outstanding indebtedness of the System. For purposes of this analysis, no determination of the expansion-related capital improvements related to the Outstanding Bonds or Subordinated Indebtedness was evaluated and therefore not all of the identified Connection Fees may be legally available for payment of debt service payments shown.
- [10] Amounts shown are derived from the actual loan repayment schedules for the Outstanding Bonds and represent when the monthly deposits to the Sinking Fund are required from operations and not when the principal and interest payments are made.
- [11] Pursuant to the Bond Resolution, Section 5.04 (the "Rate Covenant"), the County must maintain sufficient rates, fees, charges and other Pledged Funds in each Fiscal Year which will provide:
- [A] Net Revenues and Special Assessment Proceeds adequate at all times to pay at least 100% of i) the Annual Debt Service on all Outstanding Bonds coming due, ii) any required deposits to the Reserve Account for compliance with the Reserve Account Requirement and iii) amounts required by Sections 4.06(a) and 4.07(a) of the Bond Resolution to be repaid to the Water Connection Fees Fund and the Sewer Connection Fees Fund (referenced as "Test A"); and
- [B] Net Revenues, Special Assessment Proceeds and Connection Fees adequate at all times to pay at least 120% of the Annual Debt Service on all Outstanding Bonds coming due (referenced as "Test B").
- [12] The County has secured several loans from the FDEP SRF Loan program. Pursuant to Section 5.01 of the SRF Loan Agreement (for each outstanding loan), the County must maintain sufficient rates and charges for services furnished by the System to provide Pledged Revenues, as defined in the loan agreement, equal to or greater than 115% of the Semiannual Loan Payments for all outstanding SRF loans due in such Fiscal Year. Pledged Revenues are defined in the respective Loan Agreements to mean Gross Revenues after payment of the Operation and Maintenance Expense (or as defined in the Bond Resolution, the Operating Expenses) and Senior Revenue Obligations (or as defined in the Bond Resolution, the Annual Debt Service).
- [13] Amounts shown are derived from the actual loan repayment schedules for the outstanding SRF loans; amounts based on funding the monthly Semiannual Loan Payments (as defined in the loan agreement) representing an accrual basis and not presented on an "as paid" basis.
- [14] Amounts shown reflect other required deposits to funds and accounts as reference in Section 4.05 of the Bond Resolution; although not a specific component of the rate covenant as delineated in the Bond Resolution, Net Revenues must be sufficient to meet such required deposits.
- [15] Pursuant to the Bond Resolution, the Reserve Account Requirement shall mean maintaining a minimum cash balance within the Reserve Account equivalent to the lesser of: i) the Maximum Annual Debt Service for all Outstanding Bonds secured by the Reserve Account; or ii) 125% of the Annual Debt Service of Bonds secured by the Reserve Account coming due in such Fiscal Year. No required transfers were recognized during the Historical Period since the Reserve Account Requirement was secured through a Reserve Account Insurance Policy for the Outstanding Bonds or from the proceeds of such Outstanding Bonds.
- [16] Pursuant to the Bond Resolution, the Renewal and Replacement Fund Requirement shall mean the amount of money equal to i) 5% of the Gross Revenues received by the Issuer in the immediately preceding Fiscal Year; or ii) an amount as certified by the Consulting Engineers. For purposes of determining compliance with the Bond Resolution, amounts shown reflect an annual deposit to the Renewal and Replacement Fund (regardless of the amount on deposit in such fund) equal to 5% of prior year's Gross Revenues which was reported by the County as the Renewal and Replacement Fund Requirement.

Footnotes continued on following page.

Footnotes (cont'd.)

- [17] Pursuant to Sections 4.06(a) and 4.07(a) of the Bond Resolution, the County must repay any amounts used from the Connection Fees Funds as a result of a deficiency arising in the Principal Account or Interest Account. The County reports that no deficiencies existed during the Historical Period that required the use of Connection Fees or balance transfers from the Connection Fees Funds.
- [18] Although not a specific requirement for compliance with the Bond Resolution rate covenant calculation (Section 5.04), payment of debt service on Subordinated Indebtedness was included as a requirement for purposes of this analysis based on the disposition of revenues as identified in Section 4.05 of the Bond Resolution.

In the development of the historical operating results and debt service coverage ratios as shown above and in more detail on Table 6, several observations and information sources were recognized. The following is a summary of such observations and information sources.

1. The Board adopted a four-year rate phasing plan with the first rate increase effective October 1, 2011 representing the initial implementation year as outlined in the Rate Resolution. The following table summarizes the rate adjustments that have been implemented by the County since Fiscal Year 2009:

**Previously Enacted System Average Rate Revenue Adjustments –
for the Historical Period**

Fiscal Year	Water	Wastewater	Combined
2009	0.0%	0.0%	0.0%
2010	0.0%	0.0%	0.0%
2011	0.0%	0.0%	0.0%
2012 [1]	6.0%	8.0%	7.0%

[1] Rates adjustments codified in the Rate Resolution; increased rates became effective on October 1, 2011.

The imposition of Fiscal Year 2012 rate adjustments as shown above explains the increase in rate revenue for Fiscal Year 2012 when compared to Fiscal Year 2011; all other changes in rate revenues for the Historical Period were a direct result of changes in customers served and the amount of water sales and billed wastewater flow.

2. Beginning with Fiscal Year 2009, declines in billed water sales and corresponding wastewater sales have negatively affected rate revenue. The primary reasons for the decline in sales are believed to be attributable to the effects of the negative economic conditions which affected not only the County’s service area but the State of Florida and nation as well, increased water conservation as a result of the conservation efforts and public outreach programs previously implemented by the County (e.g., includes continued application of a residential water conservation promoting [inclining usage block] rate structure and the assumed price elasticity affects associated with the County-adopted rate adjustment disclosed above, conservation advertising, promotion of low irrigation landscaping, etc.), mandatory general water use restrictions imposed by the SFWMD during the Historical Period which were made permanent during Fiscal Year 2010, and the general ongoing effects of the lingering downturn in the economy which is considered to be affecting customer water use habits, reduced construction water use, and underutilization of

service due to housing vacancies and reduced commercial activity. This decline in water use has also been experienced by other utilities located in the SFWMD service area and in the central- and southwestern portion of Florida. The following is a summary of the change in retail water sales from Fiscal Year 2008 to 2012.

Change in Total Water Sales (000s Gallons) [1]		
<u>Fiscal Year</u>	<u>Annual Retail Billed Water Flows</u>	<u>Annual Percent Change</u>
2008	8,246,184	
2009	8,181,155	(0.79%)
2010	7,764,669	(5.09%)
2011	7,995,423	2.97%
2012	7,840,777	(1.93%)

[1] Amounts shown derived from Table 1 at end of Report.

This reduction in retail potable water sales has had an effect on the volumetric water sales revenue (revenues derived from the usage charge) and explains why the water user fee revenues and wastewater user fee revenues (which are based in part on metered water sales) have declined since Fiscal Year 2008.

3. In addition to a decline in billed water sales, the County has seen reductions in the amount of new development and customer growth which has also affected the rate of growth in revenues. Primarily related to the lingering downturn in the economy which is affecting not only the County but the State of Florida and nation as well, new construction and development has significantly declined as evidenced by the amount of Connection Fees received during the Historical Period. By way of comparison, the Connection Fees received during Fiscal Year 2007 (fiscal year prior to the Historical Period) approximated \$11.8 million and the Connection Fees received during Fiscal Year 2008 were approximately \$5.2 million. The remainder of the Historical Period had Connection Fee receipts averaging \$2.6 million annually which is significantly less than prior periods (although Fiscal Year 2012 did see an increase in collections which is a positive and is an indication that the economy may be seeing signs of improvement) which reduced the financial resources to the System. The forecast of Connection Fee receipts did not assume a change in amounts collected in recent years although economic trends appear to be improving.
4. During the latter portion of the Historical Period, the amount of Investment Earnings recognized by the System declined compared to previous periods. This was due to a reduction in available cash balances as a result of i) continued capital expenditures from available reserves resulting in a decline in cash balances; ii) reductions in revenues due to the economy and reduced water sales (limited deposits to such funds when compared to previous periods); and iii) reductions in average interest earnings rates on available fund balances. With respect to interest income, the amount of earnings declined by approximately \$4.1 million or 92% when comparing Fiscal Year 2012 earnings to Fiscal Year 2008 earnings.

5. Included in the determination of the Gross Revenues are revenues considered as non-operating for financial reporting purposes by the County but which is income associated with the ownership, management, and operation of the System. The non-operating revenue includes payments received by the County for the reservation of capacity in the Gateway WWTP (pro rata share of the County debt service payment). The following is a summary of the non-operating revenues recognized in the determination of the Gross Revenues for the System:

	Fiscal Year Ended September 30,				
	2008	2009	2010	2011	2012
Gateway Debt Service Contribution [1]	\$292,251	\$318,820	\$318,820	\$318,820	\$318,820

[1] Amounts shown reflect reclassification of non-operating revenues for purposes of calculating compliance with the rate covenant to reflect funds received by the County from Gateway Services Community Development District related to payment of debt service regarding the purchase of capacity pursuant to the Gateway Wastewater Agreement.

6. With respect to the payment for the operation and financing of capital improvements of the City of Fort Myers wastewater treatment plants pursuant to the Interlocal Wastewater Agreement, the amount of the payment from the County to the City and the corresponding Operating Expenses during the Historical Period averaged \$6.7 million. It should be noted that the payment of the cost of treatment (both operating expenses and capital improvements as may be billed annually by the City of Fort Myers to the County) is reported by the County as an Operating Expense.
7. Based on a review of the Operating Expenses as reported by the County for the System and as summarized in more detail on Table 6 at the end of this Report, the primary expenses include wages and salaries, including related employee benefits, contractual services, materials, supplies, utilities/power, repairs, maintenance and other operating expenses. Although costs continue to rise, cost containment by management, operational efficiencies from capital investment and declines in total water production have resulted in the maintenance of overall operating expenses equivalent to overall levels reported for the recent historical period.
8. The Net Revenue ratio representing Net Revenues divided by Gross Revenues and, exclusive of Water Connection Fees and Sewer Connection Fees, has increased during the Historical Period primarily due to the implementation of rate adjustments and minimal increase to Operating Expenses. The Net Revenue ratio of the System has averaged approximately 37% of the total reported Gross Revenue and is considered favorable for purposes of financial performance and creditworthiness.
9. The County has issued both Outstanding Bonds and Subordinated Indebtedness to fund capital expenditures on behalf of the System. The Annual Debt Service payments shown for the Outstanding Bonds for each respective Fiscal Year was derived from the actual debt service repayment schedules for each series of Bonds and has been reflected on an accrual basis (when deposits to the Sinking Fund required to be made from Pledged Funds as opposed to when the payments were made to Bondholders/ investors). The loan repayment

amounts for the Subordinated Indebtedness (consisting of loans from the SRF Loan Program administered by the FDEP) were also derived from the actual loan repayment schedules for each respective loan and has been reflected on an accrual basis (when the Monthly Loan Deposits to the Loan Debt Service Account from Gross Revenues were required to be made as opposed to when the actual payments were made to the FDEP). As can be seen above and on Table 6, the County was in compliance with rate covenants as delineated in the Bond Resolution (Outstanding Bonds) and the SRF Loan Agreements (Subordinate Indebtedness) for all years of the Historical Period.

Issuance of Additional Bonds

Since the County is issuing additional indebtedness on a parity basis with the Outstanding Bonds^[5], the County must meet certain financial tests relative to the issuance of such parity bonds as defined in the Bond Resolution (the "Additional Bonds Test"). The Additional Bonds Test requirements as outlined in the Bond Resolution states that the adjusted Net Revenues of the System must comply with certain debt service coverage requirements recognizing the Maximum Annual Debt Service for the Outstanding Bonds and Additional Bonds for any twelve (12) consecutive of the twenty-four (24) complete calendar months preceding the issuance of the Additional Bonds.

The Bond Resolution does provide that adjustments to Net Revenues can be made to reflect revisions: i) to the rates and charges of the System if the County has increased rates, fees or other charges for the product, services or facilities of the System before the issuance of the Additional Bonds; ii) in the customers served by the County if the County has acquired or has contracted to acquire any privately or publicly-owned existing water and/or wastewater system; and iii) in the customers served by the County to recognize if such customers that commenced service during the Computation Period (as defined later in this Report) were receiving service for the consecutive twelve (12) month period recognized in the Additional Bonds Test (the "Adjusted Net Revenues").

With respect to the calculation of the Additional Bonds Test as defined in the Bond Resolution and for the purposes of this Report, the calculation was developed based on: i) financial information provided by the County for the twelve (12) consecutive month period ended September 30, 2012 (the "Computation Period"); ii) customer billing statistics for the Computation Period that corresponded to the revenues derived from the application of monthly user charges; iii) estimates of changes in the cost of utility operations due to the increase in System revenues as a result of the implementation of rates that were made effective by the County on October 1, 2012 (represents beginning of the Fiscal Year 2013; does not include Board-approved rates which are scheduled to be implemented after Fiscal Year 2013 by the County); and iv) the estimated Maximum Bond Service Requirements for the County's Outstanding Bonds and the Series 2013 Bonds. As provided in the Bond Resolution, adjustments to the determination of the Net Revenues for the purposes of complying with the Additional Bonds Test can be recognized. Based on the provisions of the Bond Resolution, the

[5] As previously defined, the Outstanding Bonds of the System prior to the issuance of the Series 2013 Bonds as of the date of this Report includes the following utility revenue bonds issued on parity in accordance with the Bond Resolution: Water and Sewer Revenue Refunding Bonds, Series 2003A, Water and Sewer Refunding Revenue Bonds, Series 2011, Water and Sewer Refunding Revenue Bonds, Series 2012A, and the Water and Sewer Refunding Revenue Bonds, Series 2012B in the total outstanding principal amount of \$144,115,000 as of October 1, 2012.

following adjustments were made with respect to the determination of the Additional Bonds Test as reflected in this Report:

1. The Gross Revenues were increased to reflect the application of the most recently adopted and enacted rates by the County for an annualized period as contained in the Rate Resolution (as previously mentioned, the County adopted and implemented water and sewer rates effective October 1, 2012) resulting in a roughly 7% in rate revenues.
2. To provide additional information and for purposes of this Report, the calculation of the Additional Bonds Test was presented with and without the anticipated refunding of the outstanding Series 2003A Bonds. It was assumed that the refunded Series 2003A Bonds would not be considered a liability of the System upon the issuance of the Series 2013 Bonds.
3. The annual debt service payments for the Outstanding Bonds were adjusted to recognize the estimated Maximum Bond Service Requirements on such Bonds, including the issuance of the Series 2013 Bonds which were based on assumptions as provided by the County's Financial Advisor. The Fiscal Year of the Maximum Bond Service Requirement for the System was estimated to occur during Fiscal Year 2020.
4. The Operating Expenses have been increased to recognize an increase in bad debt expenses associated with a certain amount of the rate revenues being considered as uncollectible as a result of recognizing the County's enactment of the approved rate adjustment applied for the Computation Period in order to estimate the net increase in Net Revenues to be earned from the enacted rate adjustments (showed revenues on a "gross" basis to allow for the presentation of all adjustments recognized for the determination of the change in Net Revenues).

(Remainder of page intentionally left blank)

The Additional Bonds Test relied upon: i) reported financial information as provided by the County for the Computation Period; ii) the Maximum Annual Debt Service requirements of the System for both the Outstanding Bonds and estimated for the Series 2013 Bonds as provided by the County's Financial Advisor; and iii) our understanding of the Additional Bonds Test requirements as defined in the Bond Resolution. The Adjusted Net Revenues derived from System operations is projected to be sufficient to meet the Additional Bonds Test requirements as shown below:

Historical Operating Results – Additional Bonds Test

	Computation Period – Twelve Months Ended September 30, 2012				
	County Reported FY2012 Actual	No Refunding of 2003A Bonds [1]		Refunding of 2003A Bonds [1]	
		Adjustments	As Adjusted	Adjustments	As Adjusted
Gross Revenue [2]	\$91,690,636	\$6,908,889	\$98,599,526	\$0	\$98,599,526
Total Operating Expenses [3]	55,406,435	17,272	55,423,708	0	55,423,708
Adjusted Net Revenues	\$36,284,201	\$6,891,617	\$43,175,818	\$0	\$43,175,818
Connection Fees [4]	\$2,850,234	\$0	\$2,850,234	0	\$2,850,234
Adjusted Net Revenues and Connection Fees	\$39,134,435	\$6,891,617	\$46,026,052	\$0	\$46,026,052
Maximum Debt Service Requirement [5]	13,034,763	\$3,425,245	\$16,460,008	(\$296,000)	\$16,164,008
Test A – Adjusted Net Revenues					
Calculated	278.4%		262.3%		267.1%
Minimum Required	100.0%		100.0%		100.0%
Test B – Adj. Net Revenues and Connection Fees					
Calculated	300.2%		279.6%		284.7
Minimum Required	120.0%		120.0%		120.0%

- [1] For purposes of this Report and to provide additional information the Additional Bonds Test was calculated assuming: i) no refunding of the Series 2003A Bonds; and ii) refunding of the Series 2003A Bonds.
- [2] Per the Bond Resolution, sales revenues were only adjusted for the currently effective 6.0% Water System rate increase and the 8.0% Wastewater System rate increase that became effective on October 1, 2012; no other adjustments for the additional approved rates as adopted by the Board that will become effective subsequent to Fiscal Year 2013 have been recognized.
- [3] Operating expenses were increased for estimated increases for bad debt expense anticipated as a result of the currently Water and Wastewater System rate adjustments as delineated in Footnote No. 1 above to estimate the change in Net Revenues associated with the recognition of the rate increases that were enacted by the County on October 1, 2012.
- [4] Amounts reflect Connection Fees received by the County during the Computation Period.
- [5] Reflects changes in debt service for i) the change in debt service associated with the refunding of the Series 2003A Bonds and issuance of the Series 2013B Bonds; ii) the estimated debt service on the Series 2013A Bonds; and iii) the recognition of the estimated Maximum Annual Debt Service requirement on all Outstanding and Additional Bonds (e.g., the Series 2013 Bonds).

PROJECTED OPERATING RESULTS

General

Projections of the operating results for the System have been prepared for the Forecast Period. These projections were based on: i) the adopted Fiscal Year 2013 and preliminary Fiscal Year 2014 Budget for each respective cost center; ii) actual Fiscal Year 2012 audited results and other supporting financial information as reported by the County for the System, including Fiscal Year 2013 year-to-date operating results; iii) discussions with Utility staff and its consultants regarding current and future utility needs associated with System expansion and capital improvements; iv) information provided by other utilities, including information regarding the

cost of purchased water and wastewater; and v) other information provided by the County and its consultants.

Presented in Table 7 are the financial projections prepared by PRMG. The table includes annual projections of Gross Revenue, Operating Expenses, Annual Debt Service payments and the Subordinated Indebtedness debt service payments, including allowances for additional bonds allocable to the System that are being repaid through System Revenues, required deposits to the various funds and accounts established by the Bond Resolution, including the R&R Fund and the debt service Reserve Account, and balances available for capital outlay and other purposes. Projected revenue includes those from sales (rate revenue), interest income on the available funds, and other miscellaneous operating revenues derived from System operations. The projected sales revenue is based on revenue anticipated to be derived from existing rates as reflected in the Rate Resolution and approved rates expected by the County to be enacted by the Board during the Forecast Period. The projected debt service shown in Table 4 and Table 7 is subject to change based upon the actual terms of the sale of the Series 2013 Bonds.

Projected sales revenue is based on growth projections in customers and usage for the Water and Wastewater Systems. These forecasts were based on historical growth and usage trends and information provided by and discussions with the County relating to projected service area growth and development. Interest income has been estimated on cash balances estimated to be available during the Forecast Period. The projected Operating Expenses were based on various factors such as projected expense increases due to inflation, projected changes in expenses due to anticipated changes in operations (e.g., utility plant additions and/or elimination etc.) and System growth. Funds received from the application of Water Connection Fees and Sewer Connection Fees associated with new growth have been assumed, for the purposes of the determination of expenditure financing, not to be available to pay Operating Expenses but such fees are i) pledged towards the payment of the Annual Debt Service for the Forecast Period and have been recognized in the determination of Debt Service coverage requirements since they are considered as Pledged Funds for rate covenant requirements under the terms of the Bond Resolution and ii) recognized as a source of funds in the development of the capital improvement plan financing analysis (as it relates to the projection of future rate adjustments as disclosed in this Report).

Principal Considerations and Assumptions Regarding Projected Operating Results

In the preparation of this Report and the conclusions that follow, we have made certain assumptions with respect to conditions that may occur in the future. While we believe the assumptions are reasonable for the purposes of this Report, they are dependent upon future events and actual conditions may differ from those assumed. In addition, in developing the projections and estimates, we have used and relied upon certain information and assumptions provided to us or prepared by others, including: i) information and assumptions provided to us by the County regarding historical financial information and historical customer and sales statistics; ii) information contained in the County's CAFR; iii) information provided by the County's Financial Advisor with respect to assumptions regarding the refunding of the Series 2003A Bonds and the issuance of the Series 2013 Bonds as discussed in this Report; and iv) information provided by the County with respect to the CIP. While we believe use thereof to be reasonable for the purpose of this Report, we offer no further assurances with respect thereto. To the extent that actual conditions differ from those assumed by us herein or from information or assumptions

provided to us, or prepared by others, the actual results will vary from those estimated and projected herein.

In making the projections and estimates summarized in this Report, the principal considerations and assumptions made by us and the principal information and assumptions provided to us or prepared by others, include the following:

1. The actual audited Fiscal Year 2012 operating results, the adopted Fiscal Year 2013 Budget and preliminary Fiscal Year 2014 Budget served as the primary baseline for the expenditure projections. The projections are considered as being reasonable and conservative based on comparisons to recent historical operating results and overall System financial needs. The Fiscal Year 2013 Budget (the "Budget") represents the most recent budget as approved by the Board. The Budget recognizes anticipated changes by System management in operations and costs based on known events, trends, and current year-to-date financial results. The budgeted Operating Expenses were compared to prior Fiscal Year 2012 actual results and evaluated current Fiscal Year 2013 year-to-date trends, which demonstrated the potential to lower the Budget for Operating Expenses, however no adjustments were made based on discussions with staff in order to maintain a conservative financial forecast.
2. Projected rate revenues reflect: i) the forecast of additional customer growth and demand characteristics as previously discussed; and ii) the implementation of the adopted and approved rates pursuant to the Rate Resolution. A summary of the implemented and adopted rate increases pursuant to the Rate Resolution are as follows:

Existing and Adopted System Average Rate Revenue Adjustments				
<u>Fiscal Year</u>	<u>Water</u>	<u>Wastewater</u>	<u>Combined</u>	<u>Status</u>
2012	6.0%	8.0%	7.0%	Implemented 10/01/2011
2013	6.0%	8.0%	7.0%	Implemented 10/01/2012
2014	2.3%	4.6%	3.5%	Adopted
2015	2.3%	4.6%	3.5%	Adopted
2016	0.0%	0.0%	0.0%	No Increase Adopted
2017	0.0%	0.0%	0.0%	No Increase Adopted

3. The FGUA currently operates two (2) utility systems in the Lee County service area which are i) the Lehigh System and ii) the North Fort Myers System. A summary of the customers served by these two respective systems are shown below:

	<u>North Fort Myers System [1][2]</u>	<u>Lehigh System [1]</u>
Average Water Accounts	1,850	12,400
Average Wastewater Accounts	11,776	10,189

[1] Customer information provided by the FGUA; amounts are average statistics for Fiscal Year 2012.

[2] The majority of the North Fort Myers System wastewater customers (approximately 85% of the total) receive potable water-only service from the County.

Pursuant to the Interlocal FGUA Agreement, the County has the right to acquire these utility systems and service areas from the FGUA upon the satisfaction of certain conditions (primarily notification to the FGUA of the intent to acquire the systems and the assumption of the outstanding indebtedness allocated to each system at time of acquisition). Based on discussions with the County, it has been assumed that the County would not absorb either of the two FGUA systems into the County System during the Forecast Period.

4. Included in the financial projections are other operating revenues associated with meter installation charges, customer-requested services (e.g., turn-on charges, meter testing fees, extension charges, etc.), and other miscellaneous revenue (e.g., late fees). The financial projections of other operating revenue were based on: i) Fiscal Year 2012 reported revenue and a comparison of trends in prior periods; ii) the Fiscal Year 2013 Budget; and iii) discussions with the County. It was also assumed that the County would not enact any special property assessments to recover capital costs from such properties that would be funded initially by existing or additional bonds during the Forecast Period.
5. As mentioned in the discussion of the customer statistics and sales, the County provides wholesale water and wastewater service to a variety of customers. The forecast in sales to each respective wholesale customer was based on i) historical trends in reported sales to each individual customer; ii) discussions with the County regarding anticipated changes in sales based on their discussions with the various wholesale customers; iii) the current rates for service that were assumed to be increased based upon enacting the Board-adopted rates as contained in the Rate Resolution. Based on these assumptions, the following wholesale water and wastewater sales were assumed:

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Summary of Projected Water and Wastewater Wholesale Sales

	Fiscal Year Ending September 30,				
	2013	2014	2015	2016	2017
Wholesale Water Sales:					
Estimated Annual Water Sales (000s) [1]	707,212	708,269	709,331	711,466	713,623
Rate per 1,000 Gallons [2]	\$3.6613	\$3.7467	\$3.8363	\$3.8400	\$3.8400
Wholesale Water Rate Revenues	\$2,589,280	\$2,653,648	\$2,721,171	\$2,732,029	\$2,740,312
Calculated Revenue Adjustments [3]	(0.50%)	(0.50%)	(0.50%)	(0.50%)	(0.50%)
Projected Wholesale Water Rate Revenues	\$2,576,334	\$2,640,380	\$2,707,565	\$2,718,369	\$2,726,611
Wholesale Wastewater Sales:					
Estimated Annual Billed Wastewater Flow (000s) [1]	276,247	277,304	278,366	279,434	280,507
Rate per 1,000 Gallons [2]	\$4.6654	\$4.8813	\$5.1104	\$5.1200	\$5.1200
Wholesale Wastewater Rate Revenues	\$1,288,807	\$1,353,590	\$1,422,568	\$1,430,703	\$1,436,196
Calculated Revenue Adjustments [3]	(0.40%)	(0.40%)	(0.40%)	(0.40%)	(0.40%)
Projected Wholesale Wastewater Rate Revenues	\$1,283,652	\$1,348,176	\$1,416,878	\$1,424,980	\$1,430,452
Total Wholesale Sales Revenue	\$3,859,986	\$3,988,556	\$4,124,443	\$4,143,349	\$4,157,062

[1] Wholesale water growth assumed only in the Gateway service area; wholesale water sales to all other customers were assumed to remain constant during the Forecast Period.

[2] Per Rate Resolution, the wholesale rate is a volumetric-only rate; such rates were adjusted to reflect the effective rate charged to customers recognizing the County enacting the Board-adopted rates based upon service rendered on and after October 1st of each fiscal year. Therefore the effective rate must recognize 0.5 months of the prior year's rate and 11.5 months of the subsequently adopted rates based upon the approved rates as shown below to match the rates to the service use period (lag in billing).

[3] The revenue forecast relies upon a comparison of calculated revenues for the most recently completed Fiscal Year (FY 2012) to actual reported revenues for the same period. Based upon this comparison the forecast revenues were adjusted by the percent difference to recognize differences in calculated revenues and reported revenues (differences may be due to a variety of factors, including but not limited to, billing adjustments, pro-ration of rates to match service period [see footnote 2], and other factors; such adjustments were considered as being reasonable in the determination of the wholesale rate revenues).

- The County acquired the Gateway WWTP System in 2003 and consequently began providing wholesale wastewater service. Based on the provisions of the Gateway Wastewater Agreement, the District agrees to pay the County in fixed monthly installments an amount equal to the annual debt service requirement incurred by the County for the purchase of the wastewater treatment and effluent disposal facilities allocable to the District (approximately 0.743 MGD of reserved capacity – equivalent to an installment based Connection Fee). Based on the provisions of the Gateway Wastewater Agreement which references the fixed monthly debt component and discussions with the County, the estimated debt service equivalent component for the purchase of capacity is estimated as follows:

Annual Gateway CDD Contributions	
Fiscal Year	Debt Service Equivalent
2012 (Historical)	\$318,820
2013	184,542
2014	172,335
2015	172,335
2016	172,335
2017	172,335

As can be seen above the payments from the District are anticipated to decline during the Forecast Period; the Fiscal Year 2012 and 2013 amounts include one-time back payments that were not received in prior periods. The County anticipates receiving annual payments of \$172,335 subsequent to Fiscal Year 2013 through Fiscal Year 2033 pursuant to the Gateway Wastewater Agreement. It should be noted that the County reports the receipt of the debt service payment from Gateway as Non-operating Revenue for financial reporting purposes. Since i) the payment is for securing capacity in the Gateway WWTP by the District (equivalent to an installment based payment of the Sewer Connection Fees) and ii) it is assumed that the County will receive such payments annually from the District, such amounts have been included as a component of the Gross Revenues of the System.

7. In addition to the Gateway capacity payment as provided in the Gateway Wastewater Agreement, the County incurs other revenues allocable to the System which are also classified as Non-operating revenues. Examples of this revenue includes, but is not limited to, funds received for bid documents and sales of maps and publications, environmental engineering reimbursements, discounts taken and other miscellaneous items. For the purposes of this Report, this revenue has been recognized as a component of the Gross Revenues of the System since it represents income received by the County in the ownership, management, and / or operation of the System. For the Forecast Period, such miscellaneous revenue was projected based on estimates contained in the Budget and held constant for the Forecast Period. The total Non-operating revenue considered as a component of the System Gross Revenue averaged \$56,000 per year.
8. As previously discussed, the County charges Water Connection Fees and/or Sewer Connection Fees to applicants that request water and/or wastewater capacity to pay or reimburse the equitable share of the capital costs related to construction, expansion, or equipping capacity of the System in order to serve new users. The estimated Connection Fee revenues were based on recent historical trends in the amount of fees anticipated to be received by the County based on discussions with utility management. The annual Connection Fees estimated to be collected by the County is approximately \$2,080,000 (exclusive of investment earnings) which is generally representative of the average collection of Connection Fees for the recent Fiscal Years 2010 through 2012. The following is a summary of the Water Connection Fees, including interest earnings, projected to be received during the Forecast Period:

Summary of System Connection Fees Received

Fiscal Year	Estimated Fees Received	Interest Earnings [1]	Totals
2013	\$2,362,850	\$22,605	\$2,385,455
2014	1,979,090	21,325	2,000,415
2015	1,997,277	23,853	2,021,130
2016	2,013,356	39,519	2,052,875
2017	2,054,869	40,922	2,095,791

[1] Interest earnings may vary due i) to the assumed average annual interest rate earned on fund balances; and ii) the average balance in the Connection Fee account which is dependent of fee collections and utilization of the fees for capital project funding.

The amount of Connection Fees received by the System generally follows growth forecasts projected for the Forecast Period. However, it is not expected that such fees will return to levels that were experienced by the County during the early portion of the Historical Period as shown on Table 6 at the end of this Report. It should be noted that no determination of the expansion-related capital improvements related to the Outstanding Bonds or Subordinated Indebtedness was evaluated and therefore not all of the identified Connection Fees may be legally available for payment of debt service payments shown.

9. The projected Operating Expenses associated with operation and maintenance of the System have been escalated from the budgeted Fiscal Year 2013 and preliminary budgeted Fiscal Year 2014 amounts based upon a number of assumptions and the nature of the expense. A summary of the projected Operating Expenses is included on Table 7 at the end of this Report. These projected expenditures were escalated for the Forecast Period as follows:
 - a. Projected Operating Expenses for Fiscal Year 2013 were based upon the County's adopted Budget, as amended and adjusted, and the preliminary Fiscal Year 2014 Budget which reflects the most recent annual financial projections of the System prepared by management. Such amounts were also adjusted for other conditions and contingencies for the purpose of developing the projections included in this Report. Any specific adjustments are discussed in the assumptions that follow.
 - b. The projected cost of personnel (wages and salaries and associated benefits) expenses were escalated above Fiscal Year 2014 estimates at 3.0% annually to reflect merit pay increases and cost of living adjustments. For the purposes of the financial forecast, it was assumed that all budgeted positions would be filled (no vacancies) for the full fiscal year, which is consistent with the County's budget process. However, it is anticipated during the course of the year that vacancies will occur, which could reduce the overall personnel costs actually paid by the County. Based on discussions with the County and recognizing the limits on service area growth of the System (also no additional private or other utilities are planned to be acquired by the County during the Forecast Period), no additional personnel (net change in total employees associated with the System) were assumed to be added during the Forecast Period. With the exception of medical insurance, personnel benefits (i.e., contributions toward retirement, health insurance, FICA, etc.) were projected to remain at the same percentage relationship to total salaries as was included in the Budget based on discussions with the County. The cost of medical insurance was increased by approximately 7% annually to reflect recent trends in these costs.
 - c. The Governmental Accounting Standards Board (GASB) recently issued Statement No. 65, among others, affecting future financial reporting by the County for assets and liabilities. Specifically, it is anticipated that the County will be required to begin reporting the unfunded pension liability, if any, associated with participation in the Florida Retirement System (FRS) Pension Fund administered by the Florida State Board of Administration (SBA). The SBA reports that as of July 1, 2012 the FRS pension liability was 86.9% funded. Based on information provided by the County as

of the date of this Report, no estimate of the County's allocable share of the unfunded pension liability in the FRS was available. Although the change in this reporting requirement is anticipated to affect the County's financial statements and reporting, based on discussions with County staff it is not anticipated to affect the annual FRS contributions made by the County. The utility budgeted approximately \$660,000 for the Fiscal Year 2013 FRS retirement contribution serving as the baseline for the financial forecast.

- d. Other expenses, exclusive of personnel costs, were assumed to increase above the preliminary Fiscal Year 2014 budget estimates by approximately 1.0% to 5.0% annually for the Forecast Period to account for inflationary cost increases. Assumptions for inflation were based on a variety of sources, including the Implicit Price Deflator and Consumer Price Index forecast prepared by the Congressional Budget Office as published in the February 2013 *Economic and Budget Outlook* and recent expense trends.
- e. The projection of variable costs for water and wastewater systems operations, which would include such expenses as utility services such as electricity and operating supplies were based on the projected growth in water production and wastewater treated plus an allowance for inflationary unit price increases. It was assumed that the variable costs will increase at levels greater than the estimated general inflation rate to account for unknown conditions that may affect the cost of utilities and chemical prices. Based on discussions with Utility staff and with exception to the decommissioning of the Waterway Estates and San Carlos wastewater treatment facilities, no material incremental cost adjustments were assumed based on the implementation of the Capital Improvement Plan. The following escalation assumptions were recognized relative to the variable expenses of the Utility:
 - i. Electrical expenses and Operating Supplies were escalated at inflation factor of 5% based on recent cost increases and the continued assumed increase in energy and chemical prices plus an allowance for System growth. The composite annual compound growth rate in water produced and wastewater treated is assumed to be less than 1% per year. Based on these assumptions, the increase in electrical expenses averages approximately 5.4% annually after Fiscal Year 2014.
 - ii. Sludge removal expenses were escalated during the remainder of the Forecast Period based on the estimated growth in treated water and wastewater flows and an assumed 4% adjustment for inflation. The composite annual compound growth rate in wastewater treated is assumed to be less than 1% per year. Based on these assumptions, the increase in electrical expenses averages approximately 4.4% annually after Fiscal Year 2014.
- f. Repair and Maintenance operating expenses were escalated subsequent to the budget period based upon an inflationary or cost factor ranging from 4.0% over the Forecast Period, reflecting the observed trend in increased construction materials costs used in the repair and maintenance of existing water and wastewater facilities.

- g. Although considered a System operating expense for financial reporting purposes, depreciation and amortization expenses have not been recognized as a component of the Operating Expenses consistent with the provisions of the Bond Resolution since such amounts represent non-cash expenditures.
- h. As previously discussed the County has removed from service the Waterway Estates WWTP and has interconnected to the FGUA wastewater systems to treat wastewater from the Waterway Estates service area. Accordingly there is a shift in the Operating Expenses from County-specific costs to a contractual services cost associated with the payment of wholesale wastewater treatment services by the County to the FGUA. Based on discussions with the County, all personnel at the treatment plant were assigned to other utility functions (fill vacant positions or replace employees through attrition). The net change in recurring expenses estimated for Fiscal Year 2013, the first full year of the change in wastewater treatment requirements, was estimated as follows:

	Fiscal Year 2013
Purchased Wastewater Treatment – FGUA	
Estimated Billed Wastewater Flows (000s)	328,500
FGUA Wholesale Rate (per 1,000) [1]	<u>\$4.68</u>
Estimated Wholesale Expenses	\$1,537,380
Operating Expenses	
Reduction for Waterway Estates Removal [2]	(\$750,000)
Increase Wastewater Pumping Allowance	<u>150,000</u>
Net Estimated Increase in Operating Expenses	<u>\$937,380</u>

[1] FGUA adopted rate for wholesale wastewater service.

[2] Based on actual reported operating expenses for Fiscal Year 2012 and exclusive of budgeted departmental capital outlays.

In addition to the change in recurring Operating Expenses associated with the removal from service of the Waterway Estates WWTP, an additional one-time operating expense associated with the decommissioning of the facility has been recognized. Based on estimates provided by the County, an allowance for the cost of removal of the facility of \$60,000 for engineering services during Fiscal Year 2013 and \$400,000 for demolition and site restoration during Fiscal Year 2014 was recognized as an Operating Expense.

- i. As previously discussed, the County intends to decommission the San Carlos WWTP and divert the wastewater flows to the Three Oaks WWTP for purposes of net cost savings and operational efficiencies. Based on discussions with the Utility, a marginal net reduction to the operating expenses for operational efficiencies has been assumed for the Forecast Period. In addition a one-time operating expense of \$150,000 is assumed for Fiscal Year 2015 for decommissioning costs associated with the demolition and site restoration of the San Carlos WWTP.

- j. Based on discussions with the County, no allowances for increased Operating Expenses associated with a change in treatment regulations, including the potential implementation of the wastewater numeric nutrient criteria rules associated with the advanced wastewater treatment of phosphorous and nitrogen, have been assumed during the Forecast Period due to the uncertainty as to the timing of any regulatory changes and the overall economic effects on the County System as a result of any addition or changes in the capital program and the operation of the System. Any potential impact of a change in regulation (not already addressed in the CIP) would be addressed separately with the Board by Utility management and any change in rates to meet such additional regulation would be required (note that it would be highly likely that the majority of public utilities located in the southwest Florida area would also be impacted by the regulations such that the competitive nature of the County's rates would be assumed to be relatively the same). It should also be noted that with the removal from service of the Waterway Estates WWTP the County currently only operates the Fiesta Village WWTP which has a surficial discharge to marine surface waters.
10. A contingency allowance based on one percent (1%) of total Operating Expenses was recognized in each fiscal year of the Forecast Period. This expenditure item reflects an incremental adjustment to the Budget and this allowance has been included in order to have additional funds to meet unknown or unplanned expenditures throughout the Fiscal Year and to allow for a portion of potential changes in the revenues that may occur due to weather, conservation, and other factors. For the Forecast Period, recognition of this contingency allowance increased the projected Operating Expenses of the System by approximately \$560,000 annually.
11. An annual allowance for bad debt expense has been made to recognize that a certain amount of revenues will be uncollectible and written off throughout the year. This expenditure item reflects an incremental adjustment to the Budget and was projected based on historical trends incurred by the County and discussions with Utility staff. A bad debt expense ratio of 0.25% of sales revenues was applied to the projected sales revenues during the Forecast Period. The increase in Forecast Period Operating Expenses recognizing this adjustment for the System averaged approximately \$250,000 annually.
12. The County has entered into a large user agreement with the City of Fort Myers whereby the County has a 50% capacity entitlement in the City's Central WWTP (County allocation of 7.00 MGD) and South WWTP (County allocation of 4.50 MGD) in order to provide wastewater treatment services for those customers located in the County's South Fort Myers and East Lee County wastewater areas (previously defined as the "Interlocal Wastewater Agreement"). The amount charged for wastewater service includes an operating expense component and a capacity component (for the payment of debt service payments, capital reinvestment, etc.). For the Forecast Period, the estimated annual expense was determined taking into account: i) projections of the cost of future wastewater treatment costs based on previous discussions with Utility staff (which assumes no change in treatment regulations); ii) the forecast of wastewater customers and their respective wastewater treatment requirements for the County wastewater system; and iii) the

application of the capacity for service based on information contained in the City of Fort Myers five-year capital plan for its wastewater utility system that is allocable to the South and Central WWTPs. Based on the assumptions as stated above, the costs for wholesale wastewater service were estimated as follows:

Fiscal Year	Contracted Services
2013	\$6,550,000
2014	6,750,000
2015	7,020,000
2016	7,300,800
2017	7,592,832

With respect to the recognition of the payment of the cost of wastewater treatment to Fort Myers, the capacity component of the annual cost associated with the debt service payments on the City facilities (debt issued by City for the facilities that is allocable to the County) is considered as a component of the cost of operations and is included as an Operating Expense and is paid senior to the Annual Debt Service payment on the Senior Lien Bonds.

13. The County currently has outstanding as of October 1, 2012 in the principal amount of \$144,115,000 of Senior Lien Bonds issued pursuant to the Bond Resolution (the "Outstanding Bonds") that were issued to finance capital improvements to the System (or to refund prior Bonds issued for that purpose). Such outstanding balance recognizes that the October 1 payments were funded during the previous twelve months by the County and no liability for this component of the Outstanding Bonds would be outstanding (since fully funded during such previous twelve months and paid on such date). Repayment of the Outstanding Bonds is from the Net Revenues and Connection Fees (to the extent legally available and defined as the "Pledged Revenues") derived from System operations. A summary of the principal amount of the Outstanding Bonds is shown below:

Outstanding Bonds	Outstanding as of October 1, 2012 [*]
Water and Sewer Refunding Revenue Bonds, Series 2003A ("Series 2003A Bonds")	\$45,510,000
Water and Sewer Refunding Revenue Bonds, Series 2011 ("Series 2011 Bonds")	71,125,000
Water and Sewer Refunding Revenue Bonds, Series 2012A ("Series 2012A Bonds")	19,990,000
Water and Sewer Refunding Revenue Bonds, Series 2012B ("Series 2012B Bonds")	7,490,000
Total Outstanding Bonds	\$144,115,000

[*] Except as noted below, the amounts shown reflect the outstanding principal amount of the Bonds after the payment that was due and payable on October 1, 2012.

Except as noted below for the refunding of the Series 2003A Bonds (previously defined as the "Refunded Bonds" with reference made to Assumption No. 14 below), the debt service requirements for the Outstanding Bonds included in this Report were based on the actual

debt service schedules for each issue and are presented on a "gross" basis (i.e., not net of interest earnings on any debt service-related funds or accounts). Furthermore, the amounts shown are based on the monthly funding requirements (on an accrual basis) of the various sinking funds as required by the Bond Resolution, which authorized the issuance of the Outstanding Bonds as opposed to when the debt service requirements are actually paid.

14. The County plans to issue the Series 2013A Bonds on parity to the Outstanding Bonds (also referred to as the "Additional Bonds") in an aggregate principal amount of approximately \$53,925,000 to: i) finance improvements and the expansion of the Green Meadows WTP with a project fund deposit of \$56,000,000; and ii) pay certain expenses related to the issuance and sale of the Series 2013A Bonds. The payment of the Annual Debt Service was provided by the County's Financial Advisor and recognizes: i) an issuance premium of \$2,421,081; ii) assumed annual tax-exempt coupon interest on the serial bonds that comprise the Series 2013A Bonds of 4.99% with an "all-in" True Interest Cost ("TIC") of 4.67%; iii) a term of approximately thirty (30) years with essentially level Annual Debt Service payments; and iv) the payment of issuance expenses associated with the Series 2013A Bonds. Furthermore per the assumptions provided by the County's Financial Advisor, no deposits to the Reserve Account or securing a Reserve Account Insurance Policy has been recognized with respect to the issuance of the Series 2013A Bonds. The Series 2013A Bonds are planned to be issued concurrent with the Series 2013B Bonds on or about July 31, 2013. The level Annual Debt Service payments associated with the issuance of the Series 2013A Bonds is estimated to be approximately \$3,535,000.
15. The County plans to issue the Series 2013B Bonds in an aggregate principal amount of approximately \$40,160,000 to: i) refund the Series 2003A Bonds ; and ii) pay certain expenses related to the issuance and sale of the Series 2013B Bonds. The payments of the Annual Debt Service was provided by the County's Financial Advisor and recognizes: i) an issuance premium of \$4,190,665 providing a deposit to the escrow account of \$46,627,641; ii) assumed annual tax-exempt coupon interest on the serial bonds that comprise the Series 2013B Bonds of 4.98% with an "all-in" True Interest Cost ("TIC") of 3.59%; iii) a term of approximately 14 years of essentially level Annual Debt Service payments; and iv) the payment of issuance expenses associated with the Series 2013B Bonds. Furthermore per the assumptions provided by the County's Financial Advisor, no deposits to the Reserve Account or securing a Reserve Account Insurance Policy has been recognized with respect to the issuance of the Series 2013B Bonds. The issuance date for the Series 2013B Bonds is planned to be on or about July 31, 2013. The resulting Annual Debt Service payments for the Series 2013B Bonds are estimated to be \$4.08 million. The refunding results in an annual reduction to the Annual Debt Service for the Outstanding Bonds of approximately \$295,000 annually with a net present value savings of approximately \$3.8 million as estimated by the County's Financial Advisor.
16. The County has recognized a liability associated with the repayment of Subordinated Indebtedness that was issued to finance capital improvements to the System. All of the Subordinated Indebtedness represents loans derived from the SRF Loan Program that is administered by the FDEP. The SRF Program provides low-interest loans to public utilities

such as the County to help finance capital projects. Repayment of the Subordinate Indebtedness is secured by subordinate lien on the Pledged Revenues as defined in the Loan Agreement for such debt, which represents the Net Revenues and Connection Fees less payment of all Outstanding and future additional bonds issued pursuant to the Bond Resolution. A summary of the Subordinated Indebtedness liability as reported by the County as of October 1, 2012 is set forth below:

<u>Subordinated Indebtedness</u>	<u>Outstanding as of October 1, 2012</u>	<u>Loan Status</u>
SRF – CS12039232P	1,885,782	Project Completed and Loan Officially Closed with FDEP; Loan Repayments being made
SRF – DW3610010	21,735,269	Project Completed and Loan Officially Closed with FDEP; Loan Repayments being made
SRF – WW392330	<u>32,022,701</u>	Project Completed and Loan Officially Closed with FDEP; Loan Repayments being made
Total Subordinate Indebtedness Liability	<u>\$55,643,751</u>	

No additional Subordinated Indebtedness has been assumed to be issued or secured by the County during the Forecast Period in order to provide funds for financing the System CIP. The Subordinated Indebtedness loan repayment requirements included in this Report for the currently outstanding SRF Loans were based on the actual loan repayment schedules for each issue (if currently outstanding) based on the parameters of the loans as approved by the FDEP. The loan repayments are presented on a "gross" basis (i.e., not net of interest earnings on any debt service related funds or accounts). The amounts shown are based on a monthly funding requirement (an accrual basis) in order to match the interest expense/liability repayment with the loan repayment schedule as required by the Loan Agreement.

17. In accordance with normal utility operations and the flow of funds as defined in the Bond Resolution that authorized the issuance of Outstanding and Additional Bonds for the System, Investment Earnings have been recognized as an available revenue source to fund the annual expenditure needs of the System. For the Forecast Period, the projected Investment Earnings was based on the estimated balances for all cash accounts or funds anticipated to be on deposit for the System. With respect to the evaluation of the compliance with the rate covenants as defined in the Bond Resolution, interest earned on those fund balances, which were available to meet total utility expenditures, was recognized. These fund balances included Debt Service funds, operating reserves, R&R Fund, and the Water Connection Fees and Sewer Connection Fees Funds, as well as funds or accounts recognized by the County such as the customer deposit and water surcharge funds. Earnings on the Construction Funds (established by the issuance of Outstanding and Additional Bonds) were restricted to the fund and were assumed: i) to not be a component of the Gross Revenues and to not be available to meet the rate covenant requirements as defined in the Bond Resolution for the System; and ii) to be only available to provide an additional source of funds for capital expenditure financing in relation to expansion-related projects as designated from time-to-time by the County.

In development of the estimated interest earnings, an assumed average annual interest rate ranging from 0.25% to 0.75% was applied to the estimated average fund balances in each account maintained by the County during the Forecast Period. This interest rate assumption is based on recent earnings performance results of the System, discussions with Utility staff, and a review of the earnings performance of available investment vehicles related to the County (e.g., State Board of Administration Florida PRIME). The assumed average interest rate is lower than the current investment rates being earned by the County to limit the overall volatility of such earnings in the financial plan and to provide assurance that such earnings would be available for the determination of Net Revenues. The assumed average interest rate was applied to the estimated average fund balances for each specific fund as maintained by the County for financial reporting and accounting purposes of the System. A summary of the Investment Earnings recognized in the financial forecast for each Fiscal Year as well as the estimated cash balances by individual fund or account are presented in Table 5 at the end of this Report and summarized as follows:

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Summary of Projected Investment Earnings by Fund [1]

	County Fund Ref. No.	Fiscal Year Ending September 30,				
		2013	2014	2015	2016	2017
Recognized Investment Earnings:						
Revenue Fund / Utility Reserve Account	700	\$137,914	\$185,551	\$231,796	\$266,327	\$299,094
Vehicle Replacement Account [2]	703	1,795	2,723	3,558	4,425	5,168
Customer Deposits Account [3]	710	0	0	0	0	0
Water Connection Fees Fund [4]	712	9,951	8,154	10,569	20,561	21,922
Sewer Connection Fees Fund [4]	713	12,654	13,171	13,284	18,958	19,000
Renewal and Replacement Fund	720	14,539	17,970	24,937	32,684	39,802
Debt Service Sinking Fund [5][6]	Varies	9,687	18,762	25,676	32,301	37,854
Debt Service Reserve Account [5]	772	270	411	541	681	811
Capital Improvement Fund [7]	730	36,416	20,237	15,354	4,387	1,618
Water Conservation Surcharge Fund [8]	735	2,002	1,833	1,510	2,753	4,290
Total Recognized Investment Earnings [9]		\$225,228	\$268,812	\$327,225	\$383,077	\$429,559
Restricted Interest Earnings:						
Construction Fund [10]	Varies	\$0	\$0	\$0	\$0	\$0
Total Restricted Interest Earnings		\$0	\$0	\$0	\$0	\$0
Total System Interest Earnings		\$225,228	\$268,812	\$327,225	\$383,077	\$429,559

- [1] Derived from Table 5 at the end of this Report.
- [2] Reflects additional account created by County for vehicle replacement; not a fund delineated in the Bond Resolution; it is assumed that this account would be a component of the Revenue Fund for flow of fund purposes in the Bond Resolution.
- [3] Reflects additional fund created by County to account for customer deposits provided by customers as a condition of receiving service; it is assumed that this fund would be a component of the Revenue Fund for flow of fund purposes in the Bond Resolution. However, no earnings are assumed from balances in this fund to recognize an offsetting interest expense reimbursement to customers with balances on deposit.
- [4] Pursuant to the Bond Resolution, earnings on the Connection Fees Funds are considered as a component of Investment Earnings and are therefore included as a component of Investment Earnings recognized for meeting the rate covenant. However, such amounts have been assumed to be restricted to the Connection Fees Funds for cash-flow purposes in accordance with state law and have been assumed to be available only for expansion-related capital funding / project financing or for the payment of expansion-related debt / loan repayments.
- [5] Amounts shown include earnings on debt-related funds established for both Bonds issued pursuant to the Bond Resolution and Loan Agreements of the Subordinated Indebtedness. The Series 2013 Bonds will not be secured by the debt service Reserve Account or any subaccount therein. Therefore, any amounts on deposit in the Reserve Account or any subaccounts therein will not secure payment of the Series 2013 Bonds.
- [6] County maintains a specific fund for each respective debt issue.
- [7] The Capital Improvement Fund is a fund separately created by the County and is considered by PRMG as an unrestricted sub-fund of the Utility Reserve Account.
- [8] The County restricts use of monies in the Water Conservation Surcharge Fund for use on expansion of water supply. For purposes of this analysis interest income earned on such funds were considered to be available for determination of compliance with the rate covenant of the Bond Resolution.
- [9] Reflects earnings recognized in development of Gross Revenues.
- [10] County maintains a specific project fund for each respective debt issue. No earnings were assumed associated with the Construction Fund since such earnings provides a hedge for changes in the cost of construction of the Projects to be funded from Bond proceeds.

18. The CIP for the System was based on: i) the current status of projects under construction or appropriated (funded) in prior periods as of September 2012 which will be completed during the Forecast Period; ii) the County's most recent Five Year CIP for additional projects identified (appropriated) for Fiscal Years 2013 to 2017 as adjusted for an annual inflation allowance ranging from 1.7% to 2.2%; and iii) discussions with the County. The CIP is summarized on Table 3 at the end of this Report. The CIP funding plan was based on: i) the purpose of the expenditures (e.g., expansion-related); ii) available fund balances in accounts established by the County which are available for capital projects; iii) anticipated Connection Fees to be received from new development within the System service area; and iv) the use of proceeds to be derived from the sale of Additional Bonds. Also included in the CIP is the use of R&R Fund and Vehicle Replacement Account which

are funded annually from System operations to finance recurring capital projects (i.e., essentially the renewal, replacement, enhancement or upgrade of utility assets). The recognition of these annual capital funding programs are necessary in order to allow the County to have a recurring capital funding mechanism to continue to provide high quality service (i.e., maintain same level of service) to its customers as the System ages. The following is a summary of the CIP Funding plan recognized in this Report:

5-Year Capital Improvement Program Summary and Funding Sources (\$000s)						
	Fiscal Year Ending September 30 [1]					
	2013 [2]	2014	2015	2016	2017	Total
Capital Projects:						
Water System	\$36,783	\$48,731	\$44,603	\$14,966	\$7,277	\$152,360
Wastewater System	20,577	12,704	8,521	17,139	16,541	75,482
Vehicle Replacement [3]	595	1,354	502	512	523	3,486
Departmental Capital [3]	335	256	597	610	623	2,421
Total System Capital Projects	\$58,290	\$63,045	\$54,223	\$33,227	\$24,965	\$233,749
Funding Sources:						
Renewal and Replacement Fund	\$17,782	\$8,376	\$10,342	\$12,084	\$10,096	\$58,680
Capital Improvement Fund	33,443	17,039	18,471	17,278	8,683	94,914
Series 2013A Bond Proceeds [4]	0	30,000	24,000	2,000	0	56,000
Water Connection Fees	3,818	2,339	0	0	3,034	9,190
Sewer Connection Fees	2,040	3,051	312	742	2,004	8,149
Vehicle Replacement Account	185	188	192	196	200	962
Water Surcharge Fund [5]	277	631	0	0	0	907
Annual Operations/Rate Revenues [6]	745	1,422	907	926	946	4,946
Total Funding Sources	\$58,290	\$63,045	\$54,223	\$33,227	\$24,965	\$233,749

[1] Amounts are shown in thousands of dollars although have not been rounded to the nearest thousand and therefore may result in minor rounding differences when totaling amounts. Amounts were derived from Table 3 at the end of this Report and reflect when funding is projected to be required and may vary from when actual funds are expended through project completion. Amounts shown also include an annual inflation adjustment for capital spending anticipated beginning with Fiscal Year 2014 ranging from 1.7% to 2.2%.

[2] Amounts shown include project carry-forward expenditures which represent amounts appropriated for a project in prior periods (funding established) that have yet to be spent (the total project carry-forward amount as of September 30, 2012 was approximately \$28,448,575).

[3] Amounts shown reflect budgeted capital outlay such as equipment, machinery, and other general plant.

[4] Amounts shown include the use of anticipated proceeds derived from the issuance of Additional Bonds.

[5] Amounts reflect monies funded by a water surcharge applied to high water users (reference discussion on water rates earlier in this Report) with the proceeds used to fund water supply and enhancement projects.

[6] Amounts shown reflect funding for Departmental (minor) Capital outlay such as vehicles, equipment, and other similar capital expenditures.

19. As previously discussed, the Bond Resolution, which authorized the issuance of the Bonds, requires that the System establish an R&R Fund, for the purpose of paying the costs of major extensions, improvements or additions to, or the replacement or renewal of capital assets of the System, or extraordinary repairs of the System. Pursuant to the Bond Resolution, the Renewal and Replacement Fund Requirement shall mean maintaining a minimum cash balance within the Renewal and Replacement Fund equivalent to either i) 5% of the Gross Revenues received by the issuer in the immediately preceding Fiscal Year; or ii) an amount as determined by the Consulting Engineers. Furthermore, pursuant to Section 4.05(b)(v) of the Bond Resolution, should the County not meet the Renewal and Replacement Fund Requirement the County is required to annually transfer 1/12th of 5% of prior year's Gross Revenues until the County maintains sufficient cash balances to meet the Renewal and Replacement Fund Requirement.

With respect to the Forecast Period and as previously discussed, it is projected that the transfer for ongoing annual capital needs (excluding the Vehicle Replacement Account) will meet or exceed the Renewal and Replacement Fund Requirement and such transfers averages approximately 11% of prior period Gross Revenues for the Forecast Period. These capital fund transfers do assume that the County will adjust rates, as adopted, for monthly water and wastewater service as previously indicated in the Report; to the extent rates were adjusted less than adopted then the County would need to adjust the capital program appropriately or possibly issue additional bonds or additional Subordinate Indebtedness to fund the capital plan.

20. The forecasted transfers to the Renewal and Replacement Fund provide for a Pay-As-You-Go ("Pay-Go") funding source for capital improvements. In addition to the transfers to the Renewal and Replacement Fund the financial forecast also recognizes indirect transfers to the Capital Improvement Fund (collectively with the Renewal and Replacement Fund transfers the "Pay-Go Transfers"). The following provides a summary of the Pay-Go Transfers relative to the forecasted depreciation expense:

Projected Pay-Go Transfers from Rate Revenues						
Fiscal Year	R&R Fund / Vehicle Replacement Deposits [1]	Operating Reserve Deposits [2]	Other Pay-Go [3]	Total Pay-Go Deposits	Projected Depreciation Expense [4]	Pay-Go as % of Depreciation
2013	\$15,476,151	\$8,054,779	\$880,017	\$24,410,947	\$39,876,308	61.2%
2014	8,878,707	13,059,554	1,556,766	23,495,028	42,382,778	55.4%
2015	10,725,726	13,000,638	1,041,924	24,768,288	45,093,711	54.9%
2016	12,471,368	9,828,961	1,060,969	23,361,298	47,425,297	49.3%
2017	10,317,356	10,381,331	1,081,340	21,780,027	48,854,040	44.6%

[1] Reflects deposits to the Renewal and Replacement Fund and the Vehicle Replacement Account.

[2] Reflects transfers to operating reserves that are deposited into the Utility Reserve Account which were subsequently deposited into the Capital Improvement Fund within such account for the capital needs of the System. Such transfers are considered to be available for the capital needs of the Utility.

[3] Reflects transfers for departmental capital outlay and transfers to the Water Surcharge Fund.

[4] Depreciation expense was forecasted based upon Fiscal Year 2012 composite depreciation rate of 4.3% as applied to the forecast of depreciable assets determined from the reported depreciable assets within the CAFR for Fiscal Year 2012 and anticipated capital additions identified for the Forecast Period.

As can be identified above the Utility is anticipated to generate Pay-Go funding that is on average above 50% of forecasted depreciation (assumed at 4.3% of gross depreciable fixed assets). Additionally, when adding the average principal payment assumed during the Forecast Period estimated at \$10 million to the amount of Pay-Go funding, the total capital reinvestment from rates as a percent of annual depreciation expense more closely approximates 75% for the Forecast Period and is considered a favorable capital reinvestment rate.

21. For the purposes of developing the financial forecast and corresponding future rate adjustments, no funds from available Connection Fees have been included in the development of the financial analyses as it relates to potential rate impacts since such amounts were assumed to be available only for capital projects for new customer growth and expansion and do not serve to effectively reduce rate revenue requirements (i.e., fund the daily cost of operations or assumed to pay the expansion portion of the debt service

payments). The use of such funds has been recognized to fund growth-related capital projects, thus reducing project funding from utility revenues or future debt service costs, etc. which are paid from rates for the water and wastewater systems.

22. As previously discussed, the Bayshore Utility Co. ("Bayshore") which served approximately 200 residential water-only customers was recently condemned by the County Health Department due to water quality violations. The County was assigned responsibility for Bayshore following an emergency hearing on April 25, 2012 and interconnected to Bayshore on May 15, 2012 and currently bills the residential customers the retail rates for the County. The financial forecast recognizes this incremental customer addition.

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Summary of Projected Operating Results

As shown in Table 7 and summarized as follows, projections have been prepared of the operating results for the System. Such projections were prepared in accordance with the flow of funds prescribed by the Bond Resolution and the assumptions and considerations used in the projections as described above.

Summary of Projected System Operating Results and Debt Coverage [1]

Description	Fiscal Year Ending September 30,				
	2013	2014	2015	2016	2017
Gross Revenues [2][3]					
Water User Fees	\$45,603,032	\$46,893,820	\$48,141,232	\$48,399,124	\$48,612,652
Wastewater User Fees	50,384,086	53,005,982	55,726,421	56,127,687	56,362,973
Rentals and Franchise Fees	111,045	111,045	111,045	111,045	111,045
Miscellaneous Revenues [4]	1,423,876	1,423,519	1,424,160	1,424,797	1,425,431
Investment Earnings [5]	225,228	268,812	327,225	383,077	429,559
Gateway Debt Service Contribution [6]	184,542	172,335	172,335	172,335	172,335
Total	\$97,931,810	\$101,875,513	\$105,902,419	\$106,618,065	\$107,113,995
Operating Expenses [7]:					
Salaries and Wages	\$14,162,537	\$14,168,005	\$14,593,045	\$15,030,835	\$15,481,763
Employee Benefits	8,754,191	8,717,876	9,145,557	9,597,699	10,075,853
Contract Services, Materials, and Supplies	19,957,137	20,041,055	20,833,248	21,607,468	22,416,922
Utilities	5,048,690	4,978,075	5,247,815	5,532,694	5,832,861
Repairs and Maintenance	3,071,715	3,405,295	3,500,193	3,637,838	3,781,068
Insurance	713,930	713,930	749,626	787,107	826,463
Other	3,967,457	3,902,623	4,004,382	4,112,951	4,228,198
Indirect Cost	1,463,982	1,463,982	1,494,726	1,526,116	1,559,690
Administrative Fees	85,880	94,555	96,032	98,046	100,202
Contingency [8]	530,929	532,670	552,803	574,507	597,278
Bad Debt [9]	238,019	247,589	257,297	258,733	259,802
Facility Decommissioning Expenses [10]	60,000	400,000	150,000	0	0
Total	\$58,054,467	\$58,665,655	\$60,624,724	\$62,763,994	\$65,160,100
Pledged Funds [11]:					
Net Revenues	\$39,877,343	\$43,209,858	\$45,277,695	\$43,854,071	\$41,953,895
Connection Fees [12] [13]	2,362,850	1,979,090	1,997,277	2,013,356	2,054,869
Total	\$42,240,193	\$45,188,948	\$47,274,972	\$45,867,427	\$44,008,764
Annual Debt Service - Outstanding Bonds [14]:					
Series 2003A Bonds [15]	\$1,862,734	\$0	\$0	\$0	\$0
Series 2011 Bonds	7,117,583	7,050,883	7,117,683	7,091,883	7,095,483
Series 2012A Bonds	999,500	999,500	999,500	999,500	999,500
Series 2012B Bonds	374,500	374,500	374,500	374,500	374,500
Annual Debt Service - Additional Bonds:					
Series 2013A Bonds [15]	\$443,007	\$3,091,250	\$3,536,500	\$3,533,500	\$3,533,500
Series 2013B Bonds [15]	277,094	3,808,000	4,088,000	4,084,500	4,080,750
Total Annual Debt Service	\$11,074,418	\$15,324,133	\$16,116,183	\$16,083,883	\$16,083,733
Rate Covenant Compliance [16]:					
Test A - Net Revenues	\$39,877,343	\$43,209,858	\$45,277,695	\$43,854,071	\$41,953,895
Annual Debt Service	11,074,418	15,324,133	16,116,183	16,083,883	16,083,733
Calculated Coverage	360.09%	281.97%	280.95%	272.66%	260.85%
Required Coverage	100.00%	100.00%	100.00%	100.00%	100.00%

Table continued on following page.

Summary of Projected System Operating Results and Debt Coverage [1] (cont'd.)

Description	Fiscal Year Ending September 30,				
	2013	2014	2015	2016	2017
Test B – Net Revenues and Connection Fees	\$42,240,193	\$45,188,948	\$47,274,972	\$45,867,427	\$44,008,764
Annual Debt Service	11,074,418	15,324,133	16,116,183	16,083,883	16,083,733
Calculated Coverage	381.42%	294.89%	293.34%	285.18%	273.62%
Required Coverage	120.00%	120.00%	120.00%	120.00%	120.00%
State Revolving Fund Loan Compliance [17]:					
Pledged Revenues:					
Gross Revenues	\$97,931,810	\$101,875,513	\$105,902,419	\$106,618,065	\$107,113,995
Less Operating Expenses	(58,054,467)	(58,665,655)	(60,624,724)	(62,763,994)	(65,160,100)
Less Senior Revenue Obligations Debt Service	(11,074,418)	(15,324,133)	(16,116,183)	(16,083,883)	(16,083,733)
Net Amount Available for SRF Debt Coverage	\$28,802,925	\$27,885,725	\$29,161,512	\$27,770,188	\$25,870,162
Outstanding SRF Loan Debt Service [18]					
SRF Loan 2001 CS12039232P	451,988	451,988	451,987	451,988	131,829
SRF Loan 2005 DW3610010	1,716,847	1,716,847	1,716,847	1,716,847	1,716,847
SRF Loan 2009 WW392330	2,256,137	2,256,137	2,256,137	2,256,137	2,256,137
Total Subordinated Indebtedness	\$4,424,972	\$4,424,972	\$4,424,971	\$4,424,972	\$4,104,813
Calculated Coverage	650.92%	630.19%	659.02%	627.58%	630.24%
Required Coverage	115.00%	115.00%	115.00%	115.00%	115.00%
Other Required Transfers from Net Revenues [16]:					
Reserve Account [19]	\$0	\$0	\$0	\$0	\$0
Renewal and Replacement Fund [20]	4,568,591	4,887,363	5,085,159	5,286,504	5,322,286
Water and Sewer Connection Fees Funds [21]	0	0	0	0	0
Subordinated Indebtedness Debt Service [22]	4,424,972	4,424,972	4,424,971	4,424,972	4,104,813
Amounts Available for Other System Purposes	\$19,809,362	\$18,573,389	\$19,651,382	\$18,058,712	\$16,443,063

[1] Amounts derived from Table 7 at the end of this Report. This table provides a review of projected compliance with the covenants of the Bond Resolution related to the Outstanding Bonds and Additional Bonds and compliance with the covenants of the outstanding FDEPSRF Loan Agreements. Projections were based on: i) the adopted Fiscal Year 2013 Adopted and Fiscal Year 2014 preliminary Budget for each respective utility or cost center; ii) actual Fiscal Year 2012 audited results and other supporting financial information as reported by the County for the System; iii) discussions with County staff and its consultants regarding current and future utility needs associated with System expansion and capital improvements; iv) information provided by other utilities, including information regarding the cost of purchased water and wastewater; and v) other information provided by the County and its consultants.

[2] Pursuant to the Bond Resolution Gross Revenues shall mean all income and moneys received by the County from rates, fees, rentals, charges and other income for water and wastewater services calculated in accordance with generally accepted accounting principles ("GAAP") without limiting the generality of the foregoing, Investment Earnings.

[3] Amounts shown recognize Board-adopted rate increases pursuant to the Rate Resolution for the Forecast Period. The summary below reflects the average percentage increase in rates as approved by the Board:

Board-Adopted Rate Increases – Effective October 1 st ,					
Fiscal Year	2013 (a)	2014	2015	2016	2017
Adopted Rate Revenue Increases	7.00%	3.50%	3.50%	0.00%	0.00%

(a) Adopted rate increase has been enacted by the County.

[4] Amounts shown include charges for permit, tapping, delinquent, turn-on / turn-off, etc. and other miscellaneous charges.

[5] Pursuant to the Bond Resolution, Investment Earnings pledged and available for calculating compliance with the rate covenant (Section 5.04 of the Bond Resolution) shall include all income and earnings on all funds and accounts as established through the Bond Resolution with exception to and excluding the Construction Fund and Rebate Fund.

Footnotes continued on following page.

Footnotes (cont'd.)

- [6] Amounts shown reflect annual transfers from the Gateway Services Community Development District for reservation of wastewater treatment capacity. Payments identified in the Fiscal Year 2013 include a one-time back payment due to underpayments in prior periods. The County anticipates receiving annual payments of \$172,335 through Fiscal Year 2033 pursuant to the Gateway Wastewater Agreement.
- [7] Amounts shown are exclusive of depreciation and amortization pursuant to the Bond Resolution.
- [8] Amounts shown reflect application of a 1.0% contingency allowance applied to the estimated total Operating Expenses for unknown or unanticipated Operating Expenses.
- [9] Amounts shown reflect application of a 0.25% bad debt factor to total user fee / rate revenues to provide an allowance for revenues which are considered as being uncollectable (bad debt expenses).
- [10] Utility staff anticipates decommissioning the Waterway Estates and San Carlos Wastewater Treatment Plants as part of the wastewater regionalization program and to lower overall costs in the future.
- [11] Amounts shown reflect the Pledged Funds pursuant to the Bond Resolution and include Net Revenues (Gross Revenues less Operating Expenses), Special Assessment Revenues and Connection Fees for use in evaluating compliance with the rate covenant of the Bond Resolution.
- [12] Amounts shown reflect collected Connection Fees for the respective fiscal years shown and do not include any Investment Earnings. Any Investment Earnings related to the Connection Fees Fund have been included as a component of Gross Revenues (recognized through Investment Earnings).
- [13] Generally, under Florida law, Connection Fees (also referred to as "Impact fees") may be validly imposed for construction of improvements and the expansion of the System to new customer growth or development that drive the need for such improvements (i.e., "Growth Pays for Growth"). Connection Fees may also be used to pay the debt service for the expansion-related capital improvements funded from the proceeds of any respective outstanding indebtedness of the System. For purposes of this analysis, no determination of the expansion-related capital improvements related to the Outstanding Bonds or Subordinated Indebtedness was evaluated and therefore not all of the identified Connection Fees may be legally available for payment of debt service payments shown.
- [14] Amounts shown are derived from the actual loan repayment schedules for the Outstanding Bonds.
- [15] The Series 2013 Bonds are being issued to: i) fund improvements to Green Meadows WTP; and ii) refund the outstanding Fiscal Year 2003A Bonds. No payments were assumed for the Series 2003A Bonds subsequent to Fiscal Year 2013 recognizing an assumed refunding on or about July 31, 2013. The Annual Debt Service schedules were provided by the County's financial advisor.
- [16] Pursuant to the Bond Resolution Section 5.04 (the "Rate Covenant"), the County must maintain sufficient rates, fees, charges and other Pledged Funds in each Fiscal Year which provides the following:
- [A] Net Revenues and Special Assessment Proceeds adequate at all times to pay at least 100% of i) the Annual Debt Service on all Outstanding Bonds coming due, ii) any required deposits to the Reserve Account for compliance with the Reserve Account Requirement and iii) amounts required by Sections 4.06(a) and 4.07(a) of the Bond Resolution to be repaid to the Water Connection Fees Fund and the Sewer Connection Fees Fund (the "Connection Fees Funds") (referenced at "Test A"); and
- [B] Net Revenues, Special Assessment Proceeds and Connection Fees adequate at all times to pay at least 120% of the Annual Debt Service on all Outstanding Bonds coming due (referenced at "Test B").
- [17] The County has issued several loans from the FDEP SRF loan program. Pursuant to Section 5.01 of the SRF loan agreement, the County must maintain sufficient rates and charges for services furnished by the System to provide Pledged Revenues, as defined in the Loan Agreement (for each outstanding loan), equal to or greater than 115% of the Semiannual Loan Payments for all outstanding SRF loans due in such Fiscal Year. Pledged Revenues are defined in the respective Loan Agreements to mean Gross Revenues after payment of the Operation and Maintenance Expense (or as defined in the Bond Resolution, the Operating Expenses) and Senior Revenue Obligations (or as defined in the Bond Resolution, the Annual Debt Service).
- [18] Amounts shown are derived from the actual loan repayment schedules for the outstanding SRF loans; amounts based on funding the monthly Semiannual Loan Payments (as defined in the loan agreement) representing an accrual basis and not presented on an "as paid" basis.
- [19] Pursuant to the Bond Resolution, the Reserve Account Requirement shall mean maintaining a minimum cash balance within the Reserve Account equivalent to the lesser of: i) the Maximum Annual Debt Service for all Outstanding Bonds secured by the Reserve Account; or ii) 125% of the Annual Debt Service on Bonds secured by the Reserve Account coming due in such Fiscal Year. No required transfers from Pledged Funds were recognized during the Forecast Period since the Series 2013 Bonds do not assume a required Reserve Account deposit pursuant to assumptions as provided by the County's Financial Advisor.

Footnotes continued on following page.

Footnotes (cont'd.)

- [20] Pursuant to the Bond Resolution, the Renewal and Replacement Fund Requirement shall mean maintaining a minimum cash balance within the Renewal and Replacement Fund equivalent to either i) 5% of the Gross Revenues received by the issuer in the immediately preceding Fiscal Year; or ii) an amount as determined by the Consulting Engineers. Furthermore, pursuant to Section 4.05(b)(v) of the Bond Resolution, should the County not meet the Renewal and Replacement Fund Requirement the County is required to annually transfer 1/12th of 5% of prior year's Gross Revenues until the County maintains sufficient cash balances to meet the Renewal and Replacement Fund Requirement. For purposes of this analysis amounts shown reflect 5% of the prior year's Gross Revenues.
- [21] Pursuant to Sections 4.06(a) and 4.07(a) of the Bond Resolution, the County must repay any amounts used from the Connection Fees Funds as a result of a deficiency arising in the Principal Account or Interest Account. No deficiencies are anticipated during the Forecast Period that required the use of Connection Fees or balance transfers from the Connection Fees Funds.
- [22] Although not a specific requirement for compliance with the Bond Resolution rate covenant calculation (Section 5.04), payment of debt service on Subordinated Indebtedness was included as a requirement for purposes of this analysis and based on the required disposition of revenues as identified in Section 4.05 of the Bond Resolution.

CONCLUSIONS

Based upon the principal considerations and assumptions and the results of our studies and analyses as summarized in this Report, which should be read in its entirety and in conjunction with the following, we are of the opinion that:

1. The projected growth in customers and usage of the System and the corresponding revenues derived from the application of the existing and projected rates applied to such customers and usage represent reasonable and attainable projections for the purposes of this Report.
2. The projections of the Operating Expenses represent reasonable projections for the purposes of this Report.
3. The Water System and Wastewater System, taking into account capacity expansion-related capital improvements as discussed later in this Report, will respectively have sufficient capacity to meet the anticipated service area needs for the Forecast Period reflected in this report which includes the five fiscal year period ending September 30, 2017 based on the customer and sales or usage forecast assumed for the purposes of this Report.
4. The System Gross Revenues for the Fiscal Years ending September 30, 2013 through 2017 under the County-approved rates should be sufficient to: i) fund the Operating Expenses of the System; ii) fund the annual debt service coming due in such years on the Outstanding Bonds, the Additional Parity Bonds, and Outstanding Subordinated Indebtedness, accounting for changes associated with a) the refunding of the Refunded Bonds; and b) the issuance of the proposed Series 2013 Bonds; iii) fund the required deposits pursuant to the Bond Resolution; iv) maintain compliance with the rate covenants and provisions for the issuance of additional bonds as required pursuant to the Bond Resolution; and v) fund the identified capital expenditures of the Utility.
5. It is anticipated by the County that the current rates for water and wastewater service will be adjusted during the Forecast Period as reflected in this Report which were approved by the Board. To the extent that the adopted future adjustments are not implemented, the County will need to adjust the expenditures identified in this Report. Based on the

assumptions developed herein, such adjustments would focus primarily on the funding of the ongoing capital needs of the System. The rate increases have been adopted by resolution by the Board, and although no assurance can be given that such rate increases will be implemented by the County, the County has historically implemented all adopted rates as established by resolution. To the extent that the adopted rate adjustments are not made or are delayed from what is assumed herein, it is anticipated based on the assumptions developed herein that the Net Revenues and legally available Connection Fees during the Forecast Period will be sufficient to be in compliance with the rate covenant described in the Bond Resolution but that the future funding of the capital improvements identified for the Forecast Period may need to be adjusted.

6. The existing rates for water and wastewater service are generally competitive to charges for similar service provided by other neighboring and coastal utilities located in Southwest Florida. The approved rate adjustments as represented in this Report are not expected by the County to negatively affect the customer growth or sales (billed water and wastewater use or flow) during the Forecast Period.
7. The existing Water Connection Fees and Sewer Connection Fees are comparable to the fees charged by neighboring utilities located in Southwest Florida. Based on discussions with Utility staff, the continued imposition of the Connection Fees is not expected to negatively affect System growth.

The ability of the Net Revenues of the System to meet the debt service requirements and comply with the rate covenants of the Bond Resolution are subject to the assumptions and considerations identified in the Report and information obtained during the preparation of the Report regarding the System and the associated financial projections reflected herein. As such, the Report should be read in its entirety with respect to such projections.

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LEE COUNTY, FLORIDA

FINANCIAL FEASIBILITY REPORT

WATER AND SEWER REVENUE BONDS, SERIES 2013A
AND
WATER AND SEWER REFUNDING REVENUE BONDS, SERIES 2013B

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Table 1

**Lee County, Florida
Bond Feasibility Study**

Historical and Projected Water System Customer Statistics [1]

Line No.	Description	Fiscal Year Ending September 30,									
		Historical					Projected				
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Single Family Residential											
1	Average Annual Accounts	66,038	65,294	65,726	66,297	66,963	67,632	68,173	68,712	69,248	69,781
2	Average Annual ERUs	66,038	65,294	65,726	66,297	66,963	67,632	68,173	68,712	69,248	69,781
3	Total Annual Water Sales (000's)	3,945,180	3,917,121	3,689,820	3,844,070	3,720,536	3,733,286	3,763,150	3,792,902	3,822,490	3,851,911
4	Average Monthly Use per Account	4,978	4,999	4,678	4,832	4,630	4,600	4,600	4,600	4,600	4,600
5	Average Monthly Usage (Per ERU)	4,978	4,999	4,678	4,832	4,630	4,600	4,600	4,600	4,600	4,600
Multi-Unit Residential											
6	Average Annual Accounts	2,977	2,957	2,950	2,947	2,976	2,976	2,976	2,976	2,976	2,976
7	Average Annual Units	58,767	59,001	58,985	59,264	59,383	59,383	59,383	59,383	59,383	59,383
8	Average Annual ERUs	43,907	44,145	43,985	44,656	44,745	44,746	44,746	44,746	44,746	44,746
9	Total Annual Water Sales (000's)	1,720,862	1,710,003	1,659,391	1,696,698	1,670,232	1,664,536	1,664,536	1,664,536	1,664,536	1,664,536
10	Average Monthly Use per Account	48,171	48,191	46,875	47,978	46,769	46,610	46,610	46,610	46,610	46,610
11	Average Monthly Usage (Per ERU)	3,266	3,228	3,144	3,166	3,111	3,100	3,100	3,100	3,100	3,100
Commercial											
12	Average Annual Accounts	5,225	5,114	5,015	5,027	5,467	5,488	5,509	5,530	5,551	5,572
13	Average Annual ERUs	16,671	17,277	16,878	16,544	16,931	16,966	17,001	17,036	17,071	17,106
14	Total Annual Water Sales (000's)	1,611,253	1,542,219	1,464,904	1,505,540	1,510,450	1,506,391	1,509,211	1,512,031	1,514,851	1,517,671
15	Average Monthly Use per Account	25,698	25,131	24,342	24,958	23,024	22,874	22,829	22,785	22,741	22,698
16	Average Monthly Usage (Per ERU)	8,054	7,439	7,233	7,584	7,434	7,399	7,398	7,396	7,395	7,393
Irrigation Only											
17	Average Annual Accounts	440	441	429	427	419	419	419	419	419	419
18	Average Annual ERUs	1,227	1,219	1,177	1,154	1,133	1,133	1,133	1,133	1,133	1,133
19	Total Annual Water Sales (000's)	200,327	218,524	189,548	178,267	166,365	166,365	166,365	166,365	166,365	166,365
20	Average Monthly Use per Account	37,941	41,293	36,820	34,791	33,088	33,088	33,088	33,088	33,088	33,088
21	Average Monthly Usage (Per ERU)	13,605	14,939	13,420	12,873	12,236	12,236	12,236	12,236	12,236	12,236
Non-Irrigation											
22	Average Annual Accounts	8	9	9	9	9	9	9	9	9	9
23	Average Annual ERUs	62	78	78	78	78	78	78	78	78	78
24	Total Annual Water Sales (000's)	26,224	27,049	48,803	55,420	49,193	49,193	49,193	49,193	49,193	49,193
25	Average Monthly Use per Account	273,167	250,454	451,880	513,148	455,491	455,491	455,491	455,491	455,491	455,491
26	Average Monthly Usage (Per ERU)	35,247	28,899	52,140	59,209	52,557	52,557	52,557	52,557	52,557	52,557

ERU = Equivalent Residential Unit

Footnotes on Page 2 of 2

Table 1

**Lee County, Florida
Bond Feasibility Study**

Historical and Projected Water System Customer Statistics [1]

Line No.	Description	Fiscal Year Ending September 30,									
		Historical					Projected				
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fireline											
27	Average Annual Accounts	1,457	1,460	1,459	1,482	1,562	1,562	1,562	1,562	1,562	1,562
28	Total Retail Water Accounts	76,145	75,275	75,588	76,189	77,396	78,086	78,648	79,208	79,765	80,319
29	Total Retail Water ERCs [2]	127,905	128,013	127,844	128,729	129,850	130,555	131,131	131,705	132,276	132,844
30	Total Annual Retail Water Sales (000's)	7,503,846	7,414,916	7,052,466	7,279,995	7,116,776	7,119,771	7,152,455	7,185,027	7,217,435	7,249,676
Wholesale Water											
31	Average Annual Accounts	10	11	11	10	9	9	9	9	9	9
32	Water Sales	742,338	766,239	712,203	715,428	724,001	707,212	708,269	709,331	711,466	713,623
33	Total Estimated Water Sales (000s)	8,246,184	8,181,155	7,764,669	7,995,423	7,840,777	7,826,983	7,860,724	7,894,358	7,928,901	7,963,299
Purchased / Produced Water (000's)											
34	Produced Water	8,732,175	8,719,119	8,424,254	8,591,946	8,750,233	8,554,080	8,590,955	8,627,714	8,665,466	8,703,059
35	Purchased Water	106,360	0	0	0	0	0	0	0	0	0
36	Total	8,838,535	8,719,119	8,424,254	8,591,946	8,750,233	8,554,080	8,590,955	8,627,714	8,665,466	8,703,059
37	Average Daily Flow (MGD)	24.22	23.89	23.08	23.54	23.97	23.44	23.54	23.64	23.74	23.84
Unbilled Water [3]											
38	Amount (000's)	592,351	537,964	659,585	596,523	909,456	727,097	730,231	733,356	736,565	739,760
39	Percent	6.70%	6.17%	7.83%	6.94%	10.39%	8.50%	8.50%	8.50%	8.50%	8.50%

Footnotes:

ERU = Equivalent Residential Unit

[1] Customer billing statistics were based upon detailed billing reports as provided by Utility staff for the Historical Period.

[2] Does not include fireline.

[3] Unbilled water shown is due to a variety of factors, including water used for line flushing, hydrant testing, fire fighting, utility use (wash down of lift stations for maintenance purposes), and water losses (system leakage).

Table 2

**Lee County, Florida
Bond Feasibility Study**

Historical and Projected Wastewater System Customer Statistics [1]

Line No.	Description	Fiscal Year Ending September 30,									
		Historical					Projected				
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Single Family Residential											
1	Average Annual Accounts	44,725	44,250	44,651	45,298	45,899	46,358	46,729	47,098	47,465	47,830
2	Average Annual ERUs	44,725	44,250	44,651	45,298	45,899	46,358	46,729	47,098	47,465	47,830
3	Total Revenue Gallons (000's)	1,996,072	2,157,607	2,077,734	2,141,308	2,120,798	2,141,740	2,158,880	2,175,928	2,192,883	2,209,746
4	Average Monthly Use per Account	3,719	4,063	3,878	3,939	3,850	3,850	3,850	3,850	3,850	3,850
5	Average Monthly Usage (Per ERU)	3,719	4,063	3,878	3,939	3,850	3,850	3,850	3,850	3,850	3,850
Multi-Unit Residential											
6	Average Annual Accounts	2,483	2,472	2,468	2,467	2,485	2,485	2,485	2,485	2,485	2,485
7	Average Annual Units	53,046	52,824	51,866	52,963	53,016	53,016	53,016	53,016	53,016	53,016
8	Average Annual ERUs	40,390	40,296	39,849	40,653	40,694	40,694	40,694	40,694	40,694	40,694
9	Total Revenue Gallons (000's)	1,267,381	1,255,232	1,230,672	1,244,463	1,245,232	1,245,236	1,245,236	1,245,236	1,245,236	1,245,236
10	Average Monthly Use per Account	42,535	42,315	41,554	42,037	41,758	41,758	41,758	41,758	41,758	41,758
11	Average Monthly Usage (Per ERU)	2,615	2,596	2,574	2,551	2,550	2,550	2,550	2,550	2,550	2,550
Commercial											
12	Average Annual Accounts	3,584	3,563	3,533	3,559	3,596	3,611	3,626	3,641	3,656	3,671
13	Average Annual ERUs	12,198	13,338	13,231	13,000	12,576	12,605	12,634	12,663	12,692	12,721
14	Total Revenue Gallons (000's)	1,180,440	1,172,685	1,176,753	1,163,018	1,157,237	1,152,664	1,155,182	1,157,701	1,160,219	1,162,737
15	Average Monthly Use per Account	27,447	27,427	27,756	27,232	26,818	26,601	26,549	26,497	26,446	26,395
16	Average Monthly Usage (Per ERU)	8,064	7,327	7,412	7,455	7,668	7,620	7,620	7,619	7,618	7,617
<u>Town of Ft. Myers Beach</u>											
Single Family Residential											
17	Average Annual Accounts	2,365	2,358	2,348	2,348	2,799	2,799	2,799	2,799	2,799	2,799
18	Average Annual ERUs	2,365	2,358	2,348	2,348	2,799	2,799	2,799	2,799	2,799	2,799
19	Total Revenue Gallons (000's)	105,441	110,907	106,662	106,662	86,869	86,869	86,869	86,869	86,869	86,869
20	Average Monthly Use per Account	3,715	3,920	3,786	3,786	2,586	2,586	2,586	2,586	2,586	2,586
21	Average Monthly Usage (Per ERU)	3,715	3,920	3,786	3,786	2,586	2,586	2,586	2,586	2,586	2,586

 ERU = Equivalent Residential Unit

Footnotes on Page 3 of 3.

Table 2

**Lee County, Florida
Bond Feasibility Study**

Historical and Projected Wastewater System Customer Statistics [1]

Line No.	Description	Fiscal Year Ending September 30,									
		Historical					Projected				
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Town of Ft. Myers Beach (continued):</u>											
Multi-Unit Residential											
22	Average Annual Accounts	467	459	461	461	500	500	500	500	500	500
23	Average Annual Units	6,503	6,560	6,634	6,397	6,514	6,514	6,514	6,514	6,514	6,514
24	Average Annual ERUs	5,178	5,224	5,283	5,095	5,187	5,188	5,188	5,188	5,188	5,188
25	Average Monthly Use per Account	32,763	32,935	31,948	31,948	27,016	27,016	27,016	27,016	27,016	27,016
26	Total Revenue Gallons (000's)	183,606	181,406	176,736	176,736	162,097	162,097	162,097	162,097	162,097	162,097
27	Average Monthly Use per Account	32,763	32,935	31,948	31,948	27,016	27,016	27,016	27,016	27,016	27,016
28	Average Monthly Usage (Per ERU)	2,955	2,894	2,788	2,891	2,604	2,604	2,604	2,604	2,604	2,604
Commercial											
29	Average Annual Accounts	206	204	203	203	246	246	246	246	246	246
30	Average Annual ERUs	656	688	713	713	814	814	814	814	814	814
31	Total Revenue Gallons (000's)	119,241	126,600	119,305	119,305	115,939	115,939	115,939	115,939	115,939	115,939
32	Average Monthly Use per Account	48,237	51,716	48,976	48,976	39,275	39,275	39,275	39,275	39,275	39,275
33	Average Monthly Usage (Per ERU)	15,147	15,334	13,944	13,944	11,869	11,869	11,869	11,869	11,869	11,869
Sewer Only Customers											
Single Family Residential											
34	Average Annual Accounts	509	503	448	377	367	367	367	367	367	367
35	Average Annual ERUs	509	503	448	377	367	367	367	367	367	367
36	Total Revenue Gallons (000's)	25,815	27,171	24,204	20,129	20,522	20,522	20,522	20,522	20,522	20,522
37	Average Monthly Use per Account	4,226	4,501	4,502	4,449	4,660	4,660	4,660	4,660	4,660	4,660
38	Average Monthly Usage (Per ERU)	4,226	4,501	4,502	4,449	4,660	4,660	4,660	4,660	4,660	4,660
Multi-Unit Residential											
39	Average Annual Accounts	24	24	14	14	6	6	6	6	6	6
40	Average Annual Units	78	78	78	195	78	78	78	78	78	78
41	Average Annual ERUs	62	62	62	155	62	62	62	62	62	62
42	Average Monthly Use per Account	64,167	64,212	54,542	54,542	7,083	7,083	7,083	7,083	7,083	7,083
43	Total Revenue Gallons (000's)	18,480	18,493	9,163	9,163	510	510	510	510	510	510
44	Average Monthly Use per Account	64,167	64,212	54,542	54,542	7,083	7,083	7,083	7,083	7,083	7,083
45	Average Monthly Usage (Per ERU)	24,839	24,856	12,316	4,926	685	685	685	685	685	685

 ERU = Equivalent Residential Unit

Footnotes on Page 3 of 3.

Table 2

**Lee County, Florida
Bond Feasibility Study**

Historical and Projected Wastewater System Customer Statistics [1]

Line No.	Description	Fiscal Year Ending September 30,									
		Historical					Projected				
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<u>Town of Ft. Myers Beach (continued):</u>											
Commercial											
46	Average Annual Accounts	39	39	35	35	24	24	24	24	24	24
47	Average Annual ERUs	96	97	93	93	28	28	28	28	28	28
48	Total Revenue Gallons (000's)	4,018	4,261	3,932	3,932	1,513	1,513	1,513	1,513	1,513	1,513
49	Average Monthly Use per Account	8,585	9,105	9,362	9,362	5,253	5,253	5,253	5,253	5,253	5,253
50	Average Monthly Usage (Per ERU)	3,488	3,661	3,523	3,523	4,503	4,503	4,503	4,503	4,503	4,503
Solid Waste Leachate											
51	Average Annual Accounts	1	1	1	1	0	0	0	0	0	0
52	Total Revenue Gallons (000's)	6,637	23,752	29,448	29,448	0	0	0	0	0	0
53	Total Retail Wastewater Accounts	54,403	53,873	54,162	54,763	55,922	56,396	56,782	57,166	57,548	57,928
54	Total Retail Wastewater ERCs [2]	106,179	106,816	106,678	107,732	108,426	108,915	109,315	109,713	110,109	110,503
55	Total Retail Revenue Gallons (000's)	4,907,131	5,078,114	4,954,609	5,014,164	4,910,717	4,927,090	4,946,748	4,966,315	4,985,788	5,005,169
Wholesale Revenue Gallons											
56	Average Annual Accounts	4	4	4	3	3	3	3	3	3	3
57	Total Revenue Gallons (000's)	249,849	247,458	214,507	254,450	276,247	276,247	277,304	278,366	279,434	280,507
58	Total Billed Wastewater Flows (000's)	5,156,980	5,325,572	5,169,116	5,268,614	5,186,964	5,203,337	5,224,052	5,244,681	5,265,222	5,285,676
59	Treated Wastewater Flow (000s)	5,833,278	5,602,042	6,067,368	5,663,066	5,580,126	5,594,986	5,617,260	5,639,442	5,661,529	5,683,523
60	Average Daily Flow (MGD)	15.98	15.35	16.62	15.52	15.29	15.33	15.39	15.45	15.51	15.57
61	Billed as a Percent of Treated Flows	88.4%	95.1%	85.2%	93.0%	93.0%	93.0%	93.0%	93.0%	93.0%	93.0%

Footnotes:

ERU = Equivalent Residential Unit

[1] Customer billing statistics were based upon detailed billing reports as provided by Utility staff for the Historical Period.

[2] Does not include Leachate.

Table 3
Lee County, Florida
Bond Feasibility Study

Five-Year Capital Improvement Program (CIP) Funding Plan [1]

Line No.	Project No.	Description	Funding Source	Projected Fiscal Year Ending September 30,					Five-Year Total
				2013 [2]	2014	2015	2016	2017	
1		INFLATION ADJUSTMENT [3]		0.0%	1.7%	2.1%	2.1%	2.2%	
CAPITAL PROJECTS - WATER SYSTEM									
Departmental Capital Outlay [4]									
2		Capital Outlay - Improvements Other Than Buildings	WREV	\$ -	\$ -	\$ 1,148	\$ 1,172	\$ 1,198	\$ 3,518
3		Capital Outlay - Furniture and Equipment	WREV	165,605	126,844	294,502	300,686	307,301	1,194,938
4		Capital Outlay - Vehicle and Rolling Stock	WREV	165,460	594,105	170,849	174,437	178,274	1,283,125
5		Capital Outlay - Vehicle and Rolling Stock (Small Vehicles)	03	74,583	75,851	77,444	79,070	80,809	387,757
6		Total Departmental Capital Outlay		\$ 405,648	\$ 796,800	\$ 543,943	\$ 555,365	\$ 567,582	\$ 2,869,338
DOT/FDOT PROJECTS									
7	207614	ALICO RD 4L / BEN HILL - AIRPORT HAUL RD WM RELOC	30	\$ 350,000	\$ -	\$ -	\$ 3,975,609	\$ -	\$ 4,325,609
8	207144	BUS 41 LINE UPGRADE (LITTLETON - SHELL FACTORY)	30	958,234	-	-	-	-	958,234
9	207605	DANIELS PARKWAY WIDENING-CHAMB/GATEWAY	30	-	-	-	-	-	-
10	207416	DOT PROJECT UTILITY RELOCATIONS	30	103,710	-	-	-	-	103,710
11	207431	GLADIOLUS W/S RELOC - PINE RIDGE TO WINKLER	12	188,162	-	-	-	-	188,162
12	207431	GLADIOLUS W/S RELOC - PINE RIDGE TO WINKLER	12	37,876	-	-	-	-	37,876
13	207199	SR 80 AND I-75 WATER RELOCATION	30	173,064	-	-	-	-	173,064
14	207425	SUMMERLIN RD-BOY SCOUT TO UNIVERSITY W/S RELOC	30	226,380	-	-	-	-	226,380
15	207610	US 41 UTILITY RELOC. (CORKSCREW - SAN CARLOS)	30	143,653	-	-	-	-	143,653
REPAIR & REPLACEMENT									
16	207606	DEL PRADO WATERMAIN REPLACEMENT	20	\$ -	\$ 406,800	\$ -	\$ 1,139,675	\$ -	\$ 1,546,475
17	207611	NORTH CLEVELAND WATERMAIN REPLACEMENT	20	211,375	355,950	1,583,494	-	-	2,150,819
18	207127	PAGE PARK WATERLINE IMPROVEMENTS	20	225,000	1,017,000	1,349,864	-	-	2,591,864
19	207127	PAGE PARK WATERLINE IMPROVEMENTS	30	-	1,525,500	-	-	-	1,525,500
20	207170	US 41 WATERMAIN REPL (ALICO - N. AIRPORT RD)	30	6,807,976	-	2,595,893	2,650,406	-	12,054,275
21	207149	WELL REDEVELOPMENT/UPGRADE & REBUILD	20	336,329	467,820	134,986	137,821	140,853	1,217,809
GENERAL									
22	New	OPERATIONS BUILDING REPLACEMENT	30	\$ -	\$ 15,255	\$ 77,877	\$ -	\$ 812,615	\$ 905,747
23	207448	COUNTY-WIDE FIBER NETWORK	30	125,000	50,850	51,918	53,008	-	280,776
24	207447	FACILITY WIDE SECURITY SYSTEMS	30	48,354	12,713	12,979	13,252	13,544	100,842
25	207429	ELECTRICAL EQUIP UPGRADES & REPLACEMENT	30	87,122	145,533	226,414	148,635	117,125	724,829
26	207449	ELECTRICAL / MAINTENANCE BUILDING	30	100,000	-	-	-	-	100,000
27	207613	FIBER OPTICS UPGRADES	30	673,399	-	-	-	-	673,399
28	207446	ENERGY MANAGEMENT INITIATIVES PROGRAM	30	50,001	50,850	51,918	53,008	54,174	259,951
29	207430	INSTRUMENTATION UPGRADES & IMPROVEMENTS	30	-	53,952	59,757	80,837	-	194,546
30	207444	LCU GENERATOR REPL/IMPR	30	287,965	101,700	-	-	107,265	496,930
31	207444	LCU GENERATOR REPL/IMPR	20	-	-	176,521	180,228	-	356,749
32	207424	SCADA UPGRADES & IMPROVEMENTS	30	410,241	165,873	311,507	159,024	162,523	1,209,168
MAJOR MAINTENANCE									
33	407443	WATER DISTRIBUTION REHAB AND REPLACEMENTS	20	\$ 351,491	\$ 355,950	\$ 363,425	\$ 371,057	\$ 379,220	\$ 1,821,143
34	407616	WELL REHABILITATION & REPLACEMENTS (Maj Maint)	20	500,000	305,100	363,425	212,032	216,697	1,597,254
35	407603	WATER TREATMENT PLANTS REHAB/REPL	20	861,197	341,407	817,187	373,601	72,052	2,465,444

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Table 3
Lee County, Florida
Bond Feasibility Study

Five-Year Capital Improvement Program (CIP) Funding Plan [1]

Line No.	Project No.	Description	Funding Source	Projected Fiscal Year Ending September 30,					Five-Year Total
				2013 [2]	2014	2015	2016	2017	
WATER TREATMENT PLANTS									
36	New	NLC WTP EXPANSION TO 15 MGD	12	\$ -	\$ -	\$ -	\$ -	\$ 1,083,486	\$ 1,083,486
37	New	NLC WTP EXPANSION TO 15 MGD	30	-	-	-	-	1,408,532	1,408,532
38	New	NLC WTP WELLFIELD EXPANSION TO 15 MGD	12	-	1,525,500	-	-	-	1,525,500
39	New	NLC WTP WELLFIELD EXPANSION TO 15 MGD	30	-	508,500	-	-	-	508,500
40	New	NLC WTP WELLFIELD EXPANSION TO 15 MGD	35	-	630,540	-	-	-	630,540
41	New	PINEWOODS WTP DEGASIFIERS REPLACEMENT	20	-	-	-	804,663	-	804,663
42	207097	CORKSCREW WTP WELLFIELD-ALICO ROAD	30	5,950	-	-	-	-	5,950
43	207613	FIBER OPTICS UPGRADES	30	-	254,250	-	-	-	254,250
44	207187	GREEN MEADOWS WTP EXPANSION	20	4,589,000	-	-	-	-	4,589,000
45	207187	GREEN MEADOWS WTP EXPANSION	30	6,846,224	-	-	-	-	6,846,224
46	207187	GREEN MEADOWS WTP EXPANSION	30	-	510,000	920,568	42,000	-	1,472,568
47	207187	GREEN MEADOWS WTP EXPANSION - BOND FUNDED [5]	2013 Bonds	-	30,000,000	24,000,000	2,000,000	-	56,000,000
48	207602	NORTH LEE COUNTY RO PLANT WELLFIELD EXPANSION	30	4,494,256	610,200	-	-	-	5,104,456
49	207602	NORTH LEE COUNTY RO PLANT WELLFIELD EXPANSION	35	276,754	-	-	-	-	276,754
50	207602	NORTH LEE COUNTY RO PLANT WELLFIELD EXPANSION	12	-	813,600	-	-	-	813,600
51	Future	NORTH LEE COUNTY WTP DEEP INJECTION WELL #2	30	-	53,393	5,555,210	450,569	-	6,059,172
52	207028	NORTH LEE COUNTY WTP EXPANSION TO 10 MGD	12	38,897	-	-	-	-	38,897
53	207028	NORTH LEE COUNTY WTP EXPANSION TO 10 MGD	30	51,552	-	-	-	-	51,552
54	207265	OLGA WTP RESERVOIR & PLANT IMPROVEMENTS	12	2,200,000	-	-	-	-	2,200,000
55	207265	OLGA WTP RESERVOIR & PLANT IMPROVEMENTS	30	1,317,127	-	-	-	-	1,317,127
56	207615	PINEWOODS CHEMICAL TANKS REPLACEMENT	30	45,000	457,650	-	-	-	502,650
57	207608	PINEWOODS DIW - NF CONCENTRATE DISPOSAL MOD	30	380,500	-	-	-	-	380,500
58	Future	PINEWOODS REDUNDANT ODOR CONTROL SCRUBBER	30	-	-	-	-	216,697	216,697
59	207607	PINEWOODS WELLFIELD ELECTRICAL IMPROVEMENTS	30	104,415	2,644,200	-	-	-	2,748,615
60	207268	WATER TREATMENT PLANT IMPROVEMENTS	30	554,400	418,394	187,527	-	-	1,160,321
WATER DISTRIBUTION									
61	New	MCGREGOR FM & WM REPL. (WINKLER TO COLLEGE)	20	\$ -	\$ 508,500	\$ 1,557,536	\$ 1,590,244	\$ -	\$ 3,656,280
62	New	YACHT CLUB COLONY DISTRIBUTION SYS REHAB	30	-	2,542,500	-	-	-	2,542,500
63	New	WORK DR INDUSTRIAL PARK WM IMPROVEMENTS	30	-	305,100	2,154,591	-	-	2,459,691
64	207197	FGCU WATER	30	156,758	1,067,850	285,548	-	-	1,510,156
65	207197	FGCU WATER	12	75,636	-	-	-	-	75,636
66	Future	ORANGE GROVE WM FROM PONDELLA TO HANCOCK	12	-	-	-	-	758,440	758,440
67	207193	RSW TRANSMISSION LINES-BEN HILL/TREELINE	12	81,574	-	-	-	-	81,574
68	207184	SFM WATER TRANSMISSION LINE IMPROVEMENTS	30	20,139	-	-	-	-	20,139
69	207164	TICE STREET LOOP	30	-	-	1,246,028	-	-	1,246,028
70	207164	TICE STREET LOOP	12	150,000	-	-	-	-	150,000
71	207617	US 41/PALM AVE. WM FROM BETMAR TO HANCOCK	12	400,000	-	-	-	-	400,000
72	207617	US 41/PALM AVE. WM FROM BETMAR TO HANCOCK	30	493,000	-	-	-	-	493,000
73	207609	WATER BACTERIOLOGICAL SAMPLING STATIONS	30	200	-	-	-	-	200
74	207094	WATER SYSTEM IMPROVEMENTS	30	599,413	508,500	519,179	530,081	541,743	2,698,916
75	207086	WATER TRANSMISSION SYSTEM IMPROVEMENTS	12	645,414	-	-	-	-	645,414
76	207183	WWE WATER TRANSMISSION LINE IMPROVE (Pondella between 41s)	12	-	-	-	-	1,191,835	1,191,835
77		Total Capital Improvement Projects - Water System		\$ 37,188,386	\$ 49,527,730	\$ 45,147,295	\$ 15,521,115	\$ 7,844,383	\$ 155,228,909

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Table 3
Lee County, Florida
Bond Feasibility Study

Five-Year Capital Improvement Program (CIP) Funding Plan [1]

Line No.	Project No.	Description	Funding Source	Projected Fiscal Year Ending September 30,					Five-Year Total
				2013 [2]	2014	2015	2016	2017	
CAPITAL PROJECTS -WASTEWATER SYSTEM									
Departmental Capital Outlay [4]									
78		Capital Outlay - Improvements Other Than Buildings	WWREV	\$ -	\$ -	\$ 1,171	\$ 1,196	\$ 1,222	\$ 3,589
79		Capital Outlay - Furniture and Equipment	WWREV	168,995	129,440	300,531	306,842	313,593	1,219,401
80		Capital Outlay - Vehicle and Rolling Stock	WWREV	244,957	571,377	138,723	141,636	144,752	1,241,445
81		Capital Outlay - Vehicle and Rolling Stock (Small Vehicles)	03	110,417	112,294	114,652	117,060	119,635	574,058
82		Total Departmental Capital Outlay		\$ 524,369	\$ 813,111	\$ 555,077	\$ 566,734	\$ 579,202	\$ 3,038,493
DOT/FDOT PROJECTS									
83	207326	ESTERO BLVD FM RELOCATION	30	\$ 325,000	\$ 1,525,500	\$ -	\$ -	\$ -	\$ 1,850,500
84	207416	DOT PROJECT UTILITY RELOCATIONS	30	103,710	-	-	-	-	103,710
85	207431	GLADIOLUS W/S RELOC - PINE RIDGE TO WINKLER	13	188,162	-	-	-	-	188,162
86	207431	GLADIOLUS W/S RELOC - PINE RIDGE TO WINKLER	13	37,876	-	-	-	-	37,876
87	207425	SUMMERLIN RD-BOY SCOUT TO UNIVERSITY W/S RELOC	30	226,380	-	-	-	-	226,380
REPAIR & REPLACEMENT									
88	207318	FMB WWTP EQ TANK REHABILITATION	20	\$ 7,322	\$ -	\$ -	\$ -	\$ -	\$ 7,322
89	207247	INFLOW AND INFILTRATION IMPROVEMENTS	20	1,506,587	508,500	519,179	530,081	541,743	3,606,090
90	Future	ORTIZ AVE. FM FROM PALM BCH TO BALLARD RD.	20	-	-	-	-	2,166,972	2,166,972
GENERAL									
91	New	OPERATIONS BUILDING REPLACEMENT	30	\$ -	\$ 15,255	\$ 77,877	\$ -	\$ 812,615	\$ 905,747
92	207448	COUNTY-WIDE FIBER NETWORK	30	125,000	50,850	51,918	53,008	-	280,776
93	207447	FACILITY WIDE SECURITY SYSTEMS	30	48,354	12,713	12,979	13,252	13,544	100,842
94	207429	ELECTRICAL EQUIP UPGRADES & REPLACEMENT	30	87,122	145,533	226,414	148,635	117,125	724,829
95	207449	ELECTRICAL / MAINTENANCE BUILDING	30	100,000	-	-	-	-	100,000
96	207613	FIBER OPTICS UPGRADES	30	-	-	-	-	-	-
97	207446	ENERGY MANAGEMENT INITIATIVES PROGRAM	30	50,001	50,850	51,918	53,008	54,174	259,951
98	207430	INSTRUMENTATION UPGRADES & IMPROVEMENTS	30	-	53,952	59,757	80,837	-	194,546
99	207444	LCU GENERATOR REPL/IMPR	30	287,965	101,700	-	-	107,265	496,930
100	207444	LCU GENERATOR REPL/IMPR	20	-	-	176,521	180,228	-	356,749
101	207424	SCADA UPGRADES & IMPROVEMENTS	30	410,241	165,873	311,507	159,024	162,523	1,209,168
MAJOR MAINTENANCE									
102	407309	WASTEWATER COLLECTION SYSTEM R and R	20	\$ 535,229	\$ 508,500	\$ 519,179	\$ 1,060,162	\$ 541,743	\$ 3,164,813
103	407317	WWTP REHABILITATION & REPLACEMENTS	20	901,003	701,730	1,222,873	1,184,414	2,136,526	6,146,546
SEWER TREATMENT PLANTS									
104	New	FORT MYERS BEACH WWTP CONTROLS SYSTEM REPL	30	\$ -	\$ 610,200	\$ -	\$ -	\$ -	\$ 610,200
105	New	FMB WWTP EQ TANK REPLACEMENT	30	-	-	-	450,569	3,331,720	3,782,289
106	New	FMB WWTP EQ TANK REPLACEMENT	20	-	-	-	-	3,250,458	3,250,458
107	New	REUSE SYSTEM AND SITE IMPROVEMENTS	30	-	1,017,000	1,038,357	1,378,211	-	3,433,568
108	New	SECONDARY CONTAINMENTS FOR CHEMICAL TANKS	30	-	152,550	-	-	-	152,550
109	Future	DEEP INJECTION WELL #2 (FORT MYERS BEACH)	30	-	-	-	424,065	-	424,065
110	207327	FIESTA WWTP HEADWORKS RESTORATION	20	1,615,446	-	-	-	-	1,615,446
111	Future	FIESTA WWTP SLUDGE HANDLING	30	-	254,250	882,603	-	-	1,136,853

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Table 3
Lee County, Florida
Bond Feasibility Study

Five-Year Capital Improvement Program (CIP) Funding Plan [1]

Line No.	Project No.	Description	Funding Source	Projected Fiscal Year Ending September 30,					Five-Year Total	
				2013 [2]	2014	2015	2016	2017		
112	207333	FIESTA WWTP SWITCHGEAR AND GENERATOR REPLACEMENT	20	2,497,990	-	-	-	-	2,497,990	
113	207330	FMB WWTP BLOWER EFFICIENCY IMPROVEMENTS	30	50,000	-	-	-	-	50,000	
114	Future	GATEWAY OPERATIONS BUILDING/SLUDGE COVER	30	-	325,440	-	-	-	325,440	
115	207308	GATEWAY WWTP ASR WELL SYSTEM	13	-	-	-	-	108,349	108,349	
116	207323	GATEWAY WWTP - DAVCO REHAB	30	250,000	-	-	-	-	250,000	
117	207323	GATEWAY WWTP - DAVCO REHAB	20	-	2,034,000	-	-	-	2,034,000	
118	207331	PINE ISLAND OPERATIONS BUILDING	30	220,000	-	-	-	-	220,000	
119	207332	PINE ISLAND WWTP BARSCREEN	30	275,000	-	-	-	-	275,000	
120	207329	SAN CARLOS WWTP DIVERSION TO 3 OAKS WWTP	30	30,000	203,400	-	-	-	233,400	
121	207329	SAN CARLOS WWTP DIVERSION TO 3 OAKS WWTP	20	570,000	-	-	-	-	570,000	
122	207325	THREE OAKS OXIDATION IMPROVEMENTS	30	275,000	-	-	2,650,406	-	2,925,406	
123	207301	THREE OAKS REUSE AUGMENTATION	13	1,207,055	-	-	-	-	1,207,055	
124	207301	THREE OAKS REUSE AUGMENTATION	30	600,000	-	-	-	-	600,000	
125	Future	THREE OAKS WWTP EXPANSION TO 9 MGD	13	-	-	-	212,032	-	212,032	
126	207315	WWE WWTP FLOW DIVERSION	30	1,285,571	-	-	-	-	1,285,571	
127	207138	WASTEWATER TREATMENT PLANT IMPROVEMENTS	30	421,702	96,615	799,535	1,378,211	487,569	3,183,632	
128	207274	WWTP ODOR CONTROL IMPROVEMENTS	30	190,095	-	-	53,008	-	243,103	
SEWER COLLECTION										
129	New	BEN HILL GRIFFIN FM IMPROVEMENTS SOUTH	30	\$ -	\$ -	\$ 441,302	\$ 2,120,325	\$ -	\$ 2,561,627	
130	New	BEN HILL GRIFFIN FM IMPROVEMENTS SOUTH	20	-	-	-	2,729,918	-	2,729,918	
131	New	MCGREGOR FM & WM REPL. (WINKLER TO COLLEGE)	20	-	508,500	1,557,536	1,590,244	-	3,656,280	
132	207306	BEN HILL GRIFFIN PARALLEL FORCEMAIN	13	551,257	-	-	-	-	551,257	
133	207306	BEN HILL GRIFFIN PARALLEL FORCEMAIN	30	551,257	-	-	-	-	551,257	
134	207307	DANIELS PKWY FORCE MAIN EXT TO GATEWAY	13	55,748	-	-	530,081	1,896,101	2,481,930	
135	207304	FGCU SEWER	30	416,625	-	-	-	-	416,625	
136	207304	FGCU SEWER	13	-	3,051,000	311,507	-	-	3,362,507	
137	207313	FM REPL - PINE RIDGE, ORANGE RIV, ORTIZ (Pine Ridge north of Summerlin)	30	26,086	-	-	-	-	26,086	
138	207293	FIESTA VILLAGE SEWER COLL SYS IMPROV	20	-	-	-	-	650,092	650,092	
139	207328	PALM BCH BLVD. FM AT ORANGE RIVER	30	1,150,000	-	-	-	-	1,150,000	
140	207328	PALM BCH BLVD. FM AT ORANGE RIVER	20	1,000,000	-	-	-	-	1,000,000	
141	207321	PINE RIDGE FM FROM SAN CARLOS TO FMB WWTP	20	1,454,108	-	-	-	-	1,454,108	
142	207320	SAN CARLOS BLVD. FM FROM MAIN ST. TO HURRICANE PASS	20	620,221	-	-	-	-	620,221	
143	207252	MATANZAS PASS FORCE MAIN	20	-	355,950	-	-	-	355,950	
144	207229	WASTEWATER SYSTEM IMPROVEMENTS	30	324,133	254,250	259,589	159,024	162,523	1,159,519	
145	Total Capital Improvement Projects - Wastewater System				\$ 21,101,615	\$ 13,517,222	\$ 9,075,628	\$ 17,705,477	\$ 17,120,244	\$ 78,520,186
146	TOTAL CAPITAL IMPROVEMENT PROGRAM				\$ 58,290,001	\$ 63,044,952	\$ 54,222,923	\$ 33,226,592	\$ 24,964,627	\$ 233,749,095

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Table 3
Lee County, Florida
Bond Feasibility Study

Five-Year Capital Improvement Program (CIP) Funding Plan [1]

Line No.	Project No.	Description	Funding Source	Projected Fiscal Year Ending September 30,					Five-Year Total
				2013 [2]	2014	2015	2016	2017	
CAPITAL IMPROVEMENT PROGRAM FUNDING SOURCES - WATER ALLOCATION									
147	Water Connection Fees	12	\$ 3,817,559	\$ 2,339,100	\$ -	\$ -	\$ 3,033,761	\$ 9,190,420	
148	Water and Sewer Renewal & Replacement	20	7,074,392	3,758,527	6,346,438	4,809,321	808,822	22,797,500	
149	Vehicle Replacement Account	03	74,583	75,851	77,444	79,070	80,809	387,757	
150	Capital Improvements	30	25,614,033	12,002,763	14,256,914	8,156,429	3,434,218	63,464,357	
151	Water Surcharge Fund	35	276,754	630,540	-	-	-	907,294	
152	Water Rate Revenue	WREV	331,065	720,949	466,499	476,295	486,773	2,481,581	
153	Series 2013-B, Water and Sewer Revenue Bonds	2013 Bonds	-	30,000,000	24,000,000	2,000,000	-	56,000,000	
154	Total Allocated Water Funding Sources		\$ 37,188,386	\$ 49,527,730	\$ 45,147,295	\$ 15,521,115	\$ 7,844,383	\$ 155,228,909	
CAPITAL IMPROVEMENT PROGRAM FUNDING SOURCES - WASTEWATER ALLOCATION									
155	Sewer Connection Fees	13	\$ 2,040,098	\$ 3,051,000	\$ 311,507	\$ 742,113	\$ 2,004,450	\$ 8,149,168	
156	Water and Sewer Renewal & Replacement	20	10,707,906	4,617,180	3,995,288	7,275,047	9,287,534	35,882,955	
157	Vehicle Replacement Account	03	110,417	112,294	114,652	117,060	119,635	574,058	
158	Capital Improvements	30	7,829,242	5,035,931	4,213,756	9,121,583	5,249,058	31,449,570	
159	Wastewater Rate Revenue	WWREV	413,952	700,817	440,425	449,674	459,567	2,464,435	
160	Total Allocated Wastewater Funding Sources		\$ 21,101,615	\$ 13,517,222	\$ 9,075,628	\$ 17,705,477	\$ 17,120,244	\$ 78,520,186	
TOTAL CAPITAL IMPROVEMENT PROGRAM FUNDING SOURCES									
161	Water Connection Fees	12	\$ 3,817,559	\$ 2,339,100	\$ -	\$ -	\$ 3,033,761	\$ 9,190,420	
162	Sewer Connection Fees	13	2,040,098	3,051,000	311,507	742,113	2,004,450	8,149,168	
163	Water and Sewer Renewal & Replacement	20	17,782,298	8,375,707	10,341,726	12,084,368	10,096,356	58,680,455	
164	Vehicle Replacement Account	03	185,000	188,145	192,096	196,130	200,444	961,815	
165	Capital Improvements	30	33,443,275	17,038,694	18,470,670	17,278,012	8,683,276	94,913,927	
166	Water Surcharge Fund	35	276,754	630,540	-	-	-	907,294	
167	Water Rate Revenue	WREV	331,065	720,949	466,499	476,295	486,773	2,481,581	
168	Wastewater Rate Revenue	WWREV	413,952	700,817	440,425	449,674	459,567	2,464,435	
169	Series 2013-A, Water and Sewer Revenue Bonds	2013 Bonds	-	30,000,000	24,000,000	2,000,000	-	56,000,000	
170	Total Allocated Funding Sources		\$ 58,290,001	\$ 63,044,952	\$ 54,222,923	\$ 33,226,592	\$ 24,964,627	\$ 233,749,095	

Footnotes:

- [1] Amounts shown derived from budgeted and planned capital improvements for the Forecast Period as provided by Utility Staff and adjusted for inflation beginning in the Fiscal Year 2014 through the remainder of the Forecast Period (reference footnote 3).
- [2] In addition to budgeted amounts for the fiscal year 2013, amounts shown include prior period carry-forward project costs totaling \$28,448,575.
- [3] Unless otherwise noted, for purposes of this analysis amounts shown were escalated to account for inflation based projected increases in the cost of construction.
- [4] Amounts shown reflect budgeted capital outlay such as equipment, machinery, and other general plant (other than vehicles).
- [5] For purposes of this analysis and based on discussions with Utility Staff, amounts shown were not escalated for inflation.

Table 4
Lee County
Bond Feasibility Report

Projection of Existing and Anticipated Annual Debt Service Payments

Line No.	Fiscal Year	Outstanding Bonds			Additional Bonds [1]		Total Bonds Debt Service	SRF Loan 2001	SRF Loan 2005	SRF Loan	Total SRF Debt Service	Total Debt Service
		Series 2003A	Series 2011	Series 2012	Series 2013A	Series 2013B		CS12039232P	DW3610010	WW392330		
1	2013	\$ 1,862,734	\$ 7,117,583	\$ 1,374,000	\$ 443,007	\$ 277,094	\$ 11,074,418	\$ 451,988	\$ 1,716,847	\$ 2,256,137	\$ 4,424,972	\$ 15,499,390
2	2014	-	7,050,883	1,374,000	3,091,250	3,808,000	15,324,133	451,988	1,716,847	2,256,137	4,424,972	19,749,105
3	2015	-	7,117,683	1,374,000	3,536,500	4,088,000	16,116,183	451,987	1,716,847	2,256,137	4,424,971	20,541,154
4	2016	-	7,091,883	1,374,000	3,533,500	4,084,500	16,083,883	451,988	1,716,847	2,256,137	4,424,972	20,508,855
5	2017	-	7,095,483	1,374,000	3,533,500	4,080,750	16,083,733	131,829	1,716,847	2,256,137	4,104,813	20,188,546
6	2018	-	7,095,283	1,374,000	3,536,250	4,081,500	16,087,033	-	1,716,847	2,256,137	3,972,984	20,060,017
7	2019	-	7,094,608	1,374,000	3,536,500	4,081,250	16,086,358	-	1,716,847	2,256,136	3,972,983	20,059,341
8	2020	-	7,171,008	1,374,000	3,534,250	4,084,750	16,164,008	-	1,716,847	2,256,136	3,972,983	20,136,991
9	2021	-	7,095,820	1,374,000	3,534,500	4,081,500	16,085,820	-	1,716,847	2,256,136	3,972,983	20,058,803
10	2022	-	7,091,870	1,374,000	3,537,000	4,086,500	16,089,370	-	1,716,847	2,256,137	3,972,984	20,062,354
11	2023	-	7,096,538	1,374,000	3,536,500	4,079,000	16,086,038	-	1,716,847	2,256,136	3,972,983	20,059,021
12	2024	-	7,088,050	1,374,000	3,538,000	4,084,250	16,084,300	-	1,716,847	2,256,137	3,972,984	20,057,284
13	2025	-	7,090,688	1,374,000	3,536,250	4,086,250	16,087,188	-	1,716,848	2,256,137	3,972,985	20,060,173
14	2026	-	7,092,613	1,374,000	3,536,250	4,084,750	16,087,613	-	1,716,847	2,256,137	3,972,984	20,060,597
15	2027	-	-	7,714,000	3,532,750	4,084,500	15,331,250	-	1,716,847	2,256,136	3,972,983	19,304,233
16	2028	-	-	11,367,000	3,535,750	-	14,902,750	-	500,747	2,256,137	2,756,884	17,659,634
17	2029	-	-	11,371,500	3,534,750	-	14,906,250	-	-	2,256,137	2,256,137	17,162,387
18	2030	-	-	-	3,534,750	-	3,534,750	-	-	1,222,074	1,222,074	4,756,824
19	2031	-	-	-	3,535,500	-	3,535,500	-	-	-	-	3,535,500
20	2032	-	-	-	3,536,750	-	3,536,750	-	-	-	-	3,536,750
21	2033	-	-	-	3,533,250	-	3,533,250	-	-	-	-	3,533,250
22	2034	-	-	-	3,535,000	-	3,535,000	-	-	-	-	3,535,000
23	2035	-	-	-	3,536,500	-	3,536,500	-	-	-	-	3,536,500
24	2036	-	-	-	3,537,500	-	3,537,500	-	-	-	-	3,537,500
25	2037	-	-	-	3,532,750	-	3,532,750	-	-	-	-	3,532,750
26	2038	-	-	-	3,537,250	-	3,537,250	-	-	-	-	3,537,250
27	2039	-	-	-	3,535,250	-	3,535,250	-	-	-	-	3,535,250
28	2040	-	-	-	3,536,750	-	3,536,750	-	-	-	-	3,536,750
29	2041	-	-	-	3,536,250	-	3,536,250	-	-	-	-	3,536,250
30	2042	-	-	-	3,533,500	-	3,533,500	-	-	-	-	3,533,500
31	2043	-	-	-	3,533,250	-	3,533,250	-	-	-	-	3,533,250
32	2044	-	-	-	-	-	-	-	-	-	-	-
33	Total	\$ 1,862,734	\$ 99,389,993	\$ 49,688,500	\$ 106,060,757	\$ 57,172,594	\$ 314,174,578	\$ 1,939,780	\$ 26,253,453	\$ 39,576,398	\$ 67,769,631	\$ 381,944,209

Footnotes:

[1] Debt service schedules for the Series 2013A and Series 2013B Bonds are based debt service schedules and assumptions as provided by the County's Financial Advisor.

**Lee County, Florida
Bond Feasibility Study**

Development of Fund Balances, Transfers and Interest Income [1]

Line No.	Description	Fiscal Year Ending September 30,				
		2013	2014	2015	2016	2017
ENDING FUND BALANCE						
1	REVENUE FUND (#700)	\$ 50,299,415	\$ 47,358,969	\$ 45,359,607	\$ 39,188,568	\$ 40,569,899
2	CUSTOMER DEPOSITS (#710)	5,422,915	5,461,944	5,500,835	5,539,518	5,577,992
3	RENEWAL AND REPLACEMENT FUND (#720)	4,570,000	4,888,000	5,087,000	5,289,000	5,325,000
4	VEHICLE REPLACEMENT ACCOUNT (#703)	718,194	715,049	707,953	696,823	681,379
5	WATER CONSERVATION SURCHARGE (#735)	730,016	234,476	369,476	504,476	639,476
6	DEBT SERVICE RESERVE (#772)	108,164	108,164	108,164	108,164	108,164
7	CAPITAL IMPROVEMENTS FUND (#730)	5,844,796	4,806,102	1,335,432	57,420	374,144
8	CONSTRUCTION FUND	56,000,000	26,000,000	2,000,000	-	-
9	WATER CONNECTION FEES (#712)	2,753,396	1,546,283	2,691,715	3,856,167	2,011,694
10	SEWER CONNECTION FEES (#713)	4,563,929	2,381,357	2,945,548	3,091,858	1,993,911
11	TOTAL ENDING CASH BALANCE	\$ 131,010,824	\$ 93,500,344	\$ 66,105,730	\$ 58,331,993	\$ 57,281,658
REVENUE FUND (#700)						
12	Beginning Balance	\$ 60,032,137	\$ 50,299,415	\$ 47,358,969	\$ 45,359,607	\$ 39,188,568
13	Transfers In - System Operations [2]	\$ 8,054,779	\$ 13,059,554	\$ 13,000,638	\$ 9,828,961	\$ 10,381,331
14	Transfers In - Debt Service Reserve	-	-	-	-	-
15	Total Funds Available	\$ 68,086,915	\$ 63,358,969	\$ 60,359,607	\$ 55,188,568	\$ 49,569,899
16	Transfers Out - System Operations	\$ -	\$ -	\$ -	\$ -	\$ -
17	Transfers Out - Capital Improvement Fund	16,000,000	16,000,000	15,000,000	16,000,000	9,000,000
18	Transfers Out - Series 2003A Bonds Refunding [3]	1,787,500	-	-	-	-
19	Total Transfer Out	\$ 17,787,500	\$ 16,000,000	\$ 15,000,000	\$ 16,000,000	\$ 9,000,000
20	Interest Rate	0.25%	0.38%	0.50%	0.63%	0.75%
21	Interest Income	137,914	185,551	231,796	266,327	299,094
22	Interest Income to Fund Revenue Requirements	Y 137,914	185,551	231,796	266,327	299,094
23	Ending Balance	\$ 50,299,415	\$ 47,358,969	\$ 45,359,607	\$ 39,188,568	\$ 40,569,899
CUSTOMER DEPOSITS (#710) [4]						
24	Beginning Balance	(R) \$ 5,374,996	\$ 5,422,915	\$ 5,461,944	\$ 5,500,835	\$ 5,539,518
25	Transfers In - New Customers	\$ 47,919	\$ 39,030	\$ 38,891	\$ 38,683	\$ 38,474
26	Total Funds Available	\$ 5,422,915	\$ 5,461,944	\$ 5,500,835	\$ 5,539,518	\$ 5,577,992
27	Transfers Out	\$ -	\$ -	\$ -	\$ -	\$ -
28	Total Transfer Out	\$ -	\$ -	\$ -	\$ -	\$ -
29	Interest Rate	0.00%	0.00%	0.00%	0.00%	0.00%
30	Interest Income	-	-	-	-	-
31	Interest Income to Fund Revenue Requirements	N -	-	-	-	-
32	Ending Balance	\$ 5,422,915	\$ 5,461,944	\$ 5,500,835	\$ 5,539,518	\$ 5,577,992

**Lee County, Florida
Bond Feasibility Study**

Development of Fund Balances, Transfers and Interest Income [1]

Line No.	Description	Fiscal Year Ending September 30,				
		2013	2014	2015	2016	2017
RENEWAL AND REPLACEMENT FUND (#720) [5]						
33	Beginning Balance	(U) \$ 7,061,147	\$ 4,570,000	\$ 4,888,000	\$ 5,087,000	\$ 5,289,000
34	Transfers In - Operations	\$ 15,291,151	\$ 8,693,707	\$ 10,540,726	\$ 12,286,368	\$ 10,132,356
35	Transfers In - Operating Account	-	-	-	-	-
36	Total Funds Available	\$ 22,352,298	\$ 13,263,707	\$ 15,428,726	\$ 17,373,368	\$ 15,421,356
37	Transfers Out - CIP	\$ 17,782,298	\$ 8,375,707	\$ 10,341,726	\$ 12,084,368	\$ 10,096,356
38	Transfers Out - Vehicle Replacement Program	-	-	-	-	-
39	Transfers Out - Capital Improvement Fund	-	-	-	-	-
40	Total Transfer Out	\$ 17,782,298	\$ 8,375,707	\$ 10,341,726	\$ 12,084,368	\$ 10,096,356
41	Interest Rate	0.25%	0.38%	0.50%	0.63%	0.75%
42	Interest Income	14,539	17,970	24,937	32,684	39,802
43	Interest Income to Fund Revenue Requirements	Y 14,539	17,970	24,937	32,684	39,802
44	Ending Balance	\$ 4,570,000	\$ 4,888,000	\$ 5,087,000	\$ 5,289,000	\$ 5,325,000
VEHICLE REPLACEMENT ACCOUNT (#703)						
45	Beginning Balance	(U) \$ 718,194	\$ 718,194	\$ 715,049	\$ 707,953	\$ 696,823
46	Transfers In	\$ 185,000	\$ 185,000	\$ 185,000	\$ 185,000	\$ 185,000
47	Transfer In - R&R Fund	-	-	-	-	-
48	Total Funds Available	\$ 903,194	\$ 903,194	\$ 900,049	\$ 892,953	\$ 881,823
49	Transfers Out	\$ 185,000	\$ 188,145	\$ 192,096	\$ 196,130	\$ 200,444
50	Total Transfer Out	\$ 185,000	\$ 188,145	\$ 192,096	\$ 196,130	\$ 200,444
51	Interest Rate	0.25%	0.38%	0.50%	0.63%	0.75%
52	Interest Income	1,795	2,723	3,558	4,425	5,168
53	Interest Income to Fund Revenue Requirements	Y 1,795	2,723	3,558	4,425	5,168
54	Ending Balance	\$ 718,194	\$ 715,049	\$ 707,953	\$ 696,823	\$ 681,379
WATER CONSERVATION SURCHARGE (#735)						
55	Beginning Balance	(U) \$ 871,770	\$ 730,016	\$ 234,476	\$ 369,476	\$ 504,476
56	Transfers In	\$ 135,000	\$ 135,000	\$ 135,000	\$ 135,000	\$ 135,000
57	Total Funds Available	\$ 1,006,770	\$ 865,016	\$ 369,476	\$ 504,476	\$ 639,476
58	Transfers Out	\$ 276,754	\$ 630,540	\$ -	\$ -	\$ -
59	Total Transfer Out	\$ 276,754	\$ 630,540	\$ -	\$ -	\$ -
60	Interest Rate	0.25%	0.38%	0.50%	0.63%	0.75%
61	Interest Income	2,002	1,833	1,510	2,753	4,290
62	Interest Income to Fund Revenue Requirements	Y 2,002	1,833	1,510	2,753	4,290
63	Ending Balance	\$ 730,016	\$ 234,476	\$ 369,476	\$ 504,476	\$ 639,476

**Lee County, Florida
Bond Feasibility Study**

Development of Fund Balances, Transfers and Interest Income [1]

Line No.	Description	Fiscal Year Ending September 30,				
		2013	2014	2015	2016	2017
SINKING FUND (Senior and Subordinate Lien)						
64	Sinking Fund Deposit	(U) \$ 15,499,390	\$ 19,749,105	\$ 20,541,154	\$ 20,508,855	\$ 20,188,546
65	Average Balance [6]	3,874,848	4,937,276	5,135,289	5,127,214	5,047,137
66	Interest Rate	0.25%	0.38%	0.50%	0.63%	0.75%
67	Interest Income	9,687	18,762	25,676	32,301	37,854
68	Interest Income to Fund Revenue Requirements	Y 9,687	18,762	25,676	32,301	37,854
DEBT SERVICE RESERVE (#772)						
72	Beginning Balance	(U) \$ 108,164	\$ 108,164	\$ 108,164	\$ 108,164	\$ 108,164
73	Transfers In - New Debt	\$ -	\$ -	\$ -	\$ -	\$ -
74	Total Funds Available	\$ 108,164	\$ 108,164	\$ 108,164	\$ 108,164	\$ 108,164
75	Transfers Out - Revenue Fund	-	-	-	-	-
76	Total Transfer Out	\$ -	\$ -	\$ -	\$ -	\$ -
77	Interest Rate	0.25%	0.38%	0.50%	0.63%	0.75%
78	Interest Income	270	411	541	681	811
79	Interest Income to Fund Revenue Requirements	Y 270	411	541	681	811
80	Ending Balance	\$ 108,164	\$ 108,164	\$ 108,164	\$ 108,164	\$ 108,164
CAPITAL IMPROVEMENTS FUND (#730)						
81	Beginning Balance	(U) \$ 23,288,071	\$ 5,844,796	\$ 4,806,102	\$ 1,335,432	\$ 57,420
82	Transfers In - Operating Account	\$ 16,000,000	\$ 16,000,000	\$ 15,000,000	\$ 16,000,000	\$ 9,000,000
83	Transfers In - R&R Fund	-	-	-	-	-
84	Total Funds Available	39,288,071	21,844,796	19,806,102	17,335,432	9,057,420
85	Transfers Out - Capital Improvements	\$ 33,443,275	\$ 17,038,694	\$ 18,470,670	\$ 17,278,012	\$ 8,683,276
86	Transfers Out - Operating Account	-	-	-	-	-
87	Total Transfer Out	\$ 33,443,275	\$ 17,038,694	\$ 18,470,670	\$ 17,278,012	\$ 8,683,276
88	Interest Rate	0.25%	0.38%	0.50%	0.63%	0.75%
89	Interest Income	36,416	20,237	15,354	4,387	1,618
90	Interest Income to Fund Revenue Requirements	Y 36,416	20,237	15,354	4,387	1,618
91	Ending Balance	5,844,796	4,806,102	1,335,432	57,420	374,144

Footnotes on Page 5 of 5.

**Lee County, Florida
Bond Feasibility Study**

Development of Fund Balances, Transfers and Interest Income [1]

Line No.	Description	Fiscal Year Ending September 30,				
		2013	2014	2015	2016	2017
CONSTRUCTION FUND						
92	Beginning Balance	(R) \$ -	\$ 56,000,000	\$ 26,000,000	\$ 2,000,000	\$ -
93	Transfers In - Debt Proceeds	\$ 56,000,000	\$ -	\$ -	\$ -	\$ -
94	Total Funds Available	\$ 56,000,000	\$ 56,000,000	\$ 26,000,000	\$ 2,000,000	\$ -
95	Transfers Out - Capital Improvements	\$ -	\$ 30,000,000	\$ 24,000,000	\$ 2,000,000	\$ -
96	Total Transfer Out	\$ -	\$ 30,000,000	\$ 24,000,000	\$ 2,000,000	\$ -
97	Interest Rate	0.00%	0.00%	0.00%	0.00%	0.00%
98	Interest Income	\$ -	\$ -	\$ -	\$ -	\$ -
99	Interest Income to Fund Revenue Requirements	N -	-	-	-	-
100	Ending Balance	\$ 56,000,000	\$ 26,000,000	\$ 2,000,000	\$ -	\$ -
WATER CONNECTION FEES (#712)						
101	Beginning Balance	(R) \$ 5,217,718	\$ 2,753,396	\$ 1,546,283	\$ 2,691,715	\$ 3,856,167
102	Transfers In	\$ 1,343,286	\$ 1,123,833	\$ 1,134,863	\$ 1,143,891	\$ 1,167,366
103	Total Funds Available	\$ 6,561,004	\$ 3,877,229	\$ 2,681,146	\$ 3,835,606	\$ 5,023,533
104	Transfers Out - CIP	\$ 3,817,559	\$ 2,339,100	\$ -	\$ -	\$ 3,033,761
105	Total Transfer Out	\$ 3,817,559	\$ 2,339,100	\$ -	\$ -	\$ 3,033,761
106	Interest Rate	0.25%	0.38%	0.50%	0.63%	0.75%
107	Interest Income	\$ 9,951	\$ 8,154	\$ 10,569	\$ 20,561	\$ 21,922
108	Interest Income to Fund Revenue Requirements	N -	-	-	-	-
109	Ending Balance	\$ 2,753,396	\$ 1,546,283	\$ 2,691,715	\$ 3,856,167	\$ 2,011,694
SEWER CONNECTION FEES (#713)						
110	Beginning Balance	(R) \$ 5,571,809	\$ 4,563,929	\$ 2,381,357	\$ 2,945,548	\$ 3,091,858
111	Transfers In	\$ 1,019,564	\$ 855,257	\$ 862,414	\$ 869,465	\$ 887,503
112	Total Funds Available	\$ 6,591,373	\$ 5,419,186	\$ 3,243,771	\$ 3,815,013	\$ 3,979,361
113	Transfers Out - CIP	\$ 2,040,098	\$ 3,051,000	\$ 311,507	\$ 742,113	\$ 2,004,450
114	Total Transfer Out	\$ 2,040,098	\$ 3,051,000	\$ 311,507	\$ 742,113	\$ 2,004,450
115	Interest Rate	0.25%	0.38%	0.50%	0.63%	0.75%
116	Interest Income	\$ 12,654	\$ 13,171	\$ 13,284	\$ 18,958	\$ 19,000
117	Interest Income to Fund Revenue Requirements	N -	-	-	-	-
118	Ending Balance	\$ 4,563,929	\$ 2,381,357	\$ 2,945,548	\$ 3,091,858	\$ 1,993,911

Footnotes on Page 5 of 5.

**Lee County, Florida
Bond Feasibility Study**

Development of Fund Balances, Transfers and Interest Income [1]

Line No.	Description	Fiscal Year Ending September 30,				
		2013	2014	2015	2016	2017
INTEREST INCOME [7]						
119	Unrestricted Interest Income	\$ 202,623	\$ 247,487	\$ 303,372	\$ 343,558	\$ 388,637
120	Restricted Interest Income	22,605	21,325	23,853	39,519	40,922
121	Total Interest Income	<u>\$ 225,228</u>	<u>\$ 268,812</u>	<u>\$ 327,225</u>	<u>\$ 383,077</u>	<u>\$ 429,559</u>

Footnotes:

- [1] Beginning cash balances for the Fiscal Year 2013 are based upon the Fiscal Year 2012 Comprehensive Annual Financial Report as published by the County and adjusted for payables and fair market value adjustments.
- [2] Amounts shown reflect the net surplus from projected operations after all funding requirements and transfers from rate revenues.
- [3] Amounts shown reflects use of funds based on the plan of finance associated with the refunding of the Series 2003A Bonds as provided by the County's Financial Advisor. Reflects ten (10) months of accrued principal associated with the 10/1/2013 \$2,145,000 payment.
- [4] Growth in customer deposits is based upon the forecast growth in customer accounts. The County currently earns interest income on customer deposits and remits earnings, which essentially offset one another. For purposes of this analysis no interest earnings from customer deposits is assumed.
- [5] Pursuant to the terms and conditions of the Bond Resolution, the County must maintain a minimum deposit in the Renewal and Replacement Fund as dictated by the County's Consulting Engineer.
- [6] For purposes of this analysis, interest income on sinking fund deposits were estimated based on 25% of the annual debt service payments.
- [7] For purposes of this analysis interest income earned on average balances within the respective funds shown were assumed to be available to fund the revenue requirements of the System and in some instances restricted to the respective funds for purposes of the intended uses of the respective fund.

Table 6
Lee County, Florida
Bond Feasibility Report

Development of Historical System Operating Results and Debt Coverage [1]

Line No.	Description	Fiscal Year Ending September 30,				
		2008	2009	2010	2011	2012
Gross Revenues [2]:						
1	Water User Fee	\$ 43,203,147	\$ 41,451,298	\$ 40,805,496	\$ 40,699,581	\$ 42,953,620
2	Wastewater User Fee	44,505,109	42,510,679	42,685,162	42,523,198	46,376,807
3	Rentals and Franchise Fees	156,900	189,607	170,087	170,270	180,298
4	Miscellaneous Revenues [3]	1,630,255	1,554,513	1,459,983	1,342,621	1,480,222
5	Investment Earnings [4]	4,511,544	1,694,366	870,073	483,221	380,869
Adjustments:						
6	Gateway Debt Service Contribution [5]	292,251	318,820	318,820	318,820	318,820
7	Total	\$ 94,299,205	\$ 87,719,282	\$ 86,309,622	\$ 85,537,711	\$ 91,690,636
Operating Expenses [6]:						
8	Salaries and Wages	\$ 14,835,983	\$ 14,204,535	\$ 14,069,455	\$ 13,174,471	\$ 13,416,603
9	Employee benefits	8,003,704	7,665,450	7,554,961	8,455,147	8,035,179
10	Contractual services, materials and supplies	17,129,863	19,316,262	18,665,859	17,969,995	19,467,511
11	Utilities	7,646,289	7,072,886	5,797,177	6,270,562	5,813,436
12	Repairs and maintenance	3,228,043	3,485,743	4,610,401	3,574,098	4,316,906
13	Insurance	1,219,326	1,218,710	1,014,355	885,059	822,249
14	Other	3,136,337	2,448,373	2,168,215	1,986,022	1,979,988
15	Indirect Cost	1,624,200	1,624,200	1,616,079	1,616,080	1,512,770
16	Administrative Fees	58,355	48,506	60,292	47,266	41,792
17	Total	\$ 56,882,100	\$ 57,084,665	\$ 55,556,794	\$ 53,978,700	\$ 55,406,435
Pledged Funds [7]:						
18	Net Revenues	\$ 37,417,105	\$ 30,634,617	\$ 30,752,827	\$ 31,559,011	\$ 36,284,201
19	Connection Fees [8][9]	5,181,287	1,928,400	1,188,300	2,062,291	2,850,234
20	Total	\$ 42,598,392	\$ 32,563,017	\$ 31,941,128	\$ 33,621,303	\$ 39,134,435
Annual Debt Service for Outstanding Bonds [10]:						
21	Series 1999A Water and Sewer Revenue Bonds	\$ 8,540,875	\$ 8,539,595	\$ 8,539,985	\$ 6,672,010	\$ 1,039,792
22	Series 2003A Water and Sewer Refunding Revenue Bonds	4,376,375	4,381,425	4,380,225	4,381,050	4,382,831
23	Series 2003B Water and Sewer Revenue Bonds	414,250	414,250	414,250	414,250	370,524
24	Series 2011 Water and Sewer Refunding Revenue Bonds	-	-	-	1,581,759	7,119,483
25	Series 2012AB Water and Sewer Refunding Revenue Bonds	-	-	-	-	122,133
26	Annual Debt Service	\$ 13,331,500	\$ 13,335,270	\$ 13,334,460	\$ 13,049,069	\$ 13,034,763
<u>Rate Covenant Compliance [11]:</u>						
27	Net Revenues	\$ 37,417,105	\$ 30,634,617	\$ 30,752,827	\$ 31,559,011	\$ 36,284,201
28	Annual Debt Service	13,331,500	13,335,270	13,334,460	13,049,069	13,034,763
29	Calculated Coverage	280.7%	229.7%	230.6%	241.8%	278.4%
30	Required Coverage	100.0%	100.0%	100.0%	100.0%	100.0%
Net Revenues						
31	and Connection Fees	\$ 42,598,392	\$ 32,563,017	\$ 31,941,128	\$ 33,621,303	\$ 39,134,435
32	Annual Debt Service	13,331,500	13,335,270	13,334,460	13,049,069	13,034,763
33	Calculated Coverage	319.5%	244.2%	239.5%	257.7%	300.2%
34	Required Coverage	120.0%	120.0%	120.0%	120.0%	120.0%
35	Net Revenues after payment of Annual Debt Service	\$ 24,085,605	\$ 17,299,347	\$ 17,418,367	\$ 18,509,942	\$ 23,249,438

Footnotes on Page 2 of 4.

Table 6
Lee County, Florida
Bond Feasibility Report

Development of Historical System Operating Results and Debt Coverage [1]

Line No.	Description	2008	2009	2010	2011	2012
<u>State Revolving Fund (SRF) Loan Compliance [12]:</u>						
Pledged Revenues:						
36	Gross Revenues	\$ 94,299,205	\$ 87,719,282	\$ 86,309,622	\$ 85,537,711	\$ 91,690,636
37	Less Operating Expenses	(56,882,100)	(57,084,665)	(55,556,794)	(53,978,700)	(55,406,435)
38	Less Senior Revenue Obligations - Annual Debt Service	(13,331,500)	(13,335,270)	(13,334,460)	(13,049,069)	(13,034,763)
39	Net Amount Available for SRF Debt Coverage	<u>\$ 24,085,605</u>	<u>\$ 17,299,347</u>	<u>\$ 17,418,367</u>	<u>\$ 18,509,942</u>	<u>\$ 23,249,438</u>
Outstanding SRF Loan Debt Service Payments [13]						
40	SRF Loan 1991 CS120342230	\$ 720,926	\$ 720,926	\$ 720,926	\$ 720,926	\$ 720,926
41	SRF Loan 2001 CS12039232P	451,988	451,988	451,988	451,987	451,988
42	SRF Loan 2005 DW3610010	979,339	1,382,596	1,619,358	1,716,847	1,716,847
43	SRF Loan 2009 WW392330	-	-	625,666	2,084,154	2,255,559
44	Total	<u>\$ 2,152,253</u>	<u>\$ 2,555,510</u>	<u>\$ 3,417,938</u>	<u>\$ 4,973,914</u>	<u>\$ 5,145,320</u>
45	Calculated Coverage	1119.1%	676.9%	509.6%	372.1%	451.9%
46	Required Coverage	<u>115.0%</u>	<u>115.0%</u>	<u>115.0%</u>	<u>115.0%</u>	<u>115.0%</u>
Other Required Transfers from Net Revenues [14]:						
47	Reserve Account [15]	\$ -	\$ -	\$ -	\$ -	\$ -
48	Renewal and Replacement Fund [16]	3,973,260	4,700,348	4,370,023	4,299,540	4,260,945
49	Water and Sewer Connection Fees Funds [17]	-	-	-	-	-
50	Subordinated Indebtedness Debt Service Payments [18]	2,152,253	2,555,510	3,417,938	4,973,914	5,145,320
51	Amounts Available for Other System Purposes	<u>\$ 17,960,092</u>	<u>\$ 10,043,489</u>	<u>\$ 9,630,406</u>	<u>\$ 9,236,488</u>	<u>\$ 13,843,173</u>

Footnotes:

- [1] This table provides a review of historical compliance with the covenants of the Bond Resolution related to the Outstanding Bonds and compliance with the covenants of the Florida Department of Environmental Protection (the "FDEP") outstanding State Revolving Fund (the "SRF") loan agreements. Unless otherwise noted amounts shown are derived from the Comprehensive Annual Financial Report ("CAFR" or "audited financial statements") and other supporting financial information as provided by County staff and in support of the audited financial statements.
- [2] Pursuant to the Bond Resolution Gross Revenues shall mean all income and moneys received by the County from rates, fees, rentals, charges and other income for water and wastewater services calculated in accordance with generally accepted accounting principles (the "GAAP") without limiting the generality of the foregoing, Investment Earnings.
- [3] Amounts shown include charges for permit, tapping, delinquent, turn-on / turn-off, etc. and other miscellaneous charges.
- [4] Pursuant to the Bond Resolution, Investment Earnings pledged and available for calculating compliance with the rate covenant (Section 5.04 of the Bond Resolution) shall include all income and earnings on all funds and accounts as established through the Bond Resolution, other than the Construction Fund and Rebate Fund. Calculated in accordance with GAAP, such amounts include fair market value (the "FMV") adjustments as reported at the close of the respective fiscal year. Amounts shown below provide detail in the determination of Investment Earnings and reconciliation to amounts as reported in the audited financial statements of the County.

Fiscal Year	2008	2009	2010	2011	2012
Income and Earnings on All Funds (a)	\$ 4,185,597	\$ 1,848,572	\$ 795,897	\$ 504,887	\$ 415,559
Less FMV Adjustment on All Funds (a) (b)	352,027	(151,754)	82,486	(8,763)	(9,758)
Less Income and Earnings on Construction/Rebate Funds (c)	(26,079)	(2,453)	(8,310)	(12,904)	(24,932)
Investment Earnings Available for Debt Coverage	<u>\$ 4,511,544</u>	<u>\$ 1,694,366</u>	<u>\$ 870,073</u>	<u>\$ 483,221</u>	<u>\$ 380,869</u>

(a) Amounts shown reconcile to reported amounts within the audited financial statements of the County pursuant to the Statement of Revenues, Expenses and Changes in Fund Net Assets. Amounts shown include interest income and earnings related to balances on deposit in the Connection Fees Funds.

(b) FMV adjustments reflect unrealized gains or losses on investments as reported at the close of the respective Fiscal Year shown. It should be noted that such FMV adjustments are not considered to materially affect the calculation of debt coverage in compliance with the rate covenant of the Bond Resolution (represents at most less than 0.4% of Gross Revenues for the historical Fiscal Years shown).

(c) Amounts shown reflect income and earnings related to the Construction Fund and Rebate Fund, including FMV adjustments.

Table 6
Lee County, Florida
Bond Feasibility Report

Development of Historical System Operating Results and Debt Coverage [1]

Footnotes (continued):

- [5] Amounts shown reflect reclassification of non-operating revenues for purposes of calculating compliance with the rate covenant to reflect funds received by the County from Gateway Services Community Development District related to payment of debt service regarding the purchase of capacity pursuant to the Gateway Wastewater Agreement.
- [6] Amounts shown are exclusive of depreciation and amortization as derived from the audited financial statements and other financial information provided by the County. The following provides a reconciliation to Operating Expenses from those amounts identified within the Statement of Revenues, Expenses, and Changes in Fund Net Assets as reported within the audited financial statements:
- | Fiscal Year | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Reported Operating Expenses (CAFR) | \$ 84,604,156 | \$ 86,752,036 | \$ 88,600,508 | \$ 92,129,957 | \$ 94,411,411 |
| Less Depreciation and Amortization | <u>(27,722,055)</u> | <u>(29,667,371)</u> | <u>(33,043,713)</u> | <u>(38,151,258)</u> | <u>(39,004,975)</u> |
| Adjusted Operating Expenses (Pursuant to Bond Resolution) | <u>\$ 56,882,100</u> | <u>\$ 57,084,665</u> | <u>\$ 55,556,794</u> | <u>\$ 53,978,700</u> | <u>\$ 55,406,435</u> |
- [7] Amounts shown reflect the Pledged Funds pursuant to the Bond Resolution and include Net Revenues (Gross Revenues less Operating Expenses), Special Assessment Revenues and Connection Fees for use in evaluating compliance with the rate covenant of the Bond Resolution.
- [8] Amounts shown reflect collected Connection Fees for the respective fiscal years shown and do not include any interest income of Connection Fees Fund balances. Any interest income or earnings on such balances have been included as a component of Gross Revenues (recognized through Investment Earnings).
- [9] Generally, under Florida law, impact fees (also referred to in this Report as Connection Fees) may be validly imposed for construction of improvements and the expansion of the System to new customer growth or development that drive the need for such improvements (i.e., "Growth Pays for Growth"). Connection Fees may also be used to pay the debt service for the expansion-related capital improvements funded from the proceeds of any respective outstanding indebtedness of the System. For purposes of this analysis, no determination of the expansion related capital improvements related to the Outstanding Bonds or Subordinated Indebtedness was evaluated and therefore not all of the identified Connection Fees may be legally available for payment of debt service payments shown.
- [10] Amounts shown are derived from the actual loan repayment schedules for the Outstanding Bonds and represent when deposits to the Sinking Fund are required from operations and not when the principal and interest payments are made.
- [11] Pursuant to the Bond Resolution, Section 5.04 (the "Rate Covenant"), the County must maintain sufficient rates, fees, charges and other Pledged Funds in each Fiscal Year which will provide:
- A) Net Revenues and Special Assessment Proceeds adequate at all times to pay at least 100% of i) the Annual Debt Service on all Outstanding Bonds coming due, ii) any required deposits to the Reserve Account for compliance with the Reserve Account Requirement and iii) amounts required by Sections 4.06(a) and 4.07(a) of the Bond Resolution to be repaid to the Water Connection Fees Fund and the Sewer Connection Fees Fund (the "Connection Fees Funds"); and
- B) Net Revenues, Special Assessment Proceeds and Connection Fees adequate at all times to pay at least 120% of the Annual Debt Service on all Outstanding Bonds coming due.
- [12] The County has secured several loans from the FDEP SRF loan program. Pursuant to Section 5.01 of the SRF loan agreement, the County must maintain sufficient rates and charges for services furnished by the System to provide Pledged Revenues, as defined in the loan agreement, equal to or greater than 115% of the Semiannual Loan Payments for all outstanding SRF loans due in such Fiscal Year. Pledged Revenues are defined in the loan agreement to mean Gross Revenues after payment of the Operation and Maintenance Expense (or as defined in the Bond Resolution, the Operating Expenses) and Senior Revenue Obligations (or as defined in the Bond Resolution, the Annual Debt Service).
- [13] Amounts shown are derived from the actual loan repayment schedules for the outstanding SRF loans; amounts based on funding the monthly Semiannual Loan Payments (as defined in the loan agreement) representing an accrual basis and not presented on an "as paid" basis.
- [14] Amounts shown reflect other required deposits to funds and accounts as reference in Section 4.05 of the Bond Resolution; although not a specific component of the rate covenant as delineated in the Bond Resolution, Net Revenues must be sufficient to meet such required deposits.
- [15] Pursuant to the Bond Resolution, the Reserve Account Requirement shall mean maintaining a minimum cash balance within the Reserve Account equivalent to the lesser of: i) the Maximum Annual Debt Service for all Outstanding Bonds; or ii) 125% of the Annual Debt Service coming due in such Fiscal Year. No required transfers were recognized during the Historical Period since the Reserve Account Requirement was secured through a Reserve Account Insurance Policy for the Outstanding Bonds or from the proceeds of such Outstanding Bonds.

Footnotes Continued on Page 4 of 4.

Table 6
Lee County, Florida
Bond Feasibility Report

Development of Historical System Operating Results and Debt Coverage [1]

Footnotes (*continued*):

- [16] Pursuant to the Bond Resolution, the Renewal and Replacement Fund Requirement shall mean maintaining a minimum cash balance within the Renewal and Replacement Fund equivalent to either i) 5% of the Gross Revenues received by the issuer in the immediately preceding Fiscal Year; or ii) an amount as determined by the Consulting Engineer. For purposes of determining compliance amounts shown reflect 5% of prior year's Gross Revenues.
- [17] Pursuant to Sections 4.06(a) and 4.07(a) of the Bond Resolution, the County must repay any amounts used from the Connection Fees Funds as a result of a deficiency arising in the Principal Account or Interest Account. The County reports that no deficiencies existed during the Historical Period that required the use of Connection Fees or balance transfers from the Connection Fees Funds.
- [18] Although not a specific requirement for compliance with the Bond Resolution rate covenant calculation (Section 5.04), payment of debt service on Subordinated Indebtedness was included as a requirement for purposes of this analysis based on the disposition of revenues as identified in Section 4.05 of the Bond Resolution.

Table 7
Lee County, Florida
Bond Feasibility Study

Development of Projected System Operating Results and Debt Coverage [1]

Line No.	Description	Fiscal Year Ending September 30,				
		2013	2014	2015	2016	2017
Gross Revenues [2][3]:						
1	Water User Fees	\$ 45,603,032	\$ 46,893,820	\$ 48,141,232	\$ 48,399,124	\$ 48,612,652
2	Wastewater User Fees	50,384,086	53,005,982	55,726,421	56,127,687	56,362,973
3	Rentals and Franchise Fees	111,045	111,045	111,045	111,045	111,045
4	Miscellaneous Revenues [4]	1,423,876	1,423,519	1,424,160	1,424,797	1,425,431
5	Investment Earnings [5]	225,228	268,812	327,225	383,077	429,559
6	Gateway Debt Service Contribution [6]	184,542	172,335	172,335	172,335	172,335
7	Total	\$ 97,931,810	\$ 101,875,513	\$ 105,902,419	\$ 106,618,065	\$ 107,113,995
Operating Expenses [7]:						
8	Salaries and Wages	\$ 14,162,537	\$ 14,168,005	\$ 14,593,045	\$ 15,030,835	\$ 15,481,763
9	Employee benefits	8,754,191	8,717,876	9,145,557	9,597,699	10,075,853
10	Contractual services, materials and supplies	19,957,137	20,041,055	20,833,248	21,607,468	22,416,922
11	Utilities	5,048,690	4,978,075	5,247,815	5,532,694	5,832,861
12	Repairs and maintenance	3,071,715	3,405,295	3,500,193	3,637,838	3,781,068
13	Insurance	713,930	713,930	749,626	787,107	826,463
14	Other	3,967,457	3,902,623	4,004,382	4,112,951	4,228,198
15	Indirect Cost	1,463,982	1,463,982	1,494,726	1,526,116	1,559,690
16	Administrative Fees	85,880	94,555	96,032	98,046	100,202
17	Contingency [8]	530,929	532,670	552,803	574,507	597,278
18	Bad Debt Expense [9]	238,019	247,589	257,297	258,733	259,802
19	Facility Decommissioning Expenses [10]	60,000	400,000	150,000	-	-
20	Total	\$ 58,054,467	\$ 58,665,655	\$ 60,624,724	\$ 62,763,994	\$ 65,160,100
Pledged Funds [11]:						
21	Net Revenues	\$ 39,877,343	\$ 43,209,858	\$ 45,277,695	\$ 43,854,071	\$ 41,953,895
22	Connection Fees [12] [13]	2,362,850	1,979,090	1,997,277	2,013,356	2,054,869
23	Total	\$ 42,240,193	\$ 45,188,948	\$ 47,274,972	\$ 45,867,427	\$ 44,008,764
Annual Debt Service for Outstanding Bonds [14]:						
24	Series 2003A Water and Sewer Refunding Revenue Bonds [15]	\$ 1,862,734	\$ -	\$ -	\$ -	\$ -
25	Series 2011 Water and Sewer Refunding Revenue Bonds	7,117,583	7,050,883	7,117,683	7,091,883	7,095,483
26	Series 2012A Water and Sewer Refunding Revenue Bonds	999,500	999,500	999,500	999,500	999,500
27	Series 2012B Water and Sewer Refunding Revenue Bonds	374,500	374,500	374,500	374,500	374,500
Annual Debt Service for Projected Bonds:						
28	Series 2013A Water and Sewer Revenue Bonds [15]	443,007	3,091,250	3,536,500	3,533,500	3,533,500
29	Series 2013B Water and Sewer Refunding Revenue Bonds [15]	277,094	3,808,000	4,088,000	4,084,500	4,080,750
30	Total Outstanding and Projected Annual Debt Service	\$ 11,074,418	\$ 15,324,133	\$ 16,116,183	\$ 16,083,883	\$ 16,083,733
<u>Rate Covenant Compliance [16]:</u>						
31	Net Revenues	\$ 39,877,343	\$ 43,209,858	\$ 45,277,695	\$ 43,854,071	\$ 41,953,895
32	Annual Debt Service	11,074,418	15,324,133	16,116,183	16,083,883	16,083,733
33	Calculated Coverage	360.1%	282.0%	280.9%	272.7%	260.8%
34	Required Coverage	100.0%	100.0%	100.0%	100.0%	100.0%
35	Net Revenues and Connection Fees	\$ 42,240,193	\$ 45,188,948	\$ 47,274,972	\$ 45,867,427	\$ 44,008,764
36	Annual Debt Service	11,074,418	15,324,133	16,116,183	16,083,883	16,083,733
37	Calculated Coverage	381.4%	294.9%	293.3%	285.2%	273.6%
38	Required Coverage	120.0%	120.0%	120.0%	120.0%	120.0%
39	Net Revenues after payment of Annual Debt Service	\$ 28,802,925	\$ 27,885,725	\$ 29,161,512	\$ 27,770,188	\$ 25,870,162

Footnotes on Page 2 of 3.

Table 7
Lee County, Florida
Bond Feasibility Study

Development of Projected System Operating Results and Debt Coverage [1]

Line No.	Description	Fiscal Year Ending September 30,				
		2013	2014	2015	2016	2017
State Revolving Fund (SRF) Loan Compliance [17]:						
Pledged Revenues:						
40	Gross Revenues	\$ 97,931,810	\$ 101,875,513	\$ 105,902,419	\$ 106,618,065	\$ 107,113,995
41	Less Operating Expenses	(58,054,467)	(58,665,655)	(60,624,724)	(62,763,994)	(65,160,100)
42	Less Senior Revenue Obligations - Annual Debt Service	(11,074,418)	(15,324,133)	(16,116,183)	(16,083,883)	(16,083,733)
43	Net Amount Available for SRF Debt Coverage	\$ 28,802,925	\$ 27,885,725	\$ 29,161,512	\$ 27,770,188	\$ 25,870,162
Outstanding SRF Loan Debt Service Payments [18]						
44	SRF Loan 2001 CS12039232P	451,988	451,988	451,987	451,988	131,829
45	SRF Loan 2005 DW3610010	1,716,847	1,716,847	1,716,847	1,716,847	1,716,847
46	SRF Loan 2009 WW392330	2,256,137	2,256,137	2,256,137	2,256,137	2,256,137
47	Total	\$ 4,424,972	\$ 4,424,972	\$ 4,424,971	\$ 4,424,972	\$ 4,104,813
48	Calculated Coverage	650.9%	630.2%	659.0%	627.6%	630.2%
49	Required Coverage	115.0%	115.0%	115.0%	115.0%	115.0%
Other Required Transfers from Net Revenues [16]:						
50	Reserve Account [19]	\$ -	\$ -	\$ -	\$ -	\$ -
51	Renewal and Replacement Fund [20]	4,568,591	4,887,363	5,085,159	5,286,504	5,322,286
52	Water and Sewer Connection Fees Funds [21]	-	-	-	-	-
53	Subordinated Indebtedness Debt Service Payments [22]	4,424,972	4,424,972	4,424,971	4,424,972	4,104,813
54	Amounts Available for Other System Purposes	\$ 19,809,362	\$ 18,573,389	\$ 19,651,382	\$ 18,058,712	\$ 16,443,063

Footnotes:

- [1] This table provides a review of projected compliance with the covenants of the Bond Resolution related to the Outstanding Bonds and compliance with the covenants of the outstanding Florida Department of Environmental Protection (the "FDEP") State Revolving Fund (the "SRF") loan agreements. Projections were based on: i) the adopted Fiscal Year 2013 adopted and Fiscal Year 2014 preliminary Budget for each respective utility or cost center; ii) actual Fiscal Year 2012 unaudited results and other supporting financial information as reported by the County for the System; iii) discussions with County staff and its consultants regarding current and future utility needs associated with System expansion and capital improvements; iv) information provided by other utilities, including information regarding the cost of purchased water and wastewater; and v) other information provided by the County and its consultants.
- [2] Pursuant to the Bond Resolution Gross Revenues shall mean all income and moneys received by the County from rates, fees, rentals, charges and other income for water and wastewater services calculated in accordance with generally accepted accounting principles (the "GAAP") without limiting the generality of the foregoing, Investment Earnings.
- [3] Amounts shown recognize Board-adopted rate increases pursuant to the Rate Resolution for the Forecast Period. The summary below reflects the average percentage increase in rate revenues:
- | Fiscal Year | 2013 | 2014 | 2015 | 2016 | 2017 |
|--------------------------------|-------|-------|-------|-------|-------|
| Adopted Rate Revenue Increases | 7.00% | 3.50% | 3.50% | 0.00% | 0.00% |
- [4] Amounts shown include charges for permit, tapping, delinquent, turn-on / turn-off, etc. and other miscellaneous charges.
- [5] Pursuant to the Bond Resolution, Investment Earnings pledged and available for calculating compliance with the rate covenant (Section 5.04 of the Bond Resolution) shall include all income and earnings on all funds and accounts as established through the Bond Resolution with exception to and excluding the Construction Fund and Rebate Fund.
- [6] Amounts shown reflect annual transfers from the Gateway Services Community Development District for payment of debt service associated with wastewater treatment capacity. Payments identified within the early portions of the Forecast Period include one-time back payments from prior periods received in such Fiscal Years. The County anticipates receiving annual payments of \$172,335 through the Fiscal Year 2033 pursuant to the Gateway Wastewater Agreement.
- [7] Amounts shown are exclusive of depreciation and amortization.
- [8] Amounts shown reflect application of a 1.0% contingency factor to total Operating Expenses for unknown or unanticipated operating expenses.
- [9] Amounts shown reflect application of a 0.25% bad debt factor to total user fee / rate revenues for uncollectable bad debt expenses.
- [10] Utility staff anticipates decommissioning the Waterway Estates and San Carlos Wastewater Treatment Plants.

Footnotes Continued on Page 3 of 3.

Table 7

**Lee County, Florida
Bond Feasibility Study**

Development of Projected System Operating Results and Debt Coverage [1]

Footnotes (*continued*):

- [11] Amounts shown reflect the Pledged Funds pursuant to the Bond Resolution and include Net Revenues (Gross Revenues less Operating Expenses), Special Assessment Revenues and Connection Fees for use in evaluating compliance with the rate covenant of the Bond Resolution.
- [12] Amounts shown reflect collected Connection Fees for the respective fiscal years shown and do not include any Investment Earnings. Any Investment Earnings related to the Connection Fees Fund have been included as a component of Gross Revenues (recognized through Investment Earnings).
- [13] Generally, under Florida law, Connection Fees (also referred to as "Impact fees") may be validly imposed for construction of improvements and the expansion of the System to new customer growth or development that drive the need for such improvements (i.e., "Growth Pays for Growth"). Connection Fees may also be used to pay the debt service for the expansion related capital improvements funded from the proceeds of any respective outstanding indebtedness of the System. For purposes of this analysis, no determination of the expansion related capital improvements related to the Outstanding Bond or Subordinated Indebtedness was evaluated and therefore not all of the identified Connection Fees may be legally available for payment of debt service payments shown.
- [14] Amounts shown are derived from the actual loan repayment schedules for the Outstanding Bonds.
- [15] The Series 2013 Bonds are being issued to: i) refund the Series 2003A Bonds; and ii) fund improvements and the expansion of the Green Meadows WTP. No payments were assumed for the Series 2003A Bonds subsequent to the Fiscal Year 2013 recognizing an assumed refunding on or about July 3, 2013. The Annual Debt Service schedules were provided by the County's financial advisor
- [16] Pursuant to the Bond Resolution Section 5.04 (the "Rate Covenant"), the County must maintain sufficient rates, fees, charges and other Pledged Funds in each Fiscal Year with:
- A) Net Revenues and Special Assessment Proceeds adequate at all times to pay at least 100% of i) the Annual Debt Service on all Outstanding Bonds coming due, ii) any required deposits to the Reserve Account for compliance with the Reserve Account Requirement and iii) amounts required by Sections 4.06(a) and 4.07(a) of the Bond Resolution to be repaid to the Water Connection Fees Fund and the Sewer Connection Fees Fund (the "Connection Fees Funds"); and
- B) Net Revenues, Special Assessment Proceeds and Connection Fees adequate at all times to pay at least 120% of the Annual Debt Service on all Outstanding Bonds coming due.
- [17] The County has issued several loans from the FDEP SRF loan program. Pursuant to Section 5.01 of the SRF loan agreement, the County must maintain sufficient rates and charges for services furnished by the System to provide Pledged Revenues, as defined in the loan agreement, equal to or greater than 115% of the Semiannual Loan Payments for all outstanding SRF loans due in such Fiscal Year. Pledged Revenues are defined in the loan agreement to mean Gross Revenues after payment of the Operation and Maintenance Expense (or as defined in the Bond Resolution, the Operating Expenses) and Senior Revenue Obligations (or as defined in the Bond Resolution, the Annual Debt Service).
- [18] Amounts shown are derived from the actual loan repayment schedules for the outstanding SRF loans; amounts based on funding the monthly Semiannual Loan Payments (as defined in the loan agreement) representing an accrual basis and not presented on an "as paid" basis.
- [19] Pursuant to the Bond Resolution, the Reserve Account Requirement shall mean maintaining a minimum cash balance within the Reserve Account equivalent to the lesser of: i) the Maximum Annual Debt Service for all Outstanding Bonds secured by the Reserve Account; or ii) 125% of the Annual Debt Service on Bonds secured by the Reserve Account coming due in such Fiscal Year. No required transfers from Pledged Funds were recognized during the projected period shown since the Series 2013 Bonds do not assume a required Reserve Account deposit pursuant to assumptions as provided by the County's Financial Advisor.
- [20] Pursuant to the Bond Resolution, the Renewal and Replacement Fund Requirement shall mean maintaining a minimum cash balance within the Renewal and Replacement Fund equivalent to either i) 5% of the Gross Revenues received by the issuer in the immediately preceding Fiscal Year; or ii) an amount as determined by the Consulting Engineer. Furthermore, pursuant to Section 4.05(b)(v) of the Bond Resolution, should the County not meet the Renewal and Replacement Fund Requirement the County is required to annually transfer 1/12th of 5% of prior year's Gross Revenues until the County maintains sufficient cash balances to meet the Renewal and Replacement Fund Requirement. For purposes of this analysis amounts shown reflect 5% of the prior year's Gross Revenues.
- [21] Pursuant to Sections 4.06(a) and 4.07(a) of the Bond Resolution, the County must repay any amounts used from the Connection Fees Funds as a result of a deficiency arising in the Principal Account or Interest Account. No deficiencies are anticipated during the Forecast Period that required the use of Connection Fees or balance transfers from the Connection Fees Funds.
- [22] Although not a specific requirement for compliance with the Bond Resolution rate covenant calculation (Section 5.04), payment of debt service on Subordinated Indebtedness was included as a requirement for purposes of this analysis and based on the required disposition of revenues as identified in Section 4.05 of the Bond Resolution.

Table 8
Lee County, Florida
Water and Wastewater System

Comparison of Typical Monthly Residential Bills For Water Service [1]

Line No.	Description	Residential Service for a 5/8" or 3/4" Meter								
		0 Gallons	3,000 Gallons	5,000 Gallons	7,000 Gallons	10,000 Gallons	15,000 Gallons	20,000 Gallons	25,000 Gallons	30,000 Gallons
Lee County										
1	Existing Rates Effective October 1, 2012	\$12.04	\$21.43	\$27.69	\$34.73	\$46.46	\$68.38	\$94.98	\$126.23	\$157.48
Other Florida Utilities:										
2	Bonita Springs Utilities, Inc.	\$12.17	\$23.15	\$30.47	\$38.57	\$51.89	\$76.43	\$104.09	\$134.09	\$164.09
3	City of Bradenton	13.36	19.66	26.38	33.10	43.18	59.98	76.78	93.58	110.38
4	Charlotte County [2]	21.77	35.78	45.12	55.16	71.27	103.72	141.29	179.79	222.97
5	Collier County [2]	17.63	24.89	29.73	37.01	47.93	72.13	96.33	126.58	156.83
6	DeSoto County	17.60	33.17	43.55	56.53	76.00	114.95	166.85	218.75	270.65
7	Englewood Water District	15.62	21.41	25.27	29.77	42.62	78.58	131.02	197.92	264.82
8	Golden Gate (Collier County) [2]	25.97	43.58	55.32	67.64	86.99	123.64	160.29	206.09	251.89
9	Lehigh Acres System (Lee County) [2]	14.42	30.26	40.82	52.18	70.42	103.16	139.56	179.11	218.66
10	City of Fort Myers	9.18	22.65	31.63	47.41	71.08	120.33	194.23	268.13	342.03
11	Hillsborough County [2]	12.18	22.98	30.18	39.78	54.18	78.18	108.48	138.78	169.08
12	Manatee County [2]	7.96	13.72	17.56	21.88	29.08	41.08	69.88	113.13	156.38
13	City of Marco Island [2]	35.26	43.51	49.01	55.89	68.28	88.93	109.58	138.47	169.42
14	City of Naples	8.26	12.28	14.96	17.64	24.19	35.94	52.69	71.09	91.14
15	City of North Port	16.63	27.28	36.15	46.79	67.03	111.83	172.91	261.76	350.61
16	Okeechobee Utility Authority [2]	19.44	31.74	44.06	56.38	74.86	105.66	136.46	167.26	198.06
17	Pinellas County [2]	4.35	18.69	28.25	37.81	52.15	76.05	99.95	123.85	147.75
18	City of Punta Gorda	14.18	24.08	30.68	37.28	47.18	66.18	85.18	106.58	127.98
19	City of Sarasota	14.31	22.98	29.27	36.07	48.99	79.90	115.55	155.15	210.55
20	Sarasota County [2]	16.07	23.39	28.91	35.07	48.81	85.93	137.03	198.63	260.23
21	Other Florida Utilities' Average	\$15.60	\$26.06	\$33.54	\$42.21	\$56.64	\$85.40	\$120.96	\$162.04	\$204.40

Footnotes:

- [1] Unless otherwise noted, amounts shown reflect residential rates in effect April 2013 and are exclusive of taxes or franchise fees, if any, and reflect rates charged for inside the city service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all rates and charges offered by each listed utility.
- [2] Utility is currently involved in a rate study, is planning to conduct a rate study, or plans to implement a rate revision or price index/pass through adjustment within the next twelve months.

Table 9
Lee County, Florida
Water and Wastewater System

Comparison of Typical Monthly Residential Bills For Wastewater Service [1]

Line No.	Description	Residential Service for a 5/8" or 3/4" Meter								
		0 Gallons	3,000 Gallons	5,000 Gallons	7,000 Gallons	10,000 Gallons	15,000 Gallons	20,000 Gallons	25,000 Gallons	30,000 Gallons
Lee County										
1	Existing Rates Effective October 1, 2012	\$18.68	\$34.73	\$45.43	\$56.13	\$66.83	\$66.83	\$66.83	\$66.83	\$66.83
<u>Other Florida Utilities:</u>										
2	Bonita Springs Utilities, Inc.	\$28.48	\$39.58	\$46.98	\$54.38	\$65.48	\$83.98	\$87.68	\$87.68	\$87.68
3	City of Bradenton	19.74	25.11	33.07	41.03	52.97	72.87	92.77	112.67	132.57
4	Charlotte County [2]	27.70	39.28	47.00	54.72	66.30	66.30	66.30	66.30	66.30
5	Collier County [2]	26.94	38.31	45.89	53.47	64.84	83.79	83.79	83.79	83.79
6	DeSoto County	22.00	40.78	53.30	65.82	84.60	84.60	84.60	84.60	84.60
7	Englewood Water District	22.72	31.72	37.72	43.72	52.72	67.72	82.72	97.72	112.72
8	Golden Gate (Collier County) [2]	33.88	54.16	67.68	74.44	74.44	74.44	74.44	74.44	74.44
9	Lehigh Acres System (Lee County) [2]	24.23	49.25	65.93	74.27	74.27	74.27	74.27	74.27	74.27
10	City of Fort Myers	15.52	48.40	70.32	97.04	137.12	137.12	137.12	137.12	137.12
11	Hillsborough County [2]	13.28	26.09	34.63	43.17	47.44	47.44	47.44	47.44	47.44
12	Manatee County [2]	18.99	31.71	40.19	48.67	61.39	61.39	61.39	61.39	61.39
13	City of Marco Island [2]	18.91	40.54	54.96	62.17	62.17	62.17	62.17	62.17	62.17
14	City of Naples	17.59	28.63	35.99	43.35	54.39	54.39	54.39	54.39	54.39
15	City of North Port	26.64	44.01	55.59	67.17	84.54	96.12	96.12	96.12	96.12
16	Okeechobee Utility Authority [2]	21.71	41.99	55.51	69.03	89.31	123.11	156.91	190.71	224.51
17	Pinellas County [2]	11.80	24.73	33.35	41.97	54.90	54.90	54.90	54.90	54.90
18	City of Punta Gorda	25.24	29.65	32.59	35.53	39.94	39.94	39.94	39.94	39.94
19	City of Sarasota	18.93	35.46	47.46	60.44	79.91	112.36	144.81	177.26	209.71
20	Sarasota County [2]	14.89	37.51	52.59	67.67	90.29	90.29	90.29	90.29	90.29
21	Other Florida Utilities' Average	\$21.54	\$37.21	\$47.93	\$57.79	\$70.37	\$78.27	\$83.79	\$89.12	\$94.44

Footnotes:

- [1] Unless otherwise noted, amounts shown reflect residential rates in effect April 2013 and are exclusive of taxes or franchise fees, if any, and reflect rates charged for inside the city service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all rates and charges offered by each listed utility.
- [2] Utility is currently involved in a rate study, is planning to conduct a rate study, or plans to implement a rate revision or price index/pass through adjustment within the next twelve months.

Table 10
Lee County, Florida
Water and Wastewater System

Comparison of Typical Monthly Residential Bills For Water and Wastewater Service [1]

Line No.	Description	Residential Service for a 5/8" or 3/4" Meter								
		0 Gallons	3,000 Gallons	5,000 Gallons	7,000 Gallons	10,000 Gallons	15,000 Gallons	20,000 Gallons	25,000 Gallons	30,000 Gallons
Lee County										
1	Existing Rates Effective October 1, 2012	\$30.72	\$56.16	\$73.12	\$90.86	\$113.29	\$135.21	\$161.81	\$193.06	\$224.31
<u>Other Florida Utilities:</u>										
2	Bonita Springs Utilities, Inc.	\$40.65	\$62.73	\$77.45	\$92.95	\$117.37	\$160.41	\$191.77	\$221.77	\$251.77
3	City of Bradenton	33.10	44.77	59.45	74.13	96.15	132.85	169.55	206.25	242.95
4	Charlotte County [2]	49.47	75.06	92.12	109.88	137.57	170.02	207.59	246.09	289.27
5	Collier County [2]	44.57	63.20	75.62	90.48	112.77	155.92	180.12	210.37	240.62
6	DeSoto County	39.60	73.95	96.85	122.35	160.60	199.55	251.45	303.35	355.25
7	Englewood Water District	38.34	53.13	62.99	73.49	95.34	146.30	213.74	295.64	377.54
8	Golden Gate (Collier County) [2]	59.85	97.74	123.00	142.08	161.43	198.08	234.73	280.53	326.33
9	Lehigh Acres System (Lee County) [2]	38.65	79.51	106.75	126.45	144.69	177.43	213.83	253.38	292.93
10	City of Fort Myers	24.70	71.05	101.95	144.45	208.20	257.45	331.35	405.25	479.15
11	Hillsborough County [2]	25.46	49.07	64.81	82.95	101.62	125.62	155.92	186.22	216.52
12	Manatee County [2]	26.95	45.43	57.75	70.55	90.47	102.47	131.27	174.52	217.77
13	City of Marco Island [2]	54.17	84.05	103.97	118.06	130.45	151.10	171.75	200.64	231.59
14	City of Naples	25.85	40.91	50.95	60.99	78.58	90.33	107.08	125.48	145.53
15	City of North Port	43.27	71.29	91.74	113.96	151.57	207.95	269.03	357.88	446.73
16	Okeechobee Utility Authority [2]	41.15	73.73	99.57	125.41	164.17	228.77	293.37	357.97	422.57
17	Pinellas County [2]	16.15	43.42	61.60	79.78	107.05	130.95	154.85	178.75	202.65
18	City of Punta Gorda	39.42	53.73	63.27	72.81	87.12	106.12	125.12	146.52	167.92
19	City of Sarasota	33.24	58.44	76.73	96.51	128.90	192.26	260.36	332.41	420.26
20	Sarasota County [2]	30.96	60.90	81.50	102.74	139.10	176.22	227.32	288.92	350.52
21	Other Florida Utilities' Average	\$37.13	\$63.27	\$81.48	\$100.00	\$127.01	\$163.67	\$204.75	\$251.15	\$298.84

Footnotes:

- [1] Unless otherwise noted, amounts shown reflect residential rates in effect April 2013 and are exclusive of taxes or franchise fees, if any, and reflect rates charged for inside the city service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all rates and charges offered by each listed utility.
- [2] Utility is currently involved in a rate study, is planning to conduct a rate study, or plans to implement a rate revision or price index/pass through adjustment within the next twelve months.

Table 11

**Lee County, Florida
Water and Wastewater System**

**Comparison of Impact Fees Per
Equivalent Residential Unit (ERU) For Water and Wastewater Service [1]**

Line No.	Description	Residential 5/8" x 3/4" Meter		
		Water	Wastewater	Combined
Lee County				
1	Existing Impact Fee	\$2,440	\$2,660	\$5,100
<u>Other Florida Utilities:</u>				
2	Bonita Springs Utilities, Inc.	\$2,600	\$3,925	\$6,525
3	City of Bradenton	1,183	1,545	2,728
4	Charlotte County	1,780	2,350	4,130
5	Collier County	3,205	3,220	6,425
6	DeSoto County	1,910	4,140	6,050
7	Englewood Water District	2,074	2,850	4,924
8	Golden Gate (Collier County)	1,950	1,525	3,475
9	Lehigh Acres System (Lee County)	2,696	2,839	5,535
10	City of Fort Myers	2,023	1,966	3,989
11	Hillsborough County	1,750	1,800	3,550
12	Manatee County	1,970	2,315	4,285
13	City of Marco Island	3,740	4,610	8,350
14	City of Naples	2,549	2,779	5,328
15	City of North Port	1,735	2,388	4,123
16	Okeechobee Utility Authority	1,510	2,935	4,445
17	Pinellas County	352	2,060	2,412
18	City of Punta Gorda	2,824	2,463	5,287
19	Sarasota County	2,720	2,627	5,347
20	Other Florida Utilities' Average	\$2,143	\$2,685	\$4,828

Footnote:

- [1] Unless otherwise noted, amounts shown reflect fees in effect April 2013 for a single equivalent residential unit or single family household exclusive of taxes or franchise fees, if any, and reflect fees charged for inside city service, where applicable. All fees are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all fees and charges imposed by each listed utility.
- [2] Utility is currently involved in a rate study, is planning to conduct a rate study, or expects to implement a rate revision within the next twelve months.

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APPENDIX C

BASIC AUDITED FINANCIAL STATEMENTS OF THE COUNTY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

The Basic Audited Financial Statements of the County for the Fiscal Year ending September 30, 2012, and report thereon of a firm of independent certified public accountants engaged by the County is attached hereto. Such financial statements, including the auditor's report, have been included in this Official Statement as public documents and consent from the County's auditor was not requested. The auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report.

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Report of Independent Auditor

To the Honorable Board of County
Commissioners of Lee County, Florida:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Lee County, Florida (the "County"), as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund, the Lee County Library Fund, MSTU Fund, and Tourist Development Trust Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2013 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress for Other Postemployment Benefits, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section, supplemental financial information, statistical section, and other supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental financial information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section, statistical section, and other supplemental information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Cherry Bekart LLP

Tampa, Florida
March 11, 2013

Lee County, Florida
STATEMENT OF NET ASSETS
As of September 30, 2012
(amounts expressed in thousands)

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equity in pooled cash and investments	\$ 475,871	\$ 286,901	\$ 762,772
Investments	-	10,401	10,401
Receivables (net)	3,777	27,281	31,058
Due from other governments	6,628	-	6,628
Internal balances	2,210	(2,210)	-
Inventory	3,401	515	3,916
Prepays	1,082	1,120	2,202
Other assets	2,155	6,758	8,913
Restricted assets	176,958	162,052	339,010
Capital assets:			
Non-depreciable	764,796	289,996	1,054,792
Depreciable, net	1,087,635	1,519,210	2,606,845
Total assets	<u>2,524,513</u>	<u>2,302,024</u>	<u>4,826,537</u>
LIABILITIES			
Contracts and accounts payable	13,386	18,972	32,358
Accrued liabilities	6,626	1,470	8,096
Due to other governments	3,641	989	4,630
Customer deposits	2,157	1,073	3,230
Unearned revenues	752	699	1,451
Refunds and rebates	-	3,384	3,384
Liabilities payable from restricted assets	30,125	50,294	80,419
Noncurrent liabilities:			
Due within one year	24,955	1,750	26,705
Due in more than one year	421,551	818,612	1,240,163
Total liabilities	<u>503,193</u>	<u>897,243</u>	<u>1,400,436</u>
NET ASSETS			
Invested in capital assets, net of related debt	1,568,248	1,041,260	2,609,508
Restricted for:			
Capital projects	74,621	59,051	133,672
Debt service	11,239	26,155	37,394
Inventory for resale	2,134	-	2,134
Special revenue funds:			
Improvement districts	6,961	-	6,961
Culture & recreation	3,756	-	3,756
Economic development	12,065	-	12,065
Health, safety & welfare	20,523	-	20,523
Transportation roads	2,300	-	2,300
Court programs	4,336	-	4,336
Public records	5,645	-	5,645
Aerial maps	16	-	16
Inmate welfare	1,174	-	1,174
Driver's education	163	-	163
Law enforcement activities	2,180	-	2,180
Renewal and replacement	-	10,249	10,249
Unrestricted	<u>305,959</u>	<u>268,066</u>	<u>574,025</u>
Total net assets	<u>\$ 2,021,320</u>	<u>\$ 1,404,781</u>	<u>\$ 3,426,101</u>

The notes to the financial statements are an integral part of this statement.

Lee County, Florida
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2012
(amounts expressed in thousands)

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
						Governmental Activities	Business-type Activities	
Primary government:								
Governmental activities:								
General government	\$ 214,609	\$ (8,182)	\$ 53,738	\$ 15,097	\$ 822	\$ (136,770)	\$ -	\$ (136,770)
Public safety	202,137	662	34,843	7,753	2,138	(158,065)	-	(158,065)
Physical environment	14,474	191	1,783	5,293	519	(7,070)	-	(7,070)
Transportation	53,548	1,052	1,178	8,261	3,917	(41,244)	-	(41,244)
Economic environment	30,401	212	2,025	9,753	-	(18,835)	-	(18,835)
Human services	26,484	312	2,403	3,133	56	(21,204)	-	(21,204)
Culture and recreation	62,366	2,323	5,396	937	-	(58,356)	-	(58,356)
Interest on long-term debt	14,448	-	-	-	-	(14,448)	-	(14,448)
Total governmental activities	618,467	(3,430)	101,366	50,227	7,452	(455,992)	-	(455,992)
Business-type activities:								
Airport	98,081	408	98,989	409	7,173	-	8,082	8,082
Water and Wastewater	105,468	1,513	90,991	-	6,889	-	(9,101)	(9,101)
Transit	22,969	542	3,690	5,173	3,014	-	(11,634)	(11,634)
Transportation Facilities	24,979	413	37,448	-	-	-	12,056	12,056
Solid Waste	76,569	554	76,964	-	-	-	(159)	(159)
Total business-type activities	328,066	3,430	308,082	5,582	17,076	-	(756)	(756)
Total primary government	\$ 946,533	\$ -	\$ 409,448	\$ 55,809	\$ 24,528	(455,992)	(756)	(456,748)
General revenues:								
Taxes:								
Property taxes						255,944	1,077	257,021
Gas taxes						17,116	-	17,116
Tourist taxes						26,672	-	26,672
Communication taxes						9,561	-	9,561
Franchise fees						8,013	1,701	9,714
Impact fees						3,446	-	3,446
Grants and contributions not restricted to specific programs						49,484	-	49,484
Investment earnings						2,729	1,180	3,909
Miscellaneous						8,744	886	9,630
Special Item - Loss on discontinued project						-	(16,946)	(16,946)
Transfers						(8,768)	8,768	-
Total general revenues, special item, and transfers						372,941	(3,334)	369,607
Change in net assets						(83,051)	(4,090)	(87,141)
Net assets - beginning						2,104,371	1,408,871	3,513,242
Net assets - ending						\$ 2,021,320	\$ 1,404,781	\$ 3,426,101

The notes to the financial statements are an integral part of this statement.

Lee County, Florida
BALANCE SHEET
GOVERNMENTAL FUNDS
As of September 30, 2012
(amounts expressed in thousands)

	General	Lee County Library	MSTU	Tourist Development Trust Fund
ASSETS				
Cash and equity in pooled cash and investments	\$ 142,657	\$ 13,443	\$ 56,153	\$ 12,943
Cash and cash equivalents				
with fiscal agent	-	-	-	-
Receivables (net)				
Accounts	3,090	-	27	-
Special assessments	-	-	-	-
Accrued interest	85	9	41	7
Due from other funds	1,231	140	472	344
Due from other governments	4,279	-	755	-
Inventory	2,491	-	70	-
Advances	14,036	-	-	-
Total assets	<u>167,869</u>	<u>13,592</u>	<u>57,518</u>	<u>13,294</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Contracts and accounts payable	7,124	288	450	771
Accrued liabilities	5,471	209	361	51
Due to other funds	2,263	64	278	387
Due to other governments	3,134	81	175	20
Deposits and overbids	2,108	-	-	-
Unearned revenues	254	487	-	-
Deferred revenues	-	-	-	-
Advances	-	-	-	-
Other	49	-	-	-
Total liabilities	<u>20,403</u>	<u>1,129</u>	<u>1,264</u>	<u>1,229</u>
Fund Balances:				
Nonspendable	14,393	-	70	-
Restricted	2,134	-	-	12,065
Committed	10	12,463	56,184	-
Assigned	49,261	-	-	-
Unassigned	81,668	-	-	-
Total fund balances	<u>147,466</u>	<u>12,463</u>	<u>56,254</u>	<u>12,065</u>
Total liabilities and fund balances	<u>\$ 167,869</u>	<u>\$ 13,592</u>	<u>\$ 57,518</u>	<u>\$ 13,294</u>

The notes to the financial statements are an integral part of this statement.

(continued)

Lee County, Florida
BALANCE SHEET
GOVERNMENTAL FUNDS
As of September 30, 2012
(amounts expressed in thousands)

	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and equity in pooled cash and investments	\$ 129,875	\$ 168,011	\$ 523,082
Cash and cash equivalents			
with fiscal agent	-	19,938	19,938
Receivables (net)			
Accounts	70	214	3,401
Special assessments	-	5,198	5,198
Accrued interest	88	368	598
Due from other funds	427	4,591	7,205
Due from other governments	452	4,057	9,543
Inventory	-	2,699	5,260
Advances	8,599	6,216	28,851
Total assets	<u>139,511</u>	<u>211,292</u>	<u>603,076</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Contracts and accounts payable	1,899	11,343	21,875
Accrued liabilities	14	840	6,946
Due to other funds	2,674	2,789	8,455
Due to other governments	18	672	4,100
Deposits and overbids	-	5,925	8,033
Unearned revenues	-	711	1,452
Deferred revenues	-	5,448	5,448
Advances	-	22,536	22,536
Other	-	-	49
Total liabilities	<u>4,605</u>	<u>50,264</u>	<u>78,894</u>
Fund Balances:			
Nonspendable	8,599	2,699	25,761
Restricted	-	147,606	161,805
Committed	126,307	29,955	224,919
Assigned	-	2,928	52,189
Unassigned	-	(22,160)	59,508
Total fund balances	<u>134,906</u>	<u>161,028</u>	<u>524,182</u>
Total liabilities and fund balances	<u>\$ 139,511</u>	<u>\$ 211,292</u>	<u>\$ 603,076</u>

Lee County, Florida
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
As of September 30, 2012
(amounts expressed in thousands)

Fund balances - total governmental funds		\$524,182
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Non-depreciable governmental capital assets	\$760,906	
Depreciable governmental capital assets, net	<u>1,079,257</u>	1,840,163
Other long-term assets are not available to pay for current period expenditures and therefore, are deferred in the funds.		
		5,448
Prepaid assets are not recorded in governmental funds under the modified accrual basis of accounting however they are recorded in the statement of net assets under full accrual accounting.		
		772
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.		
Governmental bonds payable	(262,895)	
Accrued interest payable	(6,758)	
Accreted interest payable	(5,940)	
Variable debt payable	(982)	
Notes payable	(13,094)	
Other post employment benefits	(125,796)	
Compensated absences	<u>(20,797)</u>	(436,262)
Internal service funds are used by management to charge the cost of certain activities to the individual funds.		
Assets and liabilities of the internal service funds that are reported with governmental activities.		<u>87,017</u>
Net assets of governmental activities		<u><u>\$2,021,320</u></u>

The notes to the financial statements are an integral part of this statement.

Lee County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2012
(amounts expressed in thousands)

	General	Lee County Library	MSTU	Tourist Development Trust Fund
REVENUES				
Taxes	\$ 195,554	\$ 15,811	\$ 31,510	\$ 26,672
Licenses and permits	131	-	5,961	-
Intergovernmental	63,921	613	692	-
Charges for services	43,512	102	5,458	800
Fines and forfeitures	129	583	-	-
Impact fees	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	5,437	201	688	2,146
Total revenues	<u>308,684</u>	<u>17,310</u>	<u>44,309</u>	<u>29,618</u>
EXPENDITURES				
Current				
General government	87,852	460	8,458	800
Public safety	174,136	-	7,637	-
Physical environment	7,752	-	4,130	-
Transportation	1,215	-	30	-
Economic environment	13,403	-	-	13,604
Human services	19,853	-	4,289	-
Culture and recreation	14,187	23,290	12,128	-
Capital outlay				
General government	704	-	46	-
Public safety	5,337	-	-	-
Physical environment	152	-	44	-
Transportation	140	-	-	-
Economic environment	8	-	-	12
Human services	-	-	-	-
Culture and recreation	85	138	613	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	17	-	-	-
Total expenditures	<u>324,841</u>	<u>23,888</u>	<u>37,375</u>	<u>14,416</u>
Excess (deficiencies) of revenues over (under) expenditures	<u>(16,157)</u>	<u>(6,578)</u>	<u>6,934</u>	<u>15,202</u>
OTHER FINANCING SOURCES AND (USES)				
Transfers in	5,501	1,588	223	9,532
Transfers out	(44,387)	(1,456)	(27,030)	(16,107)
Debt issuance	-	-	-	-
Total other financing sources and (uses)	<u>(38,886)</u>	<u>132</u>	<u>(26,807)</u>	<u>(6,575)</u>
Net change in fund balances	<u>(55,043)</u>	<u>(6,446)</u>	<u>(19,873)</u>	<u>8,627</u>
Fund balances - beginning	<u>202,509</u>	<u>18,909</u>	<u>76,127</u>	<u>3,438</u>
Fund balances - ending	<u>\$ 147,466</u>	<u>\$ 12,463</u>	<u>\$ 56,254</u>	<u>\$ 12,065</u>

The notes to the financial statements are an integral part of this statement.

(continued)

Lee County, Florida

Lee County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2012
(amounts expressed in thousands)

	Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 25,784	\$ 22,132	\$ 317,463
Licenses and permits	360	45	6,497
Intergovernmental	2,546	35,284	103,056
Charges for services	69	16,387	66,328
Fines and forfeitures	-	599	1,311
Impact fees	-	3,446	3,446
Special assessments	-	1,447	1,447
Miscellaneous	553	2,369	11,394
Total revenues	<u>29,312</u>	<u>81,709</u>	<u>510,942</u>
EXPENDITURES			
Current			
General government	861	33,817	132,248
Public safety	-	13,768	195,541
Physical environment	1,026	1,060	13,968
Transportation	-	32,555	33,800
Economic environment	-	3,532	30,539
Human services	-	2,548	26,690
Culture and recreation	5,310	117	55,032
Capital outlay			
General government	9,032	6,576	16,358
Public safety	-	2,166	7,503
Physical environment	6,449	782	7,427
Transportation	1,302	28,343	29,785
Economic environment	-	230	250
Human services	-	1	1
Culture and recreation	3,386	22,146	26,368
Debt service			
Principal retirement	-	17,703	17,703
Interest and fiscal charges	-	19,834	19,851
Total expenditures	<u>27,366</u>	<u>185,178</u>	<u>613,064</u>
Excess (deficiencies) of revenues over (under) expenditures	<u>1,946</u>	<u>(103,469)</u>	<u>(102,122)</u>
OTHER FINANCING SOURCES AND (USES)			
Transfers in	15,416	80,470	112,730
Transfers out	(7,438)	(25,068)	(121,486)
Debt issuance	-	841	841
Total other financing sources and (uses)	<u>7,978</u>	<u>56,243</u>	<u>(7,915)</u>
Net change in fund balances	9,924	(47,226)	(110,037)
Fund balances - beginning	124,982	208,254	634,219
Fund balances - ending	<u>\$ 134,906</u>	<u>\$ 161,028</u>	<u>\$ 524,182</u>

The notes to the financial statements are an integral part of this statement.

Lee County, Florida
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2012
(amounts expressed in thousands)

Net change in fund balances - total governmental funds:		(\$110,037)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is depreciated/amortized over their estimated useful lives.		
Expenditures for capital assets	\$87,692	
Less current year depreciation and amortization	<u>(54,004)</u>	33,688
The net effect of various miscellaneous transactions involving capital and intangible assets (i.e., disposals, transfers, donations) is to decrease net assets.		
		(3,091)
Prepaid expenses are not recorded in governmental funds under the modified accrual basis of accounting however they are recorded in the statement of activities under full accrual accounting.		
		(116)
Revenues that were previously reported in the statement of activities and are recognized as revenue in the funds.		
		(38)
Debt proceeds provide current financial resources for governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs, premiums and similar items when debt is first issued. These amounts are deferred and amortized in the statement of activities.		
Long- term debt proceeds	(841)	
Principal payments	<u>17,703</u>	16,862
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
OPEB	(33,487)	
Change in compensated absences	<u>208</u>	(33,279)
Interest on long-term debt in the statement of activities is recognized as the interest accrues, regardless of when it is due. In the governmental funds interest is recognized as an expenditure when it is due. Issue costs, premiums, and similar items are deferred and amortized in the statement of activities.		
Accrued interest on bonds	173	
Accreted interest on capital appreciation bonds	5,244	
Amortization of bond issue costs	<u>(37)</u>	5,380
Internal service funds are used by management to charge the costs of certain activities to individual funds.		
The net revenue of the internal service funds is reported with governmental activities.		<u>7,580</u>
Change in net assets of governmental activities		<u><u>(\$83,051)</u></u>

The notes to the financial statements are an integral part of this statement.

Lee County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (Non-GAAP Budgetary Basis) AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2012
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 190,503	\$ 190,503	\$ 195,554	\$ 5,051
Licenses and permits	101	102	131	29
Intergovernmental	67,194	75,283	63,675	(11,608)
Charges for services	58,374	60,208	46,492	(13,716)
Fines and forfeitures	176	176	129	(47)
Miscellaneous	3,111	4,288	5,389	1,101
Total revenues	319,459	330,560	311,370	(19,190)
EXPENDITURES				
Current				
General government	111,487	113,686	87,301	26,385
Public safety	175,092	173,816	174,109	(293)
Physical environment	8,252	14,749	7,752	6,997
Transportation	1,421	1,539	1,215	324
Economic environment	6,632	19,787	10,935	8,852
Human services	19,023	20,409	19,853	556
Culture and recreation	14,171	14,388	14,187	201
Capital outlay				
General government	402	590	704	(114)
Public safety	704	5,215	5,337	(122)
Physical environment	-	-	152	(152)
Transportation	-	-	140	(140)
Economic environment	10,665	41	8	33
Culture and recreation	-	-	85	(85)
Debt service				
Interest and fiscal charges	10	10	17	(7)
Total expenditures	347,859	364,230	321,795	42,435
Excess (deficiency) of revenues over (under) expenditures	(28,400)	(33,670)	(10,425)	23,245
OTHER FINANCING SOURCES AND (USES)				
Transfers in	184,905	186,742	8,955	(177,787)
Transfers out	(209,537)	(204,043)	(40,636)	163,407
Total other financing sources and (uses)	(24,632)	(17,301)	(31,681)	(14,380)
Net change in fund balance	(53,032)	(50,971)	(42,106)	8,865
Fund balance - beginning	197,559	197,559	174,307	(23,252)
Fund balance - ending	\$ 144,527	\$ 146,588	\$ 132,201	\$ (14,387)

The notes to the financial statements are an integral part of this statement.

Lee County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (Non-GAAP Budgetary Basis) AND ACTUAL
LEE COUNTY LIBRARY
For the Year Ended September 30, 2012
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 15,585	\$ 15,585	\$ 15,811	\$ 226
Intergovernmental	484	1,099	613	(486)
Charges for services	103	103	102	(1)
Fines and forfeitures	446	446	583	137
Miscellaneous	145	276	196	(80)
Total revenues	16,763	17,509	17,305	(204)
EXPENDITURES				
Current				
General government	438	438	460	(22)
Culture and recreation	23,786	24,534	23,290	1,244
Capital outlay				
Culture and recreation	27	30	138	(108)
Total expenditures	24,251	25,002	23,888	1,114
Excess (deficiency) of revenues over (under) expenditures	(7,488)	(7,493)	(6,583)	910
OTHER FINANCING SOURCES AND (USES)				
Transfers in	-	-	1,588	1,588
Transfers out	-	(1,456)	(1,456)	-
Total other financing sources	-	(1,456)	132	1,588
Net change in fund balance	(7,488)	(8,949)	(6,451)	2,498
Fund balance - beginning	19,394	19,394	19,049	(345)
Fund balance - ending	\$ 11,906	\$ 10,445	\$ 12,598	\$ 2,153

The notes to the financial statements are an integral part of this statement.

Lee County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (Non-GAAP Budgetary Basis) AND ACTUAL
MSTU
For the Year Ended September 30, 2012
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 30,743	\$ 30,743	\$ 31,510	\$ 767
Licenses and permits	4,801	4,801	5,961	1,160
Intergovernmental	675	675	692	17
Charges for services	5,434	5,456	5,458	2
Miscellaneous	418	418	668	250
Total revenues	42,071	42,093	44,289	2,196
EXPENDITURES				
Current				
General government	10,301	10,528	8,458	2,070
Public safety	7,825	7,825	7,637	188
Physical environment	4,418	4,418	4,178	240
Transportation	30	30	30	-
Human services	3,808	3,883	4,289	(406)
Culture and recreation	12,637	12,637	12,128	509
Capital outlay				
General government	-	12	46	(34)
Public safety	4	4	-	4
Physical environment	1	1	44	(43)
Culture and recreation	300	300	613	(313)
Total expenditures	39,324	39,638	37,423	2,215
Excess of revenues over expenditures	2,747	2,455	6,866	4,411
OTHER FINANCING SOURCES AND (USES)				
Transfers in	2,156	2,156	3,523	1,367
Transfers out	(26,638)	(26,638)	(28,038)	(1,400)
Total other financing sources and (uses)	(24,482)	(24,482)	(24,515)	(33)
Net change in fund balance	(21,735)	(22,027)	(17,649)	4,378
Fund balance - beginning	75,312	75,312	74,099	(1,213)
Fund balance - ending	\$ 53,577	\$ 53,285	\$ 56,450	\$ 3,165

The notes to the financial statements are an integral part of this statement.

Lee County, Florida
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (Non-GAAP Budgetary Basis) AND ACTUAL
TOURIST DEVELOPMENT TRUST FUND
For the Year Ended September 30, 2012
(amounts expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 22,158	\$ 25,658	\$ 26,672	\$ 1,014
Charges for services	800	800	800	-
Miscellaneous	1,935	2,085	2,143	58
Total revenues	24,893	28,543	29,615	1,072
EXPENDITURES				
Current				
General government	625	625	800	(175)
Economic environment	13,396	14,346	13,604	742
Capital outlay				
Economic environment	10	10	12	(2)
Total expenditures	14,031	14,981	14,416	565
Excess of revenues over expenditures	10,862	13,562	15,199	1,637
OTHER FINANCING SOURCES AND (USES)				
Transfers in	3,836	4,686	2,960	(1,726)
Transfers out	(15,359)	(17,283)	(16,826)	457
Total other financing sources and (uses)	(11,523)	(12,597)	(13,866)	(1,269)
Net change in fund balance	(661)	965	1,333	368
Fund balance - beginning	10,730	10,730	10,933	203
Fund balance - ending	\$ 10,069	\$ 11,695	\$ 12,266	\$ 571

The notes to the financial statements are an integral part of this statement.

Lee County, Florida
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
As of September 30, 2012
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds						Governmental
	Port Authority	Water and Wastewater	Transportation Facilities	Solid Waste	Other Non-Major Transit	Total Enterprise Funds	Internal Service Funds
ASSETS							
Current Assets:							
Cash and equity in pooled cash and investments	\$ 97,064	\$ 78,924	\$ 9,588	\$ 3,298	\$ 7,488	\$ 196,362	\$ 98,375
Cash and cash equivalents with fiscal agent	-	-	-	90,539	-	90,539	250
Investments	10,401	-	-	-	-	10,401	-
Restricted assets	16,321	18,795	13,539	2,241	-	50,896	-
Receivables (net)	7,726	9,907	37	6,077	1,517	25,264	287
Due from other funds	-	33	13	264	46	356	1,311
Due from other governments	-	-	-	-	-	-	428
Inventories	173	221	121	-	-	515	275
Other	1,021	25	46	12	16	1,120	310
Total current assets	132,706	107,905	23,344	102,431	9,067	375,453	101,236
Noncurrent Assets:							
Restricted assets	73,144	22,959	2,570	12,483	-	111,156	-
Receivables (net)	-	-	-	2,017	-	2,017	-
Capital assets:							
Non-depreciable	163,521	51,356	44,486	21,958	8,675	289,996	3,890
Depreciable	698,131	906,931	311,602	388,139	34,350	2,339,153	45,614
Less accumulated depreciation and amortization	(199,110)	(368,237)	(89,380)	(143,868)	(19,348)	(819,943)	(37,236)
Intangible assets (net)	10	-	-	-	-	10	-
Unamortized bond costs (net)	3,596	1,326	1,675	151	-	6,748	-
Total noncurrent assets	739,292	614,335	270,953	280,880	23,677	1,929,137	12,268
Total assets	871,998	722,240	294,297	383,311	32,744	2,304,590	113,504
LIABILITIES							
Current liabilities:							
Contracts and accounts payable	6,783	2,198	1,947	7,354	690	18,972	1,338
Accrued liabilities	758	324	76	93	219	1,470	121
Refunds and rebates	3,384	-	-	-	-	3,384	-
Due to other funds	46	249	57	15	15	382	35
Due to other governments	375	138	29	369	78	989	75
Customer deposits	1,052	-	-	21	-	1,073	-
Deferred revenues	446	253	-	-	-	699	-
Self-insurance claims payable	-	-	-	-	-	-	9,219
Compensated absences	1,038	64	20	18	37	1,177	13
Notes payable - current	375	-	198	-	-	573	-

(continued)

Lee County, Florida
STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 As of September 30, 2012
 (amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					Total Enterprise Funds	Governmental Activities Internal Service Funds
	Port Authority	Water and Wastewater	Transportation Facilities	Solid Waste	Other Non-Major Transit		
Current liabilities payable from restricted assets:							
Contracts and accounts payable	-	424	-	-	-	424	-
Accrued liabilities	8,426	3,519	3,517	2,146	-	17,608	-
Due to other governments	-	-	12	-	-	12	-
Customer deposits	-	5,387	-	-	-	5,387	-
Deferred revenues	-	-	1,670	-	-	1,670	-
Notes payable	-	3,650	4,575	-	-	8,225	-
Revenue bonds payable - current	7,521	5,692	3,668	87	-	16,968	-
Total current liabilities	<u>30,204</u>	<u>21,898</u>	<u>15,769</u>	<u>10,103</u>	<u>1,039</u>	<u>79,013</u>	<u>10,801</u>
Noncurrent liabilities:							
Self - insurance claims payable	-	-	-	-	-	-	9,923
Compensated absences	457	815	251	233	466	2,222	176
Notes payable	16,277	52,690	25,779	-	-	94,746	-
Revenue bonds payable	309,831	148,055	127,732	86,465	-	672,083	-
Landfill closure and postclosure costs	-	-	-	14,488	-	14,488	-
Advances	115	-	6,200	-	-	6,315	-
Other postemployment benefits	14,207	8,211	2,913	2,253	7,489	35,073	1,456
Total noncurrent liabilities	<u>340,887</u>	<u>209,771</u>	<u>162,875</u>	<u>103,439</u>	<u>7,955</u>	<u>824,927</u>	<u>11,555</u>
Total liabilities	<u>371,091</u>	<u>231,669</u>	<u>178,644</u>	<u>113,542</u>	<u>8,994</u>	<u>903,940</u>	<u>22,356</u>
NET ASSETS							
Invested in capital assets, net of related debt	353,539	378,531	103,021	182,727	23,442	1,041,260	11,991
Restricted for:							
Capital projects	42,470	16,581	-	-	-	59,051	-
Debt service	7,895	9,560	8,604	96	-	26,155	-
Renewal and replacement	500	6,401	1,848	1,500	-	10,249	-
Unrestricted	96,503	79,498	2,180	85,446	308	263,935	79,157
Total net assets	<u>\$ 500,907</u>	<u>\$ 490,571</u>	<u>\$ 115,653</u>	<u>\$ 269,769</u>	<u>\$ 23,750</u>	<u>1,400,650</u>	<u>\$ 91,148</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.						4,131	
Net assets of business-type activities						<u>\$ 1,404,781</u>	

The notes to the financial statements are an integral part of this statement.

Lee County, Florida
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2012
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					Total Enterprise Funds	Governmental Activities Internal Service Funds
	Port Authority	Water and Wastewater	Transportation Facilities	Solid Waste	Other Non-Major Transit		
OPERATING REVENUES							
User fees	\$ 47,283	\$ 89,331	\$ -	\$ 59,631	\$ 3,672	\$ 199,917	\$ 118,224
Tolls	-	-	36,934	-	-	36,934	-
Rentals and franchise fees	5,200	180	-	1,701	15	7,096	-
Concessions	34,129	-	-	-	-	34,129	-
Miscellaneous	148	1,480	514	17,333	3	19,478	-
Total operating revenues	<u>86,760</u>	<u>90,991</u>	<u>37,448</u>	<u>78,665</u>	<u>3,690</u>	<u>297,554</u>	<u>118,224</u>
Less: Rebates	(2,546)	-	-	-	-	(2,546)	-
Net operating revenues	<u>84,214</u>	<u>90,991</u>	<u>37,448</u>	<u>78,665</u>	<u>3,690</u>	<u>295,008</u>	<u>118,224</u>
OPERATING EXPENSES							
Salaries and wages	20,589	13,417	3,166	3,730	9,081	49,983	2,189
Employee benefits	11,060	8,035	2,330	2,382	6,662	30,469	1,287
Contractual services, materials and supplies	20,634	19,468	1,811	50,041	3,906	95,860	18,978
Utilities	4,145	5,813	270	497	237	10,962	2,621
Repairs and maintenance	1,789	4,317	249	1,342	990	8,687	4,221
Insurance	1,732	822	941	368	466	4,329	4,472
Insurance claims	-	-	-	-	-	-	73,427
Other	1,630	3,535	659	1,103	927	7,854	642
Depreciation and amortization	19,568	39,005	8,168	13,452	1,714	81,907	2,211
Total operating expenses	<u>81,147</u>	<u>94,412</u>	<u>17,594</u>	<u>72,915</u>	<u>23,983</u>	<u>290,051</u>	<u>110,048</u>
Operating income (loss)	<u>3,067</u>	<u>(3,421)</u>	<u>19,854</u>	<u>5,750</u>	<u>(20,293)</u>	<u>4,957</u>	<u>8,176</u>
NON-OPERATING REVENUES (EXPENSES)							
Investment earnings	530	416	64	137	33	1,180	256
Taxes	-	-	-	1,077	-	1,077	-
Grants	409	-	-	(85)	5,063	5,387	(82)
Interest expense	(17,576)	(8,935)	(7,939)	(4,300)	-	(38,750)	-
Gain (loss) on disposal of capital assets	(278)	(652)	(20)	(25)	88	(887)	78
Passenger facility charges	14,775	-	-	-	-	14,775	-
Other revenues	3	560	305	11	7	886	885
Other expenses	(1)	(3,324)	(1)	(5)	(23)	(3,354)	-
Total non-operating revenues (expenses)	<u>(2,138)</u>	<u>(11,935)</u>	<u>(7,591)</u>	<u>(3,190)</u>	<u>5,168</u>	<u>(19,686)</u>	<u>1,137</u>

(continued)

Lee County, Florida
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2012
(amounts expressed in thousands)

	Business-type Activities - Enterprise Funds					Total Enterprise Funds	Governmental Activities Internal Service Funds
	Port Authority	Water and Wastewater	Transportation Facilities	Solid Waste	Other Non-Major Transit		
Income (loss) before contributions and transfers	929	(15,356)	12,263	2,560	(15,125)	(14,729)	9,313
Capital contributions	7,173	6,889	-	-	3,014	17,076	19
Special item - loss on discontinued project	(16,946)	-	-	-	-	(16,946)	-
Transfers in	-	-	-	138	11,012	11,150	3
Transfers out	-	-	(2,394)	-	-	(2,394)	(3)
Total contributions and transfers	(9,773)	6,889	(2,394)	138	14,026	8,886	19
Change in net assets	(8,844)	(8,467)	9,869	2,698	(1,099)	(5,843)	9,332
Total net assets - beginning	509,751	499,038	105,784	267,071	24,849	1,406,493	81,816
	<u>\$ 500,907</u>	<u>\$ 490,571</u>	<u>\$ 115,653</u>	<u>\$ 269,769</u>	<u>\$ 23,750</u>	<u>1,400,650</u>	<u>\$ 91,148</u>
Change in net assets						(5,843)	
Adjustment to reflect the consolidation of internal service fund activities to related enterprise funds.						1,753	
Change in net assets of business-type activities						<u>\$ (4,090)</u>	

The notes to the financial statements are an integral part of this statement.

Lee County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2012
(amounts expressed in thousands)

	Business-Type Activities - Enterprise Funds					Total Enterprise Funds	Governmental Activities Internal Service Funds
	Port Authority	Water and Wastewater	Transportation Facilities	Solid Waste	Other Non-Major Transit		
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from customers and users	\$ 79,206	\$ 90,335	\$ 37,765	\$ 78,954	\$ 3,472	\$ 289,732	\$ 15,552
Receipts from interfund services provided	-	-	-	-	-	-	103,726
Cash received from customer deposits	626	1,332	-	1	-	1,959	-
Cash returned from customer deposits	(42)	(1,170)	-	(3)	-	(1,215)	-
Payments to suppliers	(31,323)	(35,113)	(3,676)	(50,020)	(5,310)	(125,442)	(104,213)
Payments to employees	(24,844)	(15,555)	(3,675)	(4,312)	(10,536)	(58,922)	(2,167)
Payments for interfund services used	(4,751)	(7,236)	(1,421)	(1,669)	(4,315)	(19,392)	(904)
Net cash provided by (used in) operating activities	18,872	32,593	28,993	22,951	(16,689)	86,720	11,994
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Non-capital grants received	456	-	-	-	5,281	5,737	-
Non-capital grants issued	-	-	-	(85)	-	(85)	(82)
Transfers in	-	-	-	149	11,011	11,160	-
Net cash provided by (used in) noncapital financing activities	456	-	-	64	16,292	16,812	(82)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Proceeds from capital debt	-	332	53	-	-	385	-
Proceeds from special assessments	-	52	-	-	-	52	-
Transfers to other funds	-	-	(5,312)	-	-	(5,312)	-
Capital contributions	6,860	2,851	-	-	5,862	15,573	-
Proceeds from passenger facilities charges	14,710	-	-	-	-	14,710	-
Capital asset purchases	(10,220)	(15,459)	(5,207)	(2,624)	(4,176)	(37,686)	(2,804)
Principal paid on bonds, loans, leases, and interfund loans	(11,102)	(9,082)	(13,201)	(49,930)	(600)	(83,915)	-
Interest paid on bonds, loans, leases, and interfund loans	(12,671)	(9,495)	(7,973)	(5,653)	-	(35,792)	-
Transfer to refunding escrow agent	-	(4)	(338)	-	-	(342)	-
Proceeds from sale of capital assets	86	27	6	-	151	270	101
Net cash provided by (used in) capital and related financing activities	(12,337)	(30,778)	(31,972)	(58,207)	1,237	(132,057)	(2,703)
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from sale and maturities of investments	36,276	-	-	32,052	-	68,328	-
Purchase of investments	(34,922)	-	-	-	-	(34,922)	-
Interest on investments	582	409	64	195	31	1,281	249
Net cash provided by investing activities	1,936	409	64	32,247	31	34,687	249
Net increase (decrease) in cash and equity in pooled cash and investments	8,927	2,224	(2,915)	(2,945)	871	6,162	9,458
Cash and cash equivalents at beginning of year	150,515	117,311	28,611	111,506	6,617	414,560	89,167
Cash and cash equivalents at end of year	<u>\$ 159,442</u>	<u>\$ 119,535</u>	<u>\$ 25,696</u>	<u>\$ 108,561</u>	<u>\$ 7,488</u>	<u>\$ 420,722</u>	<u>\$ 98,625</u>

(continued)

Lee County, Florida
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2012
(amounts expressed in thousands)

	Business-Type Activities - Enterprise Funds						Governmental Activities Internal Service Funds
	Port Authority	Water and Wastewater	Transportation Facilities	Solid Waste	Other Non-Major Transit	Total Enterprise Funds	
Classified as:							
Current assets							
Cash and equivalent	\$ 97,064	\$ 78,924	\$ 9,588	\$ 3,298	\$ 7,488	\$ 196,362	\$ 98,625
Cash and equivalent with fiscal agent	-	-	-	90,539	-	90,539	-
Restricted assets	16,321	18,795	13,537	2,241	-	50,894	-
Non-current							
Restricted assets	46,057	21,816	2,571	12,483	-	82,927	-
Totals	<u>\$ 159,442</u>	<u>\$ 119,535</u>	<u>\$ 25,696</u>	<u>\$ 108,561</u>	<u>\$ 7,488</u>	<u>\$ 420,722</u>	<u>\$ 98,625</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES							
Contributions of capital assets	\$ 17	\$ 4,038	\$ -	\$ -	\$ -	\$ 4,055	\$ -
Donations of capital assets	(16,950)	-	-	-	-	(16,950)	-
Bond proceeds deposited directly into an irrevocable trust	-	32,068	30,647	-	-	62,715	-
Issuance cost paid from bond proceeds	-	109	-	-	-	109	-
Increase (decrease) in fair value of investments	67	25	4	(46)	1	51	20
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:							
Operating income (loss)	\$ 3,067	\$ (3,421)	\$ 19,854	\$ 5,750	\$ (20,293)	\$ 4,957	\$ 8,176
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation and amortization	19,568	39,005	8,168	13,452	1,714	81,907	2,211
Other revenues	3	560	305	1,088	7	1,963	885
Other expense	-	(3,313)	-	-	-	(3,313)	-
(Increase) decrease in accounts receivable	(952)	(803)	-	(630)	(200)	(2,585)	232
(Increase) decrease in due from other funds	-	(6)	(1)	(58)	(3)	(68)	35
(Increase) decrease in due from other governments	(2)	-	-	-	-	(2)	(91)
(Increase) decrease in inventories	(20)	(59)	57	-	-	(22)	(36)
(Increase) decrease in other assets	(96)	(13)	(26)	29	9	(97)	(137)
Increase (decrease) in contracts and accounts payable	(952)	(1,431)	(120)	1,594	145	(764)	(439)
Increase (decrease) in accrued liabilities	(717)	83	15	24	38	(557)	441
Increase (decrease) in refunds and rebates	(3,656)	-	-	-	-	(3,656)	-
Increase (decrease) in due to other funds	(189)	65	10	4	-	(110)	(46)
Increase (decrease) in due to other governments	(92)	(186)	11	(121)	14	(374)	17
Increase (decrease) in customer deposits	581	162	-	(2)	-	741	-
Increase (decrease) in deferred revenues	(400)	(138)	7	-	(26)	(557)	-
Increase (decrease) in compensated absences	83	15	(3)	-	(1)	94	(3)
Increase (decrease) in OPEB	2,646	2,073	716	626	1,907	7,968	425
Increase (decrease) in other liabilities	-	-	-	1,195	-	1,195	324
Total adjustments	<u>15,805</u>	<u>36,014</u>	<u>9,139</u>	<u>17,201</u>	<u>3,604</u>	<u>81,763</u>	<u>3,818</u>
Net cash provided by (used in) operating activities	<u>\$ 18,872</u>	<u>\$ 32,593</u>	<u>\$ 28,993</u>	<u>\$ 22,951</u>	<u>\$ (16,689)</u>	<u>\$ 86,720</u>	<u>\$ 11,994</u>

The notes to the financial statements are an integral part of this statement.

Lee County, Florida
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
As of September 30, 2012
(amounts expressed in thousands)

	Other Postemployment Benefits Trust Fund	<u>Agency Funds</u>
ASSETS		
Cash and equity in pooled cash and investments	\$ -	\$ 33,038
Cash and cash equivalents with fiscal agent	37,950	-
Investments	-	995
Accounts receivable (net)	-	27
Due from other governments	-	662
Total assets	<u>37,950</u>	<u>34,722</u>
LIABILITIES		
Contracts and accounts payable	-	50
Due to individuals	-	1,401
Due to other governments	-	14,711
Bonds and deposits	-	18,560
Total liabilities	<u>\$ -</u>	<u>\$ 34,722</u>
NET ASSETS		
Held in trust for other postemployment benefits	<u>\$ 37,950</u>	

The notes to the financial statements are an integral part of this statement.

Lee County, Florida
STATEMENT OF CHANGES IN PLAN NET ASSETS
FIDUCIARY FUNDS
For the Year Ended September 30, 2012
(amounts expressed in thousands)

	Other Postemployment Benefits Trust Fund
	Fund
<i>Additions</i>	
Contributions	
Employer contributions	\$ -
Total contributions	-
Investment earnings	
Interest income	-
Net investment earnings	-
Total additions	-
<i>Deductions</i>	
Payments	
Payments for retiree benefits	4,714
Total deductions	4,714
Change in net assets	4,714
<i>Net assets held in trust for other postemployment benefits</i>	
Beginning of year	42,664
End of year	\$ 37,950

The notes to the financial statements are an integral part of this statement.

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE I. SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES

Reporting Entity

Lee County ("the County") was founded in 1887 as a political subdivision of the State of Florida established by Article VIII, Section 1(f), *Florida Constitution*. In 1996 by adoption of Lee County Ordinance No. 96-01 the County became a charter county as allowed by Article VIII, Section 1(c), *Florida Constitution*, and Chapter 125.82, *Florida Statutes*. Pursuant to Article VIII, Section 1(g), *Florida Constitution*, as a charter county the County has all powers of self-government not inconsistent with general law, or with special law approved by vote. It also gives the County authority to enact ordinances that are not inconsistent with general law.

The County is governed by an elected Board of County Commissioners ("the Board"), which is governed by Title XI, Chapters 124-164, *Florida Statutes*, and regulations. In addition to the members of the Board, there are five elected Constitutional Officers: Clerk of Circuit Court, Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector. The Constitutional Officers maintain separate accounting records and budgets.

The accompanying financial statements present the financial position and results of operations of the entity as a whole, by major fund, and non-major funds in aggregate, that are governed by the Board and the Constitutional Officers of Lee County, Florida.

As required by generally accepted accounting principles ("GAAP"), the financial statements of the reporting entity include those of Lee County (the primary government) and its component units. A component unit is a legally separate organization for which the elected officials of the primary government are financially accountable. In addition, a component unit may be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The departments and divisions, of the Board and the Constitutional Officers as well as the Lee County Port Authority ("the Port Authority"), a blended component unit, are included in Lee County's *Comprehensive Annual Financial Report*.

Blended Component Unit

The Port Authority is a dependent political subdivision of the County as defined in Chapter 189, *Florida Statutes*. The Port Authority was created by Chapter 63-1541, *Laws of Florida*, and by adoption of Resolution No. PA-87-8-9. The legal authority by which the Port Authority operates is found in Chapter 63-1541, *Laws of Florida*, and Chapters 125 and 332, *Florida Statutes*. The Port Authority is included in the County's reporting entity because of the significance of the operational and financial relationships with the County. This component unit has substantively the same governing body as the Board, and is accounted for as a Board enterprise fund.

Complete financial statements of the Port Authority component unit can be obtained as follows:

Lee County Port Authority
1100 Terminal Access Road, Suite 8671
Fort Myers, Florida 33913

*Government-Wide and Fund Financial
Statements*

The government-wide financial statements and the major-fund financial statements along with the notes to the financial statements comprise the basic financial statements. The government-wide financial statements (the statement of net assets and the statement of activities) concentrate on the County as a whole and do not emphasize fund types but rather a governmental or a business-type classification, which are presented in separate columns. The governmental activities and business-type activities comprise the primary government. Neither fiduciary funds nor component units that are fiduciary in nature are included. General

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

governmental and inter-governmental revenues support the governmental activities, whereas the business-type activities are primarily supported by user fees and charges for services. The purpose of the government-wide financial statements is to allow the user to be able to determine if the County is in a better or worse financial position than the prior year.

The statement of activities reflects the expenses of a given function or program, which are offset by program revenues. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions directly associated with a given function. Taxes are reported under general revenue.

The County's major funds are presented in separate columns on the governmental fund financial statements and the proprietary fund financial statements. The definition of a major fund is one that meets certain criteria set-forth in Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments* ("GASB 34"). The funds that do not meet the criteria of a major fund are considered non-major funds and are combined into a single column on the fund financial statements. However, as permitted the County elects to present the Library and MSTU as major funds although they do not meet the defined criteria.

The County allocates indirect expenses and therefore reports this allocation in a separate column on the government-wide statement of activities.

The effect of interfund activity has been removed from the government-wide financial statements.

Internal service activity is reported in full on the proprietary fund financial statements. The internal service funds are combined and thus reported in a single summary column on the proprietary fund financial statements. However, the internal service activity has been eliminated except for the outside activity and is combined with the governmental activities on the government-wide financial statements. The outside activities are premiums paid

from outside entities for insurance, employee's portion of insurance, auto and equipment repair, and participating governments in the radio program for the government communications network.

*Measurement Focus, Basis of
Accounting, and Financial Statement
Presentation*

The accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or net assets, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared on a full accrual basis using the economic resources measurement focus, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all of the eligibility requirements have been met. Fiduciary fund financial statements are also prepared on an accrual basis.

Proprietary funds record both operating and non-operating revenues and expenses. Operating revenues are those that are obtained from the operations of the proprietary fund that include user fees, tolls, rental and franchise fees, and concessions. Non-operating revenues are not related to the operations of the proprietary fund and include

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

taxes, interest earnings, grants, and passenger facility charges. Operating expenses represent the cost of operations, which includes depreciation. Non-operating expenses are not related to operations such as interest expense.

Governmental fund financial statements are prepared on the modified accrual basis using the current financial resources measurement focus. Under the modified accrual basis, revenues are recognized when they become measurable and available as net current assets. The County considers all revenues, except grants, available if they are collected within sixty days after year-end. Grants are recorded as earned if collected within ninety days after year-end. Primary revenues, such as property taxes, special assessments, inter-governmental revenues, charges for services, sales and franchise taxes, rents, and interest are treated as susceptible to accrual under the modified accrual basis and so have been recognized as revenues. Expenditures reported in governmental fund financial statements are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule includes principal and interest on general long-term debt, which is recognized when due, and compensated absences which are accrued when matured.

The business-type activities reported in the government-wide financial statements and proprietary funds follow private sector standards issued prior to December 1, 1989, to the extent those standards do not conflict with Governmental Accounting Standards Board statements. However, pursuant to Government Accounting Standards Board Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County has elected not to apply accounting standards issued after November 30, 1989, by the Financial Accounting Standards Board.

When both restricted and unrestricted resources are available, restricted resources will be used first for incurred expenses, and then unrestricted as needed. When using the unrestricted resources, committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts

when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The County reports the following major funds in the governmental fund financial statements:

General Fund

The General Fund is the general operating fund of the County that is used to account for all financial resources, except those required to be accounted for in another fund.

Lee County Library

The Library, a special revenue fund, is used to account for ad valorem taxes and governmental grant funds designated to operate and maintain the County's public library system.

MSTU

The Municipal Service Taxing Unit ("MSTU"), a special revenue fund, is used to account for ad valorem taxes, building license and permit fees, administration fees, charges for Animal Services, and other revenues, and expenditures to be used in the unincorporated areas of the County for services rendered.

Tourist Development Trust Fund

The Tourist Development Trust Fund, a special revenue fund, is used to account for the five percent tax on rents for temporary lodgings. This tax, approved by a voter referendum in 1982, is restricted for promotion of tourism and specific projects that have been identified as encouraging tourism such as beach and shoreline improvements, the William Hammond Stadium, and JetBlue Park. The debt service and operations for the stadiums are also allowed to be paid from this tax.

Capital Improvement

Capital Improvement is used to account for ad valorem taxes and other revenues, and expenditures to be used for the acquisition or construction of major non-transportation related capital facilities.

The County reports the following major funds in the proprietary fund financial statements:

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Port Authority

The Lee County Port Authority is used to account for the activities related to the operation of the County owned aviation facilities, including Southwest Florida International Airport and Page Field General Aviation Airport.

Water and Wastewater

The Lee County Water and Wastewater System is used to account for the activities related to the operation of the County owned water and wastewater system.

Transportation Facilities

The Lee County Transportation Facilities is used to account for the activities related to the operation of the County owned bridges connecting Sanibel and Captiva Islands to the mainland and the Cities of Cape Coral and Fort Myers.

Solid Waste

The Lee County Solid Waste System is used to account for the provision of refuse disposal facilities to the general public.

The County reports the following other fund types:

Non-major Governmental Funds

The non-major governmental funds are a combination of special revenue, debt service, and capital projects.

Non-major Enterprise Funds

The only non-major enterprise fund is Lee County Transit. Lee County Transit is used to account for the activities related to the operation of the Lee County Tran bus system, a countywide public transportation service.

Internal Service Funds

The internal service funds are used to account for data processing, risk management, health, dental and liability self-insurance, radio communications, and fleet management services on a cost reimbursement basis.

Trust Fund

The trust fund accounts for the plan assets held for the County's Other Post-Employment Benefit ("OPEB") plan.

Agency Funds

The agency funds are used to account for assets collected and held by the County as an agent for individuals, organizations, or other governments, such as fire impact fees, road impact fees for the City of Bonita Springs, school impact fees for the Lee County School Board, or license plate tag fees collected on behalf of the State of Florida.

Use of Estimates

The preparation of the financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

Budgetary Information

Budgets and Budgetary Accounting

Budgets have been adopted by the Board for all Board funds except for agency funds. The budgets of the Property Appraiser and the Tax Collector are approved by the Florida Department of Revenue. The Sheriff and Supervisor of Elections prepare budgets for their general funds, which are submitted to and approved by the Board. The Clerk of Circuit Court (to the extent of his function as ex-officio Clerk to the Board) prepares a budget for his general fund (noncourt-related activities), which is submitted to and approved by the Board. In addition, the Clerk prepares a portion of his noncourt-related and special revenue budgets based on anticipated fees. The Clerk also prepares a court-related budget, which is submitted to and approved by the Florida State Legislature in the General Appropriations Act. No budget is prepared for the Property Appraiser's special revenue fund, and the Sheriff's special revenue and internal service funds.

Lee County, Florida
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Capital projects costs are budgeted in the year they are anticipated to be obligated. In subsequent years, the unused budget is reappropriated until the project is completed. Proprietary funds are budgeted on a basis consistent with GAAP, except that capital and debt related transactions are based upon cash receipts and disbursements. Estimated beginning fund balances are considered in the budgetary process. Differences between estimated beginning fund balances and actual fund balances, if material, are submitted to the Board as budget amendments. The annual budgets serve as the legal authorization for expenditures. Expenditures cannot legally exceed the total amount budgeted for each fund. The Board must approve all budget amendments, which change the legally adopted total appropriation for a fund, or amount of a Constitutional Officers' draw. Authority to transfer budget within a fund is delegated to the County Manager or Budget Director.

If, during the fiscal year, additional revenues become available for appropriation in excess of those estimated in the budget, the Board may make supplemental appropriations by resolution for the year up to the amount of such excess. During the fiscal year the Board, in accordance with Florida Statutes, approved various supplemental appropriations. Appropriations lapse at fiscal year-end.

Assets, Liabilities, and Net Assets or Equity

Cash and Equity in Pooled Cash and Investments

The County considers cash and equity in pooled cash and investments to be cash on hand, demand deposits, highly liquid investments, including those held as restricted assets, with original maturities of three months or less when purchased, and those included in the internal investment pool.

For accounting and investment purposes, the County maintains a cash and investment pool that is available for use by all funds except those whose

cash and investments must be segregated due to legal or other restrictions. Investments within this pool are treated as a demand deposit account by the various funds of the County that participate. Interest earned on investments in the pool is allocated to the various funds based upon each fund's equity balance in the pool during the allocation period.

For purposes of the Statements of Cash Flows, the County considers cash and equity in pooled cash and investments (restricted and unrestricted), and restricted cash and cash equivalents with fiscal agent to be cash and cash equivalents.

Investments

The County reports all investments at fair value, with the exception of: repurchase agreements, money market mutual funds, State Board of Administration ("SBA") Local Government Surplus Funds Trust Fund Investment Pool ("LGIP"), and the Florida Local Government Investment Trust that are reported at amortized cost which approximates fair value. All fair valuations are based on quoted market prices. The fair value of the position in the LGIP, an external 2a7-like investment pool, and the money market mutual funds are the same as the value of the pool/fund shares. The SBA Fund B Surplus Funds Trust Fund ("Fund B") is accounted for as a fluctuating NAV pool.

Accounts Receivable

The trade accounts receivable of the County are recorded in the government-wide, governmental, and proprietary fund financial statements and are net of an allowance for doubtful accounts, which generally is equivalent to the receivables that are over 90 days.

Special assessment receivables that are not expected to be collected in the current year are reported as deferred revenue in the governmental fund statements. Delinquent special assessments receivable are expected to be recovered, ultimately through liens or foreclosures.

Lee County, Florida
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Due From/Due To

Activity between funds during the year is recorded by transferring cash, however, after September 30 cash can no longer move between funds; therefore, a “due from” and “due to” are used to record any activity representing current interfund loans. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide statement of net assets as “internal balances”.

Inventories and Prepaid Items

Inventories that consist of materials and supplies are stated at cost, which approximates fair market value. The “first-in, first-out” method of accounting is used to determine cost. Inventories that consist of homes held for resale are stated at cost. All inventories are recorded as expenditures, or expenses, as they are used (consumption method).

Some payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in government-wide and proprietary fund financial statements.

Advances To/From Other Funds

County Administration Code AC-3-4 (“the Code”) allows loans between funds to be made for a period not to exceed beyond the current fiscal year or thirty days, whichever is greater, that are approved by the County Manager or their designee. Loans that will not be repaid by the end of the current fiscal year must be approved by the Board of County Commissioners to be carried into the next fiscal year and are considered advances. Interest is calculated monthly either by using the fixed or simple interest method which is a variable rate based on the current rate used on Board funds deposited at the SBA, although the Code does allow for interest free loans. The Code does not specify repayment requirements. When it is determined that the advance will not be repaid it is treated as a transfer. Currently the County has outstanding advances with payment terms ranging from 1-25 years.

Capital Assets

Capital assets include artwork, property, buildings, furniture, equipment, vehicles, software, easements and rights of way, and infrastructure assets. Infrastructure assets are defined as public domain capital assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar assets that are immovable and of value only to the government unit. Capital assets are reported in the government-wide financial statements in the applicable governmental or business-type activities column, as well as the proprietary fund financial statements. The threshold for capitalizing property, plant, and equipment is \$1,000. The threshold for capitalizing software and infrastructure is \$100,000. Capital assets are recorded at cost, or estimated historical cost. Contributed assets are recorded at estimated fair market value at the time received. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. The ranges of the useful lives are as follows:

<u>Asset</u>	<u>Years</u>
Buildings	30-50
Improvements other than buildings	6-50
Equipment	3-35
Computer Equipment	3-10
Furniture	4-20
Vehicles & rolling stock	3-10
Software	3-5
Infrastructure	20-50

Florida Statutes require that the Board maintain accountability for all capital assets used in operations, except those separately accounted for by the Sheriff.

Intangible Assets

On December 21, 1995, the Lee County Port Authority purchased the assets of Fort Myers Jet Center, Inc. for \$1.6 million and has classified as goodwill the excess of cost over the fair market value of assets acquired. The Port Authority is amortizing the goodwill over twenty years.

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Deferred and Unearned Revenues

Deferred revenues do not meet the availability criteria. Unearned revenues represent revenues collected in advance of services performed and will be recognized when the services are rendered. In governmental funds, special assessments are deferred until collected.

Compensated Absences

The County maintains a policy that permits employees to accumulate earned but unused vacation and sick pay benefits that will be paid to employees upon separation from County service if certain criteria are met. These benefits, plus their related tax and retirement costs are classified as compensated absences. The County's policy requires employees to bank unused sick pay benefits. Both the current and long-term portion of compensated absences are accrued and reported in the government-wide and proprietary fund financial statements. The exception to this policy is the Lee County Port Authority, which has a mandatory annual buyback of unused leave. This is accounted for pursuant to GASB Statement Number 16, *Accounting for Compensated Absences*. Payments for compensated absences are made by the respective fund.

Unamortized Discounts, Premiums, and Issuance Costs

Discounts, premiums, and issuance costs related to long-term debt are amortized over the life of the debt principally by the effective-interest method. Notes payable and revenue bonds payable in the government-wide and proprietary fund financial statements are shown net of unamortized discounts and premiums. Debt issuance costs are presented as assets in the government-wide Statement of Net Assets. Discounts, premiums, and issuance costs related to general long-term debt in the governmental fund financial statements are recorded as expenditures or other financing sources when paid or received and therefore are not accounted for in subsequent periods.

Unamortized Gains or Losses

Gains or losses from debt refundings are reported in the accompanying financial statements as an addition to or deduction from bonds payable. Gains or losses are amortized using the effective interest method and charged to operations in the government-wide and proprietary fund financial statements over the life of the old bonds or the life of the new bonds, depending on which has the shorter remaining life.

Net Assets

In the government-wide and proprietary fund financial statements certain net assets have been identified as restricted. These net assets have constraints as to their use externally imposed by creditors, through debt covenants, by grantors, or by law. Restricted assets are being reported for: capital projects; debt service; inventory held for resale; special revenue funds; and renewal and replacement. The government-wide statement of net assets reports \$147,113,000 of governmental activities restricted net assets, of which \$125,301,000 is restricted by enabling legislation.

Fund Balances

In the governmental fund financial statements the County maintains nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable balances are those that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Criteria include items that are not expected to be converted into cash, for example inventories. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale.

Committed balances are classified as such as a result of the Board taking formal action and adopting an ordinance which can only be modified or rescinded by a subsequent formal action. Assigned balances are a result of the Board's approval of projects or actions prior to October 1, 2012.

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE II. DIFFERENCE BETWEEN BUDGETED AND ACTUAL RESULTS

Budgets are adopted on a basis consistent with GAAP except as follows:

- *General Fund* - Emergency Medical Services (EMS) ambulance fees are budgeted on a cash basis; the adjustment to record the remaining outstanding fees to accounts receivable for the year is not budgeted. Changes in fair market value (FMV) of investments, advances to or repayment of advances from other funds, inventory adjustments, and bad debts for EMS and other departments are not budgeted.
- *Library* - Changes in fair market value (FMV) of investments are not budgeted.
- *MSTU* - Changes in fair market value (FMV) of investments, inventory adjustments, and advances to or repayment of advances from other funds are not budgeted.
- *Tourist Development Trust Fund*- changes in fair market value (FMV) of investments and advances to, or repayment of advances from, other funds are not budgeted.

The following adjustments were necessary to present these funds' actual data on a budgetary basis (Non-GAAP) for the fiscal year ended September 30, 2012 (dollars in thousands):

<u>General Fund:</u>	
Net change in fund balance (GAAP basis)	(\$55,043)
Basis Difference:	
EMS ambulance fees not reported on a cash basis	3,281
Miscellaneous revenue not budgeted (FMV)	(48)
Advances not budgeted as transfers	7,231
Expenditures associated with inventory	<u>2,473</u>
Net change in fund balance non-GAAP	<u>(\$42,106)</u>

<u>Library:</u>	
Net change in fund balance (GAAP basis)	(\$6,446)
Basis Difference:	
Miscellaneous revenue not budgeted- Change in FMV	<u>(5)</u>
Net change in fund balance non-GAAP	<u>(\$6,451)</u>

<u>MSTU:</u>	
Net change in fund balance (GAAP basis)	(\$19,873)
Basis Difference:	
Miscellaneous revenue not budgeted- Change in FMV	(20)
Advances not budgeted as transfers	2,292
Expenditures associated with inventory	<u>(48)</u>
Net change in fund balance non-GAAP	<u>(\$17,649)</u>

<u>Tourist Development Trust Fund:</u>	
Net change in fund balance (GAAP basis)	\$8,627
Basis Difference:	
Miscellaneous revenue not budgeted- Change in FMV	(3)
Advances not budgeted as transfers	<u>(7,291)</u>
Net change in fund balance non-GAAP	<u>\$1,333</u>

NOTE III. PROPERTY TAXES

Property taxes become due and payable on November 1 of each year and are delinquent on April 1 of the following year. Discounts on property taxes are allowed for payments made prior to the April 1 delinquent date. Tax certificates for the full amount of any unpaid taxes must be sold no later than June 1 of each year. No accrual for the property tax levy becoming due in November 2012 is included in the accompanying financial statements, since such taxes are collected to finance expenditures of the subsequent period.

Procedures for collecting delinquent taxes, including applicable tax certificate sales and tax deed sales, are provided by Florida Statutes. The enforceable lien date is approximately two years after taxes become delinquent and occurs only upon request of a holder of a delinquent tax certificate. There were no

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NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

significant delinquent property tax receivables at September 30, 2012.

Important dates in the property tax cycle are as follows:

- Assessment roll certified- July 1
- Millage resolution approved- no later than 95 days following receipt of the certified preliminary assessment roll
- Beginning of fiscal year for which taxes have been levied- October 1
- Taxes due and payable (levy date)- November 1
- Property taxes payable (maximum discount of 4 percent)- 30 days after levy date
- Due date- March 31
- Taxes become delinquent (lien date)- April 1
- Tax certificate sold- prior to June 1

NOTE IV. STEWARDSHIP,
COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance Related Legal and Contractual Provisions

Management believes there were no violations of finance related legal and contractual provisions.

Deficit Fund Net Assets

At September 30, 2012, the Impact Fees - Community Parks fund, the Impact Fees- Regional Parks fund and the Impact Fees- Roads fund (non-major governmental special revenue funds) had deficit fund balances of \$5,307,000, \$91,000, and \$10,758,000 respectively, due to loans from the General Fund and Capital Improvement Fund. The Impact Fees - Community Parks fund has two loans totaling \$9,020,000 for the North Fort Myers Recreation Center project. Repayment of the interest bearing loans is anticipated to be completed by fiscal years 2024 and 2037 with future impact fees. The Impact Fees- Regional Parks fund has a \$303,000 loan for Fisherman's Co-op. Repayment of the interest bearing loan is anticipated to be completed by fiscal year 2013 with future impact fees. The Impact Fees- Road fund has one loan totaling \$13,197,000 for the Estero Parkway project. Repayment of the interest bearing loans is anticipated to be completed by fiscal year 2017 with future impact fees.

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
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NOTE V. DETAIL NOTES ON ALL FUNDS

Cash and Equity in Pooled Cash and Investments, and Investments

Investment Portfolio

As of September 30, 2012, the County had the following deposits, investments, and maturities (amounts in thousands):

Investment	Maturities	Fair Value	Call Date	Call Frequency	Rating
Cash on hand	N/A	\$ 1,651			N/A
Cash with Fiscal Agent	N/A	50,979			N/A
Demand Deposits	N/A	161,286			N/A
SBA- Local Government Surplus Funds Trust Fund					
Investment Pool- Florida PRIME	39 days	264,451			AAAm
SBA- Fund B Surplus Funds Trust Fund	4.08 years	4,194			unrated
Florida Local Government Investment Trust	2.08 years	2,001			AAAf
Florida Trust Day to Day Fund	55 days	10			AAAm
Money Market Funds	N/A	54,286			AAAm
U.S. Treasury Bill	10/18/2012	19,999			N/A
U.S. Treasury Bill	1/10/2013	19,995			N/A
U.S. Treasury Bill	4/4/2013	19,986			N/A
U.S. Treasury Bill	8/22/2013	9,986			N/A
U.S. Treasury Note	2/28/2013	20,040			N/A
U.S. Treasury Note	4/30/2013	20,054			N/A
U.S. Treasury Note	5/31/2013	15,032			N/A
U.S. Treasury Note	7/31/2013	20,033			N/A
U.S. Treasury Note	9/30/2013	19,987			N/A
Federal Farm Credit	12/5/2012	20,001			AA+
Federal Farm Credit	3/27/2013	20,004			AA+
Federal Farm Credit	4/26/2013	20,000		Continuous	AA+
Federal Farm Credit	10/3/2013	20,002			AA+
Federal Farm Credit	10/3/2013	20,002			AA+
Federal Home Loan Bank	1/29/2013	20,013			AA+
Federal Home Loan Bank	2/12/2013	20,001			Aaa
Federal Home Loan Bank	3/8/2013	10,005			AA+
Federal Home Loan Bank	5/7/2013	20,012			AA+
Federal Home Loan Bank	5/14/2013	20,019			AA+
Federal Home Loan Bank	7/30/2013	20,007			AA+
Federal Home Loan Bank	8/20/2013	20,002			AA+
Federal Home Loan Bank	1/23/2014	20,009			AA+

(continued)

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Cash, Equity in Pooled Cash and Investments, and Investments (continued)

Investment	Maturities	Fair Value	Call Date	Call Frequency	Rating
Federal Home Loan Mortgage Corp.	11/30/2012	40,018			AA+
Federal Home Loan Mortgage Corp.	3/28/2013	24,849			AA+
Federal Home Loan Mortgage Corp.	11/27/2013	7,728			AA+
Federal Home Loan Mortgage Corp. Discount Note	11/9/2012	19,999			N/A
Federal Home Loan Mortgage Corp. Discount Note	2/1/2013	19,995			N/A
Federal National Mortgage Association	10/30/2012	20,004			AA+
Federal National Mortgage Association	12/28/2012	20,014			AA+
Federal National Mortgage Association	9/23/2013	10,075			AA+
Federal National Mortgage Assoc. Discount Note	10/1/2012	15,000			N/A
Total		<u>\$ 1,131,729</u>			

Other Postemployment Benefits Trust Fund

As of September 30, 2012, the County had the following investments in their trust portfolio (amounts in thousands):

Investment	Maturities	Fair Value	Call Date	Call Frequency	Rating
Money Market Funds	N/A	<u>\$ 37,950</u>			AAAm

SBA- Fund B Surplus Funds Trust Fund contains the securities that have problems with payment defaults, paid slower than expected or have significant credit risk. Interest income is not paid and distributed to Fund B participants; however, periodic liquidity has been made available. Fund B is accounted for as a fluctuating NAV pool; the fair value factor as of September 30, 2012 was .94896811.

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
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Credit Risk

The Board's Investment Policy (Policy) limits credit risk by restricting authorized investments for their investment portfolio to the following:

- A.) Direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government.
- B.) U.S. Government sponsored enterprises.
- C.) U.S. Government Agencies.
- D.) The Florida Local Government Surplus Funds Trust Fund (SBA).
- E.) Interest-bearing time deposits or savings accounts in banks organized under the laws of Florida, in national banks organized under the laws of the United States and doing business and situated in Florida. Savings and loan associations which are under federal law and supervision, provided deposits are secured by collateral as may be prescribed by law. The institution must be fully insured by Federal Deposit Insurance Corporation, or Federal Savings and Loan Insurance Corporation, and are approved by the State Treasurer as a qualified public depository.
- F.) Securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided their portfolio is limited to United States Government obligations and repurchase agreements fully collateralized by such United States Government obligations.
- G.) Repurchase agreements with any primary brokers/dealers that are fully collateralized by direct obligations of United States, or United States government sponsored corporation/ instrumentalities, or United States government agencies.
- H.) Bonds, notes or obligations of any state of the United States, any municipality, political subdivision, agency or authority of this state which are exempt from federal income taxation, and are rated by any nationally recognized rating agency for municipal bonds in any of the two highest classifications.
- I.) SEC - registered, no-load money market mutual funds whose portfolios consist of tax exempt securities and repurchase agreements, whose shares of the mutual fund must be rated in the highest category by a nationally recognized rating service.
- J.) Florida Local Government Investment Trust (FLGIT).
- K.) SEC registered money market mutual funds with average portfolio maturities under 120 days, whose portfolios consist of United States Government securities and repurchase agreements secured by such securities.

The Board's Policy requires that collateral for overnight and term repurchase agreements must maintain a minimum price of 101 percent on U.S. Treasuries and 102 percent on Agencies and Instrumentalities not to exceed five (5) years, and must be "marked to market" on a weekly basis. The Board's Policy also requires that the obligations of any state or municipality be rated by at least one of the nationally recognized rating agencies in any one of the two (2) highest classifications, and that investments in money market mutual funds must be rated in the highest category by a nationally recognized rating service. All credit ratings indicated in the above table are Standard & Poor's (S&P) ratings.

The Clerk does not have a formal written investment policy and thereby is required to follow Section 218.415, *Florida Statutes*, when investing surplus funds. This statute limits investing of surplus funds to the Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Cooperation Act of 1969, Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, interest-bearing time deposits or savings accounts in qualified public depositories, or direct obligations of the U.S. Treasury. All other Constitutional Officers, except the Clerk, follow the guidance in Section 219.075, *Florida Statutes*, regarding the deposit of funds and the investment of surplus funds, in addition to Section 218.415, *Florida Statutes*.

There is no formal written policy for the other postemployment benefit trust portfolio. The County adopted an ordinance allowing the trust assets to be invested in the same investments allowed by the Florida Retirement System as described in Chapter 215, *Florida Statutes*.

Custodial Credit Risk

The Board's Policy requires that bank deposits be secured as provided by Chapter 280, *Florida Statutes*, and that the banks must be fully insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC) and approved by the State Treasurer as a public depository. At September 30, 2012, all of the County's bank deposits, including the Constitutional Officers', were in qualified public depositories.

The Board's Policy requires execution of a third-party custodial safekeeping agreement for all purchased securities and collateral, and requires that they be held in the County's name.

Interest Rate Risk

The Board's Policy requires an average minimum dollar amount equivalent to eight weeks of expenditures shall be held in a liquid investment, and securities will not be directly invested in or accepted as collateral that have a maturity date greater than five (5) years from the settlement date.

Concentration of Credit Risk

The Board's Policy establishes limitations on portfolio composition in order to control

concentration of credit risk. The Board's Policy allows 100 percent of the portfolio to be invested in United States Treasuries/Agencies, 40 percent to be invested in Local Government Surplus Funds, 20 percent to be invested in repurchase agreements, 65 percent to be invested in money market mutual funds (no individual fund family can exceed 30 percent of the overall portfolio), 30 percent to be invested in Certificate of Deposits, and 5 percent to be invested in FLGIT. No more than 25 percent of the total portfolio can be invested with one investment company.

The portion of the County's portfolio invested in Federal instrumentalities is detailed as follows, at September 30, 2012:

Issuer	Percent of Portfolio
Federal Home Loan Bank	16.35%
Federal Home Loan Mortgage Corp	12.27%
Federal National Mortgage Association	7.09%
Federal Farm Credit Bank	10.90%
Total Federal Instrumentalities	46.61%

Reconciliation of cash, equity in pooled cash and investments, and investments from the schedule of deposits and investments to the basic financial statements (dollars in thousands):

Current:	
Cash and equity in pooled cash and investments	\$817,819
Cash and cash equivalents with fiscal agent	110,727
Investments	10,401
Restricted:	
Cash and equity in pooled cash and investments	89,417
Cash and investments with fiscal agent	44,404
Investments	24,928
Agency Funds	
Cash and equity in pooled cash and investments	33,038
Investments	995
Total	\$1,131,729

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Restricted Assets and Liabilities

Restricted assets of the proprietary funds represent monies to be restricted for debt service, renewal and replacement, capital improvements and construction, and customer deposits under the terms of outstanding bond agreements, resolutions, and other contractual agreements.

Restricted assets reported on the proprietary fund statement of net assets at September 30, 2012, were as follows (dollars in thousands):

	Port Authority	Water and Wastewater	Transportation Facilities	Solid Waste	Enterprise Total
Cash and equity in pooled cash and investments	\$ 46,057	\$ 31,001	\$ 4,446	\$ 7,913	\$ 89,417
Cash and cash equivalents with fiscal agent	16,321	9,610	11,662	6,811	44,404
Investments	24,928	-	-	-	24,928
Investments with fiscal agent	-	-	-	-	-
Receivables (net):					
Accounts	2,157	8	-	-	2,165
Special assessments	-	404	-	-	404
Accrued interest	2	10	1	-	13
Other	-	721	-	-	721
Total	\$ 89,465	\$ 41,754	\$ 16,109	\$ 14,724	\$ 162,052

Assets restricted for debt service are for the payment of bond principal and interest and bond reserve requirements. Assets restricted for renewal and replacement are for the payment of unusual or extra-ordinary maintenance or repairs. Additionally, assets are restricted for capital improvements and construction. Customer deposits are advance payments held until certain conditions are met.

The assets were restricted for the following purposes at September 30, 2012, (dollars in thousands):

	Port Authority	Water and Wastewater	Transportation Facilities	Solid Waste	Enterprise Total
Debt service:					
Revenue bonds	\$ 42,783	\$ 9,765	\$ 12,121	\$ 5,311	\$ 69,980
Other	-	3,223	-	-	3,223
Renewal and replacement	501	6,701	1,849	1,500	10,551
Capital improvements and construction	46,181	16,687	-	-	62,868
Deposits	-	5,378	2,139	-	7,517
Landfill closure and postclosure costs	-	-	-	7,913	7,913
Total net restricted assets	\$ 89,465	\$ 41,754	\$ 16,109	\$ 14,724	\$ 162,052

Restricted assets and liabilities reported on the entity-wide Statement of Net Assets, Governmental Activities column at September 30, 2012, were as follows (dollars in thousands):

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Governmental Activities	Total
Restricted assets:						
Cash and equity in pooled cash and investments	\$ -	\$ 65,244	\$ 6,754	\$ 73,838	\$ -	\$ 145,836
Cash and cash equivalents with fiscal agent	-	-	19,938	-	-	19,938
Receivables (net)						
Accounts	-	151	-	-	-	151
Special assessments	-	1,785	3,413	-	-	5,198
Accrued interest	-	319	-	39	-	358
Due from other governments	-	1,667	-	1,676	-	3,343
Inventory	2,134	-	-	-	-	2,134
Total	\$ 2,134	\$ 69,166	\$ 30,105	\$ 75,553	\$ -	\$ 176,958

Lee County, Florida
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2012

Restricted Assets and Liabilities (continued)

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Governmental Activities	Total
Liabilities payable from restricted assets:						
Contracts and accounts payable	\$ -	\$ 1,826	\$ -	\$ 8,001	\$ -	\$ 9,827
Accrued liabilities	-	441	-	-	-	441
Due to other governments	-	506	-	28	-	534
Deposits and overbids	-	5,925	-	-	-	5,925
Unearned revenues	-	700	-	-	-	700
Accrued interest payable	-	-	-	-	12,698	12,698
Total	<u>\$ -</u>	<u>\$ 9,398</u>	<u>\$ -</u>	<u>\$ 8,029</u>	<u>\$ 12,698</u>	<u>\$ 30,125</u>

Special Revenue fund assets and liabilities are restricted to comply with various grant agreements and statutes. Debt Service Fund and Governmental Activities assets and liabilities are restricted per bond covenants to pay debt service on various bonds. Capital Projects assets and liabilities are restricted due to external loan and bond agreements and statutes.

Lee County, Florida
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2012

Receivables

At September 30, 2012, receivables for the County's major funds and all other funds in aggregate were as follows (dollars in thousands):

	General Fund	Lee County Library	MSTU	Tourist Development Trust Fund	Capital Improvement	Non-Major Governmental Funds	Total Governmental Funds
Accounts	\$ 59,558	-	\$ 27	-	\$ 70	\$ 214	\$ 59,869
Special assessments	-	-	-	-	-	5,198	5,198
Accrued interest	85	9	41	7	88	368	598
Less: allowance for bad debt	(56,468)	-	-	-	-	-	(56,468)
Total net receivables	<u>\$ 3,175</u>	<u>\$ 9</u>	<u>\$ 68</u>	<u>\$ 7</u>	<u>\$ 158</u>	<u>\$ 5,780</u>	<u>\$ 9,197</u>

	Port Authority	Water and Wastewater	Transportation Facilities	Solid Waste	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Accounts	\$ 5,004	\$ 10,286	\$ 74	\$ 6,097	\$ 261	\$ 21,722	\$ 244
Grants	2,970	-	-	-	1,251	4,221	-
Special assessments	-	-	-	2,017	-	2,017	-
Accrued interest	2	43	7	3	5	60	43
Less: allowance for bad debt	(250)	(422)	(44)	(23)	-	(739)	-
Total net receivables	<u>\$ 7,726</u>	<u>\$ 9,907</u>	<u>\$ 37</u>	<u>\$ 8,094</u>	<u>\$ 1,517</u>	<u>\$ 27,281</u>	<u>\$ 287</u>

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Capital Assets

Capital asset activity for the fiscal year ended September 30, 2012, was as follows (dollars in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<i><u>Governmental Activities:</u></i>				
Capital assets not being depreciated:				
Artwork	\$ 331	\$ -	\$ (2)	\$ 329
Land	578,601	9,383	(156)	587,828
Construction in progress	159,767	78,921	(121,952)	116,736
Easements & Rights of Way	59,378	50	-	59,428
Software in progress	831	-	(356)	475
Total capital assets not being depreciated	<u>798,908</u>	<u>88,354</u>	<u>(122,466)</u>	<u>764,796</u>
Capital assets being depreciated:				
Buildings	461,512	55,241	(26)	516,727
Improvements other than buildings	206,512	9,908	(310)	216,110
Machinery and equipment	234,754	18,834	(10,906)	242,682
Software	13,211	1,642	(252)	14,601
Infrastructure	633,286	37,468	-	670,754
Total capital assets being depreciated	<u>1,549,275</u>	<u>123,093</u>	<u>(11,494)</u>	<u>1,660,874</u>
Less accumulated depreciation for:				
Buildings	117,374	11,117	-	128,491
Improvements other than buildings	43,584	13,533	(191)	56,926
Machinery and equipment	164,461	15,084	(10,162)	169,383
Software	10,646	806	(252)	11,200
Infrastructure	191,149	16,090	-	207,239
Total accumulated depreciation	<u>527,214</u>	<u>56,630</u>	<u>(10,605)</u>	<u>573,239</u>
Total capital assets being depreciated, net	<u>1,022,061</u>	<u>66,463</u>	<u>(889)</u>	<u>1,087,635</u>
Total governmental activities capital assets, net	<u>\$ 1,820,969</u>	<u>\$ 154,817</u>	<u>\$ (123,355)</u>	<u>\$ 1,852,431</u>
<i><u>Business-Type Activities:</u></i>				
Capital assets not being depreciated:				
Artwork				
Port Authority	\$ 713	\$ 2	\$ -	\$ 715
Total Artwork	<u>713</u>	<u>2</u>	<u>-</u>	<u>715</u>
Land				
Port Authority	142,800	130	(10,154)	132,776
Water and Wastewater	26,343	-	-	26,343
Transportation Facilities	30,367	-	-	30,367
Solid Waste	21,410	1,729	(2,008)	21,131
Other non-major - Transit	8,675	-	-	8,675
Total land	<u>229,595</u>	<u>1,859</u>	<u>(12,162)</u>	<u>219,292</u>

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities (continued):</i>				
Easements & rights of way				
Port Authority	47	-	(2)	45
Water and Wastewater	4,518	70	-	4,588
Transportation Facilities	14,119	-	-	14,119
Total Easements and Rights of Way	18,684	70	(2)	18,752
Construction in progress				
Port Authority	29,078	8,835	(7,928)	29,985
Water and Wastewater	18,205	16,723	(14,503)	20,425
Transportation Facilities	39	5,461	(5,500)	-
Solid Waste	1,065	-	(238)	827
Other non-major - Transit	755	1,963	(2,718)	-
Total construction in progress	49,142	32,982	(30,887)	51,237
Software in progress				
Other non-major - Transit	334	-	(334)	-
Total software in progress	334	-	(334)	-
Total capital assets not being depreciated	298,468	34,913	(43,385)	289,996
Capital assets being depreciated:				
Buildings				
Port Authority	337,222	54	(559)	336,717
Water and Wastewater	52,892	10	-	52,902
Transportation Facilities	4,850	5,466	-	10,316
Solid Waste	115,483	992	-	116,475
Other non-major - Transit	5,265	2,506	-	7,771
Total buildings	515,712	9,028	(559)	524,181
Improvements other than buildings				
Port Authority	19,087	10	(98)	18,999
Water and Wastewater	378,274	5,997	(674)	383,597
Transportation Facilities	5,025	5	-	5,030
Solid Waste	34,345	-	-	34,345
Other non-major - Transit	63	-	-	63
Total improvements other than buildings	436,794	6,012	(772)	442,034
Machinery and equipment				
Port Authority	48,950	693	(903)	48,740
Water and Wastewater	115,611	6,022	(560)	121,073
Transportation Facilities	5,031	516	(144)	5,403
Solid Waste	214,979	1,064	(736)	215,307
Other non-major - Transit	26,656	81	(732)	26,005
Total machinery and equipment	411,227	8,376	(3,075)	416,528

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities (continued):</i>				
Software				
Port Authority	2,999	-	-	2,999
Transportation Facilities	444	24	-	468
Other non-major - Transit	-	334	-	334
Total software	<u>3,443</u>	<u>358</u>	<u>-</u>	<u>3,801</u>
Infrastructure				
Port Authority	289,764	912	-	290,676
Water and Wastewater	345,553	6,749	(2,943)	349,359
Transportation Facilities	290,385	-	-	290,385
Solid Waste	21,976	36	-	22,012
Other non-major - Transit	-	177	-	177
Total infrastructure	<u>947,678</u>	<u>7,874</u>	<u>(2,943)</u>	<u>952,609</u>
Total capital assets being depreciated	<u>2,314,854</u>	<u>31,648</u>	<u>(7,349)</u>	<u>2,339,153</u>
Less accumulated depreciation for:				
Buildings				
Port Authority	49,930	6,819	(231)	56,518
Water and Wastewater	12,662	1,129	-	13,791
Transportation Facilities	4,252	193	-	4,445
Solid Waste	49,187	3,441	-	52,628
Other non-major - Transit	1,930	166	-	2,096
Total buildings	<u>117,961</u>	<u>11,748</u>	<u>(231)</u>	<u>129,478</u>
Improvements other than buildings				
Port Authority	8,633	1,160	(67)	9,726
Water and Wastewater	137,007	19,613	(504)	156,116
Transportation Facilities	2,275	213	-	2,488
Solid Waste	8,350	1,611	-	9,961
Other non-major - Transit	60	-	-	60
Total improvements other than buildings	<u>156,325</u>	<u>22,597</u>	<u>(571)</u>	<u>178,351</u>
Machinery and equipment				
Port Authority	21,058	3,157	(887)	23,328
Water and Wastewater	40,402	7,224	(334)	47,292
Transportation Facilities	3,879	156	(117)	3,918
Solid Waste	69,634	7,665	(678)	76,621
Other non-major - Transit	16,273	1,479	(635)	17,117
Total machinery and equipment	<u>151,246</u>	<u>19,681</u>	<u>(2,651)</u>	<u>168,276</u>
Software				
Port Authority	2,835	66	-	2,901
Transportation Facilities	-	89	-	89
Other non-major - Transit	-	65	-	65
Total software	<u>2,835</u>	<u>220</u>	<u>-</u>	<u>3,055</u>

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Business-Type Activities (continued):</i>				
Infrastructure				
Port Authority	98,274	8,363	-	106,637
Water and Wastewater	139,802	11,525	(289)	151,038
Transportation Facilities	70,923	7,517	-	78,440
Solid Waste	3,923	735	-	4,658
Other non-major - Transit	-	10	-	10
Total infrastructure	<u>312,922</u>	<u>28,150</u>	<u>(289)</u>	<u>340,783</u>
Total accumulated depreciation	<u>741,289</u>	<u>82,396</u>	<u>(3,742)</u>	<u>819,943</u>
Total capital assets being depreciated, net	<u>1,573,565</u>	<u>(50,748)</u>	<u>(3,607)</u>	<u>1,519,210</u>
Total business-type activities capital assets, net	<u>\$ 1,872,033</u>	<u>\$ (15,835)</u>	<u>\$ (46,992)</u>	<u>\$ 1,809,206</u>

Interest costs related to construction are capitalized. Net interest expense capitalized for the year ended September 30, 2012, was \$ 554,705.

Depreciation and amortization expense was charged to functions as follows (dollars in thousands):

<i>Governmental activities:</i>		<i>Business-type activities:</i>	
General government	\$ 15,910	Port Authority	\$ 19,568
Public safety	7,520	Water and Wastewater	39,005
Physical environment	733	Transportation Facilities	8,168
Transportation	20,961	Solid Waste	13,452
Economic environment	201	Other non-major Transit	1,714
Human services	206	Total depreciation for	
Culture and recreation	10,684	business-type activities	<u>\$ 81,907</u>
Total depreciation for governmental activities	<u>\$ 56,215</u>		

The total depreciation/amortization expense by function does not agree with the related disclosed accumulated depreciation because of asset transfers between Governmental Activities and Business-Type Activities, and amortization not in the Capital Activity Schedule above. The related accumulated depreciation for the asset transfer is reported in the Increase and/or Decrease columns on the *Schedule of Capital Assets by Activity*; therefore, the increase in accumulated depreciation is different from the current year's depreciation.

Lee County, Florida
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2012

Construction Commitments

The County has active construction projects as of September 30, 2012. The significant commitments for remaining contracts were as follows (dollars in thousands):

<u>Project</u>	<u>Contract Amount</u>	<u>Amount Spent-to-date</u>	<u>Remaining Commitment</u>	<u>Retainage</u>
Port Authority	\$ 81,660	\$ 36,102	\$ 45,558	\$ 584
Water and Wastewater	19,502	13,712	5,790	242
Transportation Facilities	17,649	16,825	824	488
Solid Waste	250	163	87	-
Library	13,453	3,305	10,148	182
Culture & recreation	55,066	45,435	9,631	1,094
Transportation	127,372	113,338	14,034	4,281
Other	16,828	14,131	2,697	527
Total	<u>\$ 331,780</u>	<u>\$ 243,011</u>	<u>\$ 88,769</u>	<u>\$ 7,398</u>

Lee County, Florida
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2012

Interfund Transactions

Interfund Transfers

Interfund transfers for the year ended September 30, 2012, consisted of the following (dollars in thousands):

	<i>Transfers In</i>											Total
	General Fund	Library	MSTU	Tourist Development Trust Fund	Capital Improvement	Non-major Gov't Funds	Solid Waste	Transportation Facilities	Water & Wastewater	Other Non-Major Transit	Internal Service Funds	
<i>Transfers out:</i>												
General Fund	\$ -	\$ 132	\$ 182	\$ -	\$ 216	\$ 33,310	\$ 138	\$ -	\$ -	\$ 10,409	\$ -	\$ 44,387
Library	-	-	-	-	-	1,456	-	-	-	-	-	1,456
MSTU	2,220	-	-	2,292	6,771	15,747	-	-	-	-	-	27,030
Tourist Development Trust Fund	389	-	-	-	7,734	7,984	-	-	-	-	-	16,107
Capital Improvements	2,394	-	41	5,003	-	-	-	-	-	-	-	7,438
Non-major governmental	498	1,456	-	2,237	695	19,579	-	-	-	603	-	25,068
Solid Waste	-	-	-	-	-	-	-	-	-	-	-	-
Water & Wastewater	-	-	-	-	-	-	-	-	-	-	-	-
Transportation Facilities	-	-	-	-	-	2,394	-	-	-	-	-	2,394
Internal Service	-	-	-	-	-	-	-	-	-	-	3	3
	\$ 5,501	\$ 1,588	\$ 223	\$ 9,532	\$ 15,416	\$ 80,470	\$ 138	\$ -	\$ -	\$ 11,012	\$ 3	\$ 123,883

The majority of interfund transfers were for recurring annual transfers. There were two notable non-recurring transfers this fiscal year. Capital Improvement transferred \$4,280,881 to the Tourist Development Trust Fund; this was to purchase land for the expansion of the Minnesota Twins stadium. MSTU transferred \$2,292,112 to the Tourist Development Trust Fund; this was for construction of the new Boston Red Sox stadium.

Lee County, Florida
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2012

Interfund Transactions (continued)

Due To/From Other Funds

Interfund balances for the year ended September 30, 2012, consisted of the following (dollars in thousands):

<u>Receivable Fund/Payable Fund:</u>	<u>Amount</u>	<u>Receivable Fund/Payable Fund:</u>	<u>Amount</u>
<i>Due to: General Fund</i>			
Library	\$ 10	General Fund	\$ 3
MSTU	117	Library	1
Tourist Development Trust Fund	39	MSTU	1
Capital Improvement	1	Port Authority	27
Non-major governmental funds	976	Internal service funds	1
		<i>Due to: Transportation Facilities</i>	
Port Authority	Interfund billing for services	Non-major governmental funds	13
Water and Wastewater	66	<i>Due to: Solid Waste</i>	
Transportation Facilities	13	General Fund	205
Solid Waste	3	MSTU	8
Transit	3	Non-major governmental funds	2
Internal service funds	3	Water and Wastewater	47
Total due to General Fund	<u>1,231</u>	Capital Improvement	1
<i>Due to: Lee County Library</i>			
General Fund	Excess fees and Ad Valorem Taxes	Internal service funds	1
	140	<i>Due to: Transit</i>	
Total due to Library	<u>140</u>	Non-major governmental funds	46
Total due to Enterprise funds <u>356</u>			
<i>Due to: MSTU</i>			
General Fund	Excess fees and Ad Valorem Taxes	<i>Due to: Internal service funds</i>	
	458	General Fund	596
Non-major governmental funds	13	Library	47
Capital Improvement	1	MSTU	152
Total due to MSTU	<u>472</u>	Tourist Development Trust Fund	6
<i>Due to: Tourist Development Trust Fund</i>			
Non-major governmental funds	Operations	Capital Improvement	10
	344	Non-major governmental funds	283
Total due to Tourist Development Trust Fund	<u>344</u>	Port Authority	8
<i>Due to: Capital Improvement</i>			
General Fund	Excess fees and Ad Valorem Taxes	Water and Wastewater	136
	251	Transportation Facilities	21
MSTU	Operations	Solid Waste	10
Internal service funds	Operations	Transit	12
Non-major governmental funds	Operations	Internal service funds	30
	176	Total due to Internal service funds	<u>1,311</u>
Total due to Capital Improvements	<u>427</u>	Total	<u>\$ 8,872</u>
<i>Due to: Non-major governmental funds</i>			
General Fund	Excess fees and Ad Valorem Taxes		
	610		
Library	Operations		
	6		
MSTU	Operations		
	342		
Tourist Development Trust Fund	Operations		
	2,661		
Capital Improvement	Operations		
	936		
Non-major governmental funds	Operations		
	11		
Port Authority	Operations		
	23		
Transportation Facilities	Operations		
	2		
Solid Waste	Operations		
	<u>4,591</u>		
Total due to Non-major governmental funds	<u>\$ 4,591</u>		

Advances To/Advances From Other Funds

Interfund advances for the year ended September 30, 2012, consisted of the following (dollars in thousands):

<u>Receivable Fund/Payable Fund:</u>	<u>Amount</u>	<u>Receivable Fund/Payable Fund:</u>	<u>Amount</u>
<i>Advances from General Fund</i>			
Non-major governmental funds	Interfund construction and land acquisition loans	Loan to purchase Fisherman's Cooperative	\$ 303
	\$ 13,921	Loan to finish Estero Parkway	13,197
Port Authority	Interfund construction loan	Loan for North Fort Myers Recreation Center design	421
	115	Loan for North Fort Myers Community Park construction	8,599
Total advances from General Fund	<u>14,036</u>	Loan to Port Authority for utility line construction	115
<i>Advances from Capital Improvement</i>			
Impact fees-Comm Pk-NFM	N. Ft. Myers Recreation Center	Loans for temporary lighting district operations	16
	8,599	Loan to Transportation Facilities to repay the commercial paper loan taken out to construct the Sanibel Bridge	6,200
Total advances from Capital Improvement	<u>8,599</u>		<u>\$ 28,851</u>
<i>Advances from Special Assessment Districts</i>			
Municipal Service Benefit Unit Districts	Interfund construction loans		
	16		
Total advances from Special Assessment Districts	<u>16</u>		
<i>Advances from Transportation Capital Improvements</i>			
Transportation Facilities loan	construction loan		
	6,200		
Total advances from Transportation Capital Improvements	<u>6,200</u>		
Total	<u>\$ 28,851</u>		

Repayment of advances is based on cash availability at year end in the borrowing funds therefore the outstanding balances are not on a schedule to be repaid within the following year.

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Governmental Fund Balances

At September 30, 2012, the County's governmental fund balances were classified as follows (amounts in thousands):

	Major Funds					Other Governmental Funds	Total Governmental Funds
	General Fund	Lee County Library	MSTU	Tourist Development Trust Fund	Capital Improvement		
Nonspendable:							
Inventory	\$ 357	\$ -	\$ 70	\$ -	\$ -	\$ 2,699	\$ 3,126
Advances	14,036	-	-	-	8,599	-	22,635
Total nonspendable	<u>14,393</u>	<u>-</u>	<u>70</u>	<u>-</u>	<u>8,599</u>	<u>2,699</u>	<u>25,761</u>
Restricted For:							
Improvement districts	-	-	-	-	-	5,143	5,143
Culture & recreation	-	-	-	-	-	6,261	6,261
Economic development	2,134	-	-	12,065	-	16	14,215
Health, safety & welfare	-	-	-	-	-	24,101	24,101
Transportation roads	-	-	-	-	-	71,879	71,879
Debt service	-	-	-	-	-	26,692	26,692
Court programs	-	-	-	-	-	4,336	4,336
Public records	-	-	-	-	-	5,645	5,645
Aerial maps	-	-	-	-	-	16	16
Inmate welfare	-	-	-	-	-	1,174	1,174
Driver's education	-	-	-	-	-	163	163
Law enforcement activities	-	-	-	-	-	2,180	2,180
Total restricted	<u>2,134</u>	<u>-</u>	<u>-</u>	<u>12,065</u>	<u>-</u>	<u>147,606</u>	<u>161,805</u>
Committed:							
MSTU	-	-	56,184	-	-	-	56,184
Capital improvements	-	-	-	-	126,307	-	126,307
Court programs	-	-	-	-	-	1,441	1,441
Culture & recreation	10	12,463	-	-	-	25,532	38,005
Transportation roads	-	-	-	-	-	2,671	2,671
Economic development	-	-	-	-	-	-	-
Health, safety & welfare	-	-	-	-	-	311	311
Total committed	<u>10</u>	<u>12,463</u>	<u>56,184</u>	<u>-</u>	<u>126,307</u>	<u>29,955</u>	<u>224,919</u>
Assigned to:							
Transportation roads	5,545	-	-	-	-	2,928	8,473
Improvement districts	-	-	-	-	-	-	-
Economic development	6,700	-	-	-	-	-	6,700
Subsequent operations	37,016	-	-	-	-	-	37,016
Total assigned	<u>49,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,928</u>	<u>52,189</u>
Unassigned:	<u>81,668</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,160)</u>	<u>59,508</u>
Total fund balances	<u>\$ 147,466</u>	<u>\$ 12,463</u>	<u>\$ 56,254</u>	<u>\$ 12,065</u>	<u>\$ 134,906</u>	<u>\$ 161,028</u>	<u>\$ 524,182</u>

Lee County, Florida
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2012

Long-Term Obligations

Leases

Operating Leases

The County is currently committed to various operating leases with terms in excess of one year. The future minimum rental payments as of September 30, 2012, were as follows (dollars in thousands):

<u>Fiscal Year(s)</u>	<u>Amount</u>
2013	\$2,552
2014	1,858
2015	993
2016	713
2017	424
2018-2022	446
2023-2027	339
2028-2032	<u>256</u>
Total	<u>\$ 7,581</u>

For all operating leases, rental expense is recorded with separate amounts for minimum rentals, contingent rentals, and sublease rentals.

The following schedule shows the total rental expense for all operating leases, including those with terms of less than one year, for the year ended September 30, 2012 (dollars in thousands):

Minimum rentals	\$2,749
Contingent rentals	246
Short-term leases	<u>836</u>
Total rent expense	<u>\$3,831</u>

An operating lease has a contingent rental when the amount of the rental payment may change based on the occurrence of certain events. For example, rental payments may increase due to additional usage or a change in the Consumer Price Index (CPI) rate or other economic indicators. Most operating leases have the option to renew for either a one or two year term. In most cases, the County expects to renew or replace all operating leases.

Capital Leases

The County currently has no capital lease obligations.

Revenue Bonds

The County issued revenue bonds for both governmental and business-type activities. The descriptions and balances of the outstanding revenue bonds as of September 30, 2012, were as follows:

Governmental Activities

- Series 1993B Capital Refunding Revenue Bonds for \$36,238,000 at interest rates ranging from 5.85 percent to 5.9 percent on capital appreciation bonds (effective interest rate of 5.66 percent), collateralized by a lien on and a pledge of non-ad valorem funds including ambulance service receipts, building permits, zoning fees, data processing fees, excess County Officer fees, franchise fees, guaranteed entitlement funds, investment earnings, license fees, pledged gas taxes, and sales tax. Interest on the capital appreciation bonds is compounded semi-annually and is payable at maturity or early redemption. The bonds are payable through 2012. Accreted interest at September 30, 2012, was \$5,940,000. The outstanding balance, not including accreted interest, was \$2,870,000.
- Series 2003 Capital and Transportation Facilities Refunding Revenue Bonds for \$40,815,000 at interest rates ranging from 2 percent to 5 percent (effective interest rate of 4.88 percent), collateralized by a lien on and a pledge of non-ad valorem funds including ambulance service receipts, building permits, zoning fees, data processing fees, excess County Officer fees, franchise fees, guaranteed entitlement funds, investment earnings, license fees, pledged gas taxes, and sales tax. The bonds are payable through 2021. The outstanding balance was \$36,380,000.

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

- Series 2004 Capital Revenue Bonds for \$55,530,000 at interest rates ranging from 4 percent to 5.25 percent (effective interest rate of 4.99 percent) collateralized by a lien on and a pledge of non-ad valorem funds including ambulance service receipts, building permits, zoning fees, data processing fees, excess County Officer fees, franchise fees, guaranteed entitlement funds, investment earnings, license fees, pledged gas taxes, and sales tax. The bonds are payable through 2024. The outstanding balance was \$55,530,000.
- Series 2006 Capital Revenue Bonds for \$63,605,000 at interest rates ranging from 4 percent to 5 percent (effective interest rate of 4.40 percent) collateralized by a lien on and a pledge of non-ad valorem funds including ambulance service receipts, building permits, zoning fees, data processing fees, excess County Officer fees, franchise fees, guaranteed entitlement funds, investment earnings, license fees, pledged gas taxes, and sales tax. The bonds are payable through 2026. The outstanding balance was \$63,605,000.

The Capital Revenue Bonds were issued for various capital projects and the refunding of various capital related debt. The total principal and interest remaining to be paid on the Capital Revenue Bonds is \$226,389,000. Principal and interest paid for the current year and pledged revenues collected were \$19,950,000 and \$97,879,000, respectively.

- Series 2004 Tourist Development Tax Refunding Revenue Bonds for \$8,195,000 at interest rates ranging from 2 percent to 5.25 percent (effective interest rate of 5.22 percent), collateralized by a lien on and a pledge of the tourist development tax, gross revenues of the baseball stadiums, and investment earnings. The bonds are payable through 2016. The outstanding balance was \$3,605,000.
- Series 2010A Tourist Development Tax Revenue Bonds (Federally Taxable-Build America Bonds-Direct Subsidy) for \$42,480,000 at interest rates

ranging from 4.10 percent to 6.09 percent (effective interest rate of 5.88 percent), collateralized by a lien on and a pledge of the tourist development tax, gross revenues of the baseball stadiums, investment earnings, and federal direct subsidy payments on these Build America Bonds. The bonds are payable through 2033. The outstanding balance was \$42,480,000.

- Series 2010B Tourist Development Tax Revenue Bonds (Federally Taxable-Build America Bonds Recovery Zone Economic Development Bonds-Direct Subsidy) for \$37,403,000 at an interest rate of 6.29 percent (effective interest rate of 6.37 percent), collateralized by a lien on and a pledge of the tourist development tax, gross revenues of the baseball stadiums, investment earnings, and federal direct subsidy payments on these Build America Bonds-Recovery Zone Economic Development Bonds. The bonds are payable through 2040. The outstanding balance was \$37,403,000.
- Series 2010C Tourist Development Tax Revenue Bonds for \$1,275,000 at interest rates ranging from 2 percent to 3 percent (effective interest rate of 2.03 percent), collateralized by a lien on and a pledge of the tourist development tax, gross revenues of the baseball stadiums, and investment earnings. The bonds are payable through 2016. The outstanding balance was \$1,140,000.

The Tourist Development Tax Revenue Bonds were issued for the construction of the Hammond and the JetBlue baseball stadiums. The total principal and interest remaining to be paid on the Tourist Development Tax Revenue Bonds is \$182,789,000. Principal and interest paid, net of federal subsidies received, for the current year and pledged revenues collected were \$3,846,000 and \$29,375,000, respectively.

- Series 2004 Five Cent Local Option Gas Tax Refunding Revenue Bonds for \$26,920,000 at interest rates ranging from 2.25 percent to 5 percent (effective interest rate of 4.69 percent),

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percent (effective interest rate of 4.69 percent), collateralized by a lien on and pledge of the local option gas tax revenues. The bonds are payable through 2020. The outstanding balance was \$17,565,000.

The Local Option Gas Tax Bonds were issued for construction of various road projects. The total principal and interest remaining to be paid on the Local Option Gas Tax Bonds is \$21,652,000. Principal and interest paid for the current year and pledged revenues collected were \$2,424,000 and \$6,027,000, respectively.

- Series 1993 Certificates of Participation for \$17,245,000 at interest rates ranging from 2.7 percent to 5.125 percent (effective interest rate of 5.09 percent), with certificate payments payable from non-ad valorem revenues of the County and ad valorem tax revenues of the County, which are legally available to make lease payments under the Master Lease-Purchase Agreement. The bonds are payable through 2012. The outstanding balance was \$1,350,000.

Business-Type Activities

- Series 2005 Airport Revenue Refunding Bonds, for \$37,805,000 at interest rates ranging from 3.5 percent to 5 percent (effective interest rate of 5.642 percent), collateralized by a lien on and a pledge of net revenues of the SWFIA. The bonds are payable through 2033. The outstanding balance was \$37,585,000.
- Series 2010A Airport Revenue Refunding Bonds, for \$119,350,000 at interest rates ranging from 3.0 percent to 5.5 percent (effective interest rate of 5.482 percent), collateralized by a lien on and a pledge of net revenues of the SWFIA. The bonds are payable through 2022. The outstanding balance was \$111,730,000.
- Series 2011A Airport Revenue Refunding Bonds \$174,450,000 at interest rates ranging from 3.0 percent to 5.63 percent (effective interest rate of

5.64 percent), collateralized by a lien on and a pledge of net revenues of the SWFIA. The bonds are payable through 2032. The outstanding balance was \$174,450,000.

The Airport Revenue Bonds were issued for various capital projects. The total principal and interest remaining to be paid out on the Airport Revenue Bonds is \$546,406,000. Principal and interest paid for the current year and pledged revenues collected were \$20,767,000 and \$28,968,000, respectively.

- Series 2003A Water and Sewer Refunding Revenue Bonds for \$57,240,000 at interest rates ranging from 2 percent to 5 percent (effective interest rate of 6.12 percent), collateralized by a lien on and a pledge of the net revenues of the Lee County Water and Wastewater System. The bonds are payable through 2027. The outstanding balance was \$47,595,000.
- Series 2011 Water and Sewer Refunding Revenue Bonds for \$74,855,000 at interest rates ranging from 3 percent to 5.25 percent (effective interest rate of 4.44 percent), collateralized by a lien on and a pledge of the net revenues of the Lee County Water and Wastewater System. The bonds are payable through 2026. The outstanding balance was \$74,855,000.
- Series 2012A Water and Sewer Refunding Revenue Bonds for \$19,990,000 at an interest rate of 5 percent (effective interest rate of 3.73 percent), collateralized by a lien on and a pledge of the net revenues of the Lee County Water and Wastewater System. The bonds are payable through 2029. The outstanding balance was \$19,990,000.
- Series 2012B Water and Sewer Refunding Revenue Bonds for \$7,490,000 at an interest rate of 5 percent (effective interest rate of 3.84 percent), collateralized by a lien on and a pledge of the net revenues of the Lee County Water and Wastewater System. The bonds are payable through 2029. The outstanding balance was \$7,490,000.

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The Water and Sewer Revenue Bonds were issued for various capital projects. The total principal and interest remaining to be paid out on the Water and Sewer Revenue Bonds is \$223,572,000. Principal and interest paid for the current year and net pledged revenues collected were \$13,421,000 and \$38,774,000, respectively.

- Series 2004B Transportation Facilities Refunding Revenue Bonds for \$58,375,000 at interest rates ranging from 2 percent to 5 percent (effective interest rate of 5.97 percent) collateralized by a lien on and pledge of the net revenues of the Sanibel Bridge, Cape Coral Bridge, and Midpoint Memorial Bridge Facilities. The bonds are payable through 2022. The outstanding balance was \$41,380,000.
- Series 2005A Transportation Facilities Refunding Revenue Bonds for \$30,285,000 at interest rates ranging from 2 percent to 5 percent (effective interest rate of 5.54 percent) collateralized by a lien on and pledge of the net revenues of the Sanibel Bridge, Cape Coral Bridge, and Midpoint Memorial Bridge Facilities. The bonds are payable through 2027. The outstanding balance was \$29,855,000.
- Series 2005B Transportation Facilities Revenue Bonds for \$63,865,000 at interest rates ranging from 3 percent to 5 percent (effective interest rate of 4.36 percent) collateralized by a lien on and pledge of the net revenues of the Sanibel Bridge, Cape Coral Bridge, and Midpoint Memorial Bridge Facilities. The bonds are

payable through 2035. The outstanding balance was \$62,120,000.

The Transportation Facilities Revenue Bonds were issued for various capital projects. The total principal and interest remaining to be paid out on the Transportation Facilities Revenue Bonds is \$225,144,000. Principal and interest paid for the current year and net pledged revenues collected were \$15,390,000 and \$28,391,000, respectively.

- Series 2006A Solid Waste System Revenue Bonds, for \$83,335,000 at interest rates ranging from 4.3 percent to 5.125 percent (effective interest rate of 4.955 percent), collateralized by a lien on and a pledge of net revenues of the Lee County Solid Waste System. The bonds are payable through 2026. The outstanding balance was \$83,335,000.
- Series 2006B Solid Waste System Refunding Revenue Bonds, for \$21,710,000 at interest rates ranging from 4 percent to 5 percent (effective interest rate of 5.588 percent), collateralized by a lien on and a pledge of net revenues of the Lee County Solid Waste System. The bonds are payable through 2015. The outstanding balance was \$3,115,000.

The Solid Waste Revenue Bonds were issued for various capital projects. The total principal and interest remaining to be paid out on the Solid Waste Revenue Bonds is \$125,732,000. Principal and interest paid for the current year and net pledged revenues collected were \$55,578,000 and \$19,317,000, respectively.

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The annual debt service requirements for revenue bonds at September 30, 2012, were as follows (dollars in thousands):

Fiscal Year(s)	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$7,310	\$13,288	\$17,375	\$33,745	\$24,685	\$47,033
2014	9,305	13,021	18,645	33,547	27,950	46,568
2015	9,720	12,634	24,050	32,617	33,770	45,251
2016	10,215	12,176	25,240	31,453	35,455	43,629
2017	12,525	11,620	26,425	43,222	38,950	54,842
2018-2022	70,900	48,079	157,150	129,506	228,050	177,585
2023-2027	81,175	29,343	205,210	84,026	286,385	113,369
2028-2032	16,290	16,531	154,195	34,992	170,485	51,523
2033-2037	22,010	10,677	65,210	4,246	87,220	14,923
2038-2041	22,478	2,918	-	-	22,478	2,918
Total	<u>\$261,928</u>	<u>\$170,287</u>	<u>\$693,500</u>	<u>\$427,354</u>	<u>\$955,428</u>	<u>\$597,641</u>

Fiscal Year(s)	Business-type Activities							
	Port Authority		Water and Wastewater		Transportation Facilities		Solid Waste	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$7,895	\$16,655	\$5,815	\$6,384	\$3,570	\$6,416	\$95	\$4,290
2014	8,470	16,249	6,035	6,745	4,040	6,267	100	4,286
2015	8,900	15,818	6,155	6,529	4,165	6,105	4,830	4,165
2016	9,330	15,365	6,470	6,263	4,360	5,906	5,080	3,919
2017	9,800	14,891	6,725	5,975	4,565	18,696	5,335	3,660
2018-2022	56,975	66,221	38,465	24,975	30,630	24,405	31,080	13,905
2023-2027	75,615	49,094	48,610	14,381	41,055	15,494	39,930	5,057
2028-2032	98,830	25,881	31,655	2,390	23,710	6,721	-	-
2033-2037	47,950	2,467	-	-	17,260	1,779	-	-
	<u>\$323,765</u>	<u>\$222,641</u>	<u>\$149,930</u>	<u>\$73,642</u>	<u>\$133,355</u>	<u>\$91,789</u>	<u>\$86,450</u>	<u>\$39,282</u>

Debt Refunding

On August 29, 2012, the County issued Water and Sewer Refunding Revenue Bonds, Series 2012A, in the amount of \$19,990,000, at an interest rate of 5 percent with a final maturity date of October 1, 2029. Proceeds of the bonds were used to currently refund

\$23,250,000 of the outstanding Water and Sewer Revenue Bonds, Series 1999A, at an interest rate of 5 percent on current interest paying bonds maturing on October 1 in years 2027 through 2029.

The current refunding resulted in a reduction of future debt service payments by approximately \$5,881,000 over the next 18 years and obtained an

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economic gain (difference between the present values of the old and new debt service payments) of \$4,116,000.

On August 29, 2012, the County issued Water and Sewer Refunding Revenue Bonds, Series 2012B, in the amount of \$7,490,000, at an interest rate of 5 percent with a final maturity date of October 1, 2029. Proceeds of the bonds were used to advance refund \$8,285,000 of the outstanding Water and Sewer Revenue Bonds, Series 2003B, at an interest rate of 5 percent on current interest paying bonds maturing on October 1 in years 2028 and 2029.

The advance refunding resulted in a reduction of future debt service payments by approximately \$1,452,000 over the next 18 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$1,009,000.

On November 9, 2011, the County issued Transportation Facilities Refunding Revenue Loan, Series 2011, in the amount of \$30,700,000 at an interest rate of 1.71 percent maturing on October 1, 2017. Proceeds of the loan were used to currently refund \$30,825,000 of outstanding Transportation Facilities Refunding Revenue Bonds, Series 2001A, at interest rates ranging from 4.5 percent to 5.5 percent on current interest-paying bonds maturing on October 1 in years 2012 through 2017.

The County current refunded the 2001A Series bonds to reduce its total debt service payments over the next 6 years by approximately \$3,854,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3,644,000.

Defeased Bonds

In prior years, the County defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements.

The amount of defeased bonds outstanding at September 30, 2012, consisted of the following (dollars in thousands):

Justice Center Complex, Inc. Improvement Revenue Bonds, Series 1981	\$ 9,400
Gulf Environmental Services, Inc. Water and Sewer System Revenue Bonds, Series 1998	49,880
Water and Sewer Revenue Bonds, Series 1999A	23,250
Water and Sewer Revenue Bonds, Series 2003B	<u>8,285</u>
Total	<u>\$90,815</u>

Bond Resolutions

The resolution for the following bonds established certain accounts and determined the order in which certain revenues are to be deposited into those accounts. In addition, there are various other covenants established by the official statements and County resolutions, including such items as debt service coverage, reporting requirements, and maintenance of facilities. Management believes that it has complied, in all material respects, with these covenants. All required balances at September 30, 2012, were maintained on all issues. The following issues are still outstanding:

Revenue Bonds

- Certificates of Participation, Series 1993
- Capital Refunding Revenue Bonds, Series 1993B
- Capital & Transportation Facilities Refunding Revenue Bonds, Series 2003
- Tourist Development Tax Refunding Revenue Bonds, Series 2004
- Five Cent Local Option Gas Tax Refunding Revenue Bonds, Series 2004
- Capital Revenue Bonds, Series 2004
- Capital Revenue Bonds, Series 2006
- Tourist Development Tax Revenue Bonds, Series 2010A
- Tourist Development Tax Revenue Bonds, Series 2010B
- Tourist Development Tax Revenue Bonds, Series 2010C

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Airport Revenue Refunding Bonds, Series 2005
 Airport Revenue Refunding Bonds, Series 2010A
 Airport Revenue Refunding Bonds, Series 2011A
 Water and Sewer Refunding Revenue Bonds, Series 2003A
 Water and Sewer Refunding Revenue Bonds, Series 2011
 Water and Sewer Refunding Revenue Bonds, Series 2012A
 Water and Sewer Refunding Revenue Bonds, Series 2012B
 Transportation Facilities Refunding Revenue Bonds, Series 2004B
 Transportation Facilities Refunding Revenue Bonds, Series 2005A
 Transportation Facilities Revenue Bonds, Series 2005B
 Solid Waste System Revenue Bonds, Series 2006A
 Solid Waste System Refunding Revenue Bonds, Series 2006B

Variable Debt

The County has entered into a loan agreement with a commercial bank to provide long-term financing for certain capital projects used in governmental activities. The loan is collateralized by special assessments levied against the benefited property owners of certain municipal service benefit units ("MSBU") of the County. Interest is payable semi-annually. Principal is payable in equal annual installments maturing in fiscal year 2018. The descriptions and the outstanding balances of the variable debt at September 30, 2012, were as follows:

- Bal Isle Drive Sewer district loan was issued on June 4, 2004, for \$79,000. For the year ended September 30, 2012, the interest rate was 6.12 percent. The interest rate is fixed until 2014 when it becomes variable and is calculated at 133 percent of the five-year Treasury note yield. The outstanding balance was \$30,000.
- Country/Triple Crown Court Waterline district loan was issued on July 15, 2004, for \$195,000. For the year ended September 30, 2012, the interest rate was 5.95 percent. The interest rate is fixed until 2014 when it becomes variable and is calculated at 133 percent of the five-year

Treasury note yield. The outstanding balance was \$65,000.

- Cottage Point Waterline district loan was issued on July 28, 2004, for \$131,000. For the year ended September 30, 2012, the interest rate was 5.93 percent. The interest rate is fixed until 2014 when it becomes variable and is calculated at 133 percent of the five-year Treasury note yield. The outstanding balance was \$46,000.

The County entered into a \$2,500,000 line of credit on November 8, 2011 with a commercial bank, to be used for initial financing of MSBU projects that are later secured with long-term financing, at an interest rate of London Interbank Offered Rates ("LIBOR") plus 137 basis points, which was 2.18% at September 30, 2012. Interest is payable semi-annually beginning May 1, 2012, on the unpaid balance until final maturity on November 8, 2013. Principal for all draws made against the line of credit is due on November 8, 2013. The line of credit is collateralized by special assessments levied against the benefited property owners of certain MSBUs. The outstanding and available balances as of September 30, 2012, were \$841,000 and \$1,659,000, respectively.

The total principal and interest remaining to be paid out on the MSBU variable debt is \$1,016,000.

Principal and interest paid for the current year and pledged revenues collected were \$41,000 and \$31,000, respectively.

The Port Authority entered into a \$10,000,000 line of credit on July 8, 2004, with a commercial bank to finance certain airport-related capital projects in business-type activities at an interest rate of 117 percent of LIBOR. Effective January 1, 2006, a more favorable interest rate of 67 percent of LIBOR plus 73 basis points was negotiated, which was .88 percent as of September 30, 2012. Principal is payable semi-annually beginning June 1, 2006 and interest is payable monthly on the unpaid balance until final maturity on December 1, 2020. The line of credit is collateralized by a lien on and a pledge of the net revenues of Page Field General Aviation Airport. The outstanding and available balances as

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of September 30, 2012 were \$3,812,000 and \$6,188,000, respectively.

Principal and interest paid for the current year and net pledged revenues collected were \$391,000 and \$480,000, respectively.

The total principal and interest remaining to be paid out on the Port Authority line of credit is \$3,974,000.

The annual debt service requirements for variable debt at September 30, 2012, were as follows (dollars in thousands):

Fiscal Year(s)	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$589	\$27	\$375	\$33	\$964	\$60
2014	306	9	395	30	701	39
2015	27	5	415	26	442	31
2016	27	3	435	23	462	26
2017	27	2	455	19	482	21
2018-2022	6	-	1,737	31	1,743	31
	<u>\$982</u>	<u>\$46</u>	<u>\$3,812</u>	<u>\$162</u>	<u>\$4,794</u>	<u>\$208</u>

Notes Payable

The County has entered into loan agreements with several banks and government agencies. These loans and agreements are used for both governmental and business-type activities. The descriptions and outstanding balances at September 30, 2012, were as follows:

Commercial Banks

The County has entered into loan agreements with two commercial banks to provide long-term financing for certain capital projects. The loans are collateralized by special assessments levied against the benefited property owners of certain MSBU of the County. Interest is payable semi-annually. Principal is payable in equal annual installments maturing in fiscal years 2010 through 2025.

- South Pebble/Broken Arrow district loan was issued on May 27, 1998, for \$360,000 at an interest rate of 5.74 percent. The outstanding balance was \$34,000.

- Northeast Hurricane Bay district loan was issued on August 5, 2005, for \$244,000 at an interest rate of 5.459 percent. The outstanding balance was \$38,000.
- Briarcrest Sewer district loan was issued on August 10, 2007, for \$324,000 at an interest rate of 5.51 percent. The outstanding balance was \$216,000.
- Harbor Drive district loan was issued on February 29, 2008, for \$867,000 at an interest rate of 4.67 percent. The outstanding balance was \$693,000.
- Western Acres district loan was issued on April 25, 2008, for \$1,696,000 at an interest rate of 4.36 percent. The outstanding balance was \$1,357,000.
- Emily Lane district loan was issued on August 19, 2009, for \$457,000 at an interest rate of 3.99 percent. The outstanding balance was \$365,000.

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- McGregor Isle district loan was issued on June 10, 2010, for \$223,000 at an interest rate of 3.31 percent. The outstanding balance was \$168,000.
- San Carlos district loan was issued on June 30, 2010, for \$458,000 at an interest rate of 3.17 percent. The outstanding balance was \$397,000.
- McGregor Villages district loan was issued on June 23, 2010, for \$116,000 at an interest rate of 3.34 percent. The outstanding balance was \$101,000.

The total principal and interest remaining to be paid out on the MSBU notes payable is \$4,358,000. Principal and interest paid for the current year and pledged revenues collected were \$893,000 and \$838,000, respectively.

The County entered into an \$18,000,000 loan agreement on May 26, 2010, with a commercial bank to finance the acquisition and construction of a two lane bascule bridge over Matlacha Pass in Charlotte Harbor in governmental activities. The loan is collateralized with pledged revenues from the Six Cent Local Option Gas Tax. Interest is payable semi-annually at an interest rate of 2.18 percent. Principal is payable annually starting on October 1, 2010, and maturing on October 1, 2013. The outstanding balance was \$5,510,000 as a result of the early application of the principal payment by the bank before September 30, 2012.

The total principal and interest remaining to be paid out on the commercial bank loan for the Matlacha Pass Bridge is \$5,630,000. Principal and interest paid for the current year and pledged revenues collected were \$5,628,000 and \$8,174,000, respectively.

On March 9, 2011, the County entered into a loan agreement for \$7,060,000 with a commercial bank to refund the Capital Revenue Bonds, Series 2000. The loan is collateralized by a lien on and a pledge of non-ad valorem funds including ambulance service receipts, building permits, zoning fees, data processing fees, excess County Officer fees, franchise fees, guaranteed entitlement funds, investment earnings, license fees, pledged gas taxes, and sales tax. Interest is payable semi-annually at an interest

rate of 2.135 percent. Principal is payable annually starting on October 1, 2011, and maturing on October 1, 2015. The outstanding balance was \$4,215,000 as a result of the early application of the principal payment by the bank before September 30, 2012.

The total principal and interest remaining to be paid out on the commercial bank loan for the refunding of the Capital Revenue Bonds, series 2000 is \$4,396,000. Principal and interest paid for the current year and pledged revenues collected were \$1,463,000 and \$97,879,000, respectively.

On October 19, 2010, the Lee County Port Authority entered into a loan agreement for \$18,790,000 with a commercial bank to refund the Series 1998 Passenger Facility Charge Revenue and Refunding Bonds. The loan is collateralized by a lien on and a pledge of the passenger facility charge revenues. Interest is payable semi-annually at an interest rate of 1.906 percent. Principal is payable annually starting on October 1, 2011, and maturing on October 1, 2016. The outstanding balance was \$12,840,000 as a result of the early application of the principal payment by the bank before September 30, 2012.

The total principal and interest remaining to be paid out on the commercial bank loan for the Port Authority Series 2010 Passenger Facility Charges Revenue bank loan is \$13,457,000. Principal and interest paid for the current year and pledged revenues collected for Passenger Facility Charges debt were \$3,542,000 and \$14,872,000 respectively.

On November 9, 2011, the County entered into a loan agreement for \$30,700,000 with a commercial bank to refund the Series 2001A Transportation Facilities Refunding Revenue Bonds. The loan is collateralized by a lien on and a pledge of the net revenues derived from the transportation facilities-three toll facilities- in the County. Interest is payable semi-annually at an interest rate of 1.71 percent. Principal is payable annually starting on October 1, 2012, and maturing on October 1, 2017. The outstanding balance at September 30, 2012 was \$30,700,000.

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The total principal and interest remaining to be paid out on the commercial bank loan for the Transportation Facilities Refunding Revenue Series 2011 bank loan is \$32,341,000. Principal and interest paid for the current year and pledged revenues collected for the debt were \$210,000 and \$28,391,000, respectively.

Florida Department of Environmental Protection

- On October 17, 1991, the Lee County Water and Wastewater System entered into an agreement with the Florida Department of Environmental Protection to borrow \$10,135,000 for various construction projects at interest rates of 3.57 percent and 3.66 percent. The first installment of \$726,000 was due on October 1, 1993, and thereafter the annual installments are \$721,000 until maturity in 2012. The outstanding balance was \$696,000.
- On April 17, 2001, the Lee County Water and Wastewater System entered into an agreement with the Florida Department of Environmental Protection to borrow up to \$4,956,000 for various construction projects at an interest rate of 3.08 percent. To date the County has received \$3,278,000 in disbursements from this loan. The outstanding balance also includes capitalized interest and service fees of \$587,000. The 20 semiannual loan payments began on July 15, 2007, and will continue semiannually thereafter on January 15 and July 15 of each year until all amounts due have been fully paid in 2017. The outstanding balance was \$1,886,000.
- On June 15, 2005, the Lee County Water and Wastewater System entered into an agreement with the Florida Department of Environmental Protection to borrow \$3,375,000, excluding capitalized interest, at an interest rate of 2.67 percent for the construction of the North Lee County Water Treatment Plant. The agreement was amended to authorize the borrowing, excluding capitalized interest, of an additional \$6,000,000, \$5,000,000, \$3,000,000, \$3,200,000, and \$4,557,000 at interest rates of 2.58 percent, 2.64 percent, 2.64 percent, 2.77 percent, and 2.57 percent respectively. To date the County has

received a total of \$26,255,000 which includes \$25,132,000 in disbursements and \$1,123,000 in service fees and capitalized interest. The first of 40 semiannual loan payments was due on July 15, 2008 for \$691,000. On July 15, 2010, and thereafter, the semiannual installments of \$858,000 are due on January 15 and July 15 of each year until all amounts due have been fully paid in 2028. The outstanding balance was \$21,735,000.

- On March 3, 2009, the Lee County Water and Wastewater System entered into an agreement with the Florida Department of Environmental Protection to borrow up to \$35,930,000 for various construction projects. The first installment was for \$10,000,000, excluding capitalized interest, at an interest rate of 3.17 percent. The agreement was amended to authorize the borrowing, excluding capitalized interest, of \$10,000,000, \$10,000,000, and \$3,559,000 at interest rates of 2.62 percent, 2.22 percent, and 2.79 percent respectively. To date the County has received \$34,510,000 which includes capitalized interest and service fees of \$950,000. The first of 40 semiannual loan payments began on October 15, 2010 for \$683,000 and which was increased to \$1,000,000 on April 15, 2011. On October 15, 2011 and thereafter the semiannual installments of \$1,121,000 are due on April 15 and October 15 of each year until all amounts due have been fully paid in 2030. The outstanding balance was \$32,023,000.

The total principal and interest remaining to be paid out on the Florida Department of Environmental Protection loans is \$69,976,000. Principal and interest paid for the current year and pledged revenues collected were \$5,131,000 and \$22,775,000, respectively.

Florida Department of Transportation

- On December 4, 2003, the Lee County Transportation Facilities entered into an agreement with the Florida Department of Transportation to borrow \$1,500,000 from the Florida Toll Facilities Revolving Trust Fund. All

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interest earned on the loan proceeds was repaid to the Trust Fund on September 5, 2006. The loan has been expended on the design of span A of the Sanibel Bridge. The interest free loan is to be repaid in five annual installments of \$300,000 beginning in fiscal year 2009 through 2013. The outstanding balance is \$300,000.

project was discontinued in 2011 and all unspent proceeds along with interest earnings were repaid to the Trust Fund on March 2, 2011. The interest free loan is to be repaid in three annual installments of \$314,000 beginning in fiscal year 2013 through 2015. The outstanding balance is \$942,000.

- On June 29, 2006, the Lee County Transportation Facilities entered into an agreement with the Florida Department of Transportation to borrow \$1,500,000 from the Florida Toll Facilities Revolving Trust Fund for the design of the Colonial Boulevard elevated expressway. The

The annual debt service requirements for notes payable at September 30, 2012, were as follows (dollars in thousands):

Fiscal Year(s)	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$289	\$249	\$8,839	\$2,111	\$9,128	\$2,360
2014	7,162	266	11,509	2,014	18,671	2,280
2015	1,651	165	11,772	1,783	13,423	1,948
2016	1,681	124	11,658	1,547	13,339	1,671
2017	246	98	11,675	1,306	11,921	1,404
2018-2022	1,120	343	20,793	4,519	21,913	4,862
2023-2027	945	45	17,569	2,296	18,514	2,341
2028-2031	-	-	7,307	319	7,307	319
	<u>\$13,094</u>	<u>\$1,290</u>	<u>\$101,122</u>	<u>\$15,895</u>	<u>\$114,216</u>	<u>\$17,185</u>

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Other Obligations

Self-Insurance Claims Payable

Self-insurance claims payable are fully described in Note VIII. Since the self-insurance activity is accounted for in an internal service fund, it has been categorized in the governmental activities on the government-wide Statement of Net Assets. The balance at September 30, 2012, consisted of the following (dollars in thousands):

Self-insurance group health & dental	\$ 4,733
Sheriff Internal Service Fund	3,224
Self-insurance general liability	<u>11,185</u>
Total self-insurance claims payable	<u>\$19,142</u>

Arbitrage Rebate Payable

Any excess interest earnings on tax-exempt bond proceeds must be remitted to the federal government in five-year intervals. Even though a payment may not be required until several years into the future, the liability is recognized as it is probable and measurable. The liability is recorded in both governmental and business-type activities. The obligation as of September 30, 2012 is de minimis and therefore the statements do not show a liability.

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Changes in Long-Term Debt

Changes in bonded and other indebtedness of the County for the year ended September 30, 2012, were as follows (dollars in thousands):

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities:</i>					
Bonds payable:					
Revenue bonds	\$ 272,156	\$ -	\$ (10,228)	\$ 261,928	\$ 7,310
Less/plus deferred amounts:					
Unamort discount/premium	3,142	(83)	(244)	2,815	282
Unamortized loss/gain	151	112	44	307	(83)
Total bonds payable	<u>275,449</u>	<u>29</u>	<u>(10,428)</u>	<u>265,050</u>	<u>7,509</u>
Variable debt	168	841	(27)	982	589
Notes payable	20,542	-	(7,448)	13,094	289
Accreted interest payable	11,184	498	(5,742)	5,940	5,940
Other:					
Self-insurance claims payable	18,458	74,111	(73,427)	19,142	9,219
Arbitrage rebate payable	-	-	-	-	-
Other postemployment benefits	93,339	33,913	-	127,252	-
Compensated absences	21,197	16,995	(17,206)	20,986	7,349
Total governmental activity long-term liabilities	<u>\$ 440,337</u>	<u>\$ 126,387</u>	<u>\$ (114,278)</u>	<u>\$ 452,446</u>	<u>\$ 30,895</u>

The liability for compensated absences is liquidated primarily by the General Fund, with other governmental funds and internal service funds liquidating less than 10 percent each on an annual basis. The other postemployment benefit obligation is currently liquidated by the Other Postemployment Benefits Trust Fund. The entire claims liability is reported in the Self-Insurance Group Health and Dental Fund and will be liquidated by that fund.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Business-Type Activities:</i>					
<i>Port Authority</i>					
Bonds payable:					
Revenue bonds	\$ 331,425	\$ -	\$ (7,660)	\$ 323,765	\$ 7,895
Less/plus deferred amounts:					
Unamort discount/premium	4,791	-	(494)	4,297	468
Unamortized loss/gain	(11,591)	-	881	(10,710)	(842)
Total bonds payable	<u>324,625</u>	<u>-</u>	<u>(7,273)</u>	<u>317,352</u>	<u>7,521</u>
Variable debt	4,167	-	(355)	3,812	375
Notes payable	15,900	-	(3,060)	12,840	-
Other postemployment benefits	11,561	2,646	-	14,207	-
Compensated absences	1,412	2,570	(2,487)	1,495	1,038
Total Port Authority long-term liabilities	<u>\$ 357,665</u>	<u>\$ 5,216</u>	<u>\$ (13,175)</u>	<u>\$ 349,706</u>	<u>\$ 8,934</u>

Lee County, Florida

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Changes in Long-Term Debt (continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Water and Wastewater</u>					
Bonds payable:					
Revenue bonds	\$ 159,495	\$ 27,480	\$ (37,045)	\$ 149,930	\$ 5,815
Less/plus deferred amounts:					
Unamort discount/premium	5,923	5,087	(552)	10,458	359
Unamortized loss/gain	(6,607)	(545)	511	(6,641)	(482)
Total bonds payable	158,811	32,022	(37,086)	153,747	5,692
Notes payable	59,911	-	(3,571)	56,340	3,650
Other postemployment benefits	6,138	2,073	-	8,211	-
Compensated absences	864	1,229	(1,214)	879	64
Total Water and Wastewater long-term liabilities	<u>\$ 225,724</u>	<u>\$ 35,324</u>	<u>\$ (41,871)</u>	<u>\$ 219,177</u>	<u>\$ 9,406</u>
<u>Transportation Facilities</u>					
Bonds payable:					
Revenue bonds	\$ 171,890	\$ -	\$ (38,535)	\$ 133,355	\$ 3,570
Less/plus deferred amounts:					
Unamort discount/premium	4,286	-	(859)	3,427	529
Unamortized loss/gain	(7,895)	-	2,513	(5,382)	(431)
Total bonds payable	168,281	-	(36,881)	131,400	3,668
Notes payable	1,542	30,700	(300)	31,942	5,189
Less unamortized loss	-	(1,976)	586	(1,390)	(416)
Total notes payable	1,542	28,724	286	30,552	4,773
Other postemployment benefits	2,197	716	-	2,913	-
Compensated absences	274	302	(305)	271	20
Total Transportation Facilities long-term liabilities	<u>\$ 172,294</u>	<u>\$ 29,742</u>	<u>\$ (36,900)</u>	<u>\$ 165,136</u>	<u>\$ 8,461</u>

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

Changes in Long-Term Debt (continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Solid Waste</u>					
Bonds payable:					
Revenue bonds	\$ 136,380	\$ -	\$ (49,930)	\$ 86,450	\$ 95
Less/plus deferred amounts:					
Unamort discount/premium	(46)	-	224	178	18
Unamortized loss/gain	(103)	-	27	(76)	(26)
Total bonds payable	136,231	-	(49,679)	86,552	87
Landfill closure & postclosure costs	13,293	1,195	-	14,488	-
Other postemployment benefits	1,628	625	-	2,253	-
Compensated absences	251	252	(252)	251	18
Total Solid Waste long-term liabilities	<u>\$ 151,403</u>	<u>\$ 2,072</u>	<u>\$ (49,931)</u>	<u>\$ 103,544</u>	<u>\$ 105</u>
<u>Other Non-Major - Transit</u>					
Notes Payable	\$ 600	\$ -	\$ (600)	\$ -	\$ -
Other postemployment benefits	5,581	1,908	-	7,489	-
Compensated absences	504	835	(836)	503	37
Total Other Non-Major long-term liabilities	<u>\$ 6,685</u>	<u>\$ 2,743</u>	<u>\$ (1,436)</u>	<u>\$ 7,992</u>	<u>\$ 37</u>
<u>Total Business-Type Activities</u>					
Bonds payable:					
Revenue bonds	\$ 799,190	\$ 27,480	\$ (133,170)	\$ 693,500	\$ 17,375
Less/plus deferred amounts:					
Unamort discount/premium	14,954	5,087	(1,681)	18,360	1,374
Unamortized loss/gain	(26,196)	(545)	3,932	(22,809)	(1,781)
Total bonds payable	787,948	32,022	(130,919)	689,051	16,968
Variable debt	4,167	-	(355)	3,812	375
Notes payable	77,953	30,700	(7,531)	101,122	8,839
Less unamortized loss	-	(1,976)	586	(1,390)	(416)
Total notes payable	77,953	28,724	(6,945)	99,732	8,423
Landfill closure & postclosure costs	13,293	1,195	-	14,488	-
Other postemployment benefits	27,105	7,968	-	35,073	-
Compensated absences	3,305	5,188	(5,094)	3,399	1,177
Total business-type activity long-term liabilities	<u>\$ 913,771</u>	<u>\$ 75,097</u>	<u>\$ (143,313)</u>	<u>\$ 845,555</u>	<u>\$ 26,943</u>

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE VI. SEGMENT INFORMATION

Segment Information- Port Authority

The County has outstanding revenue bonds which are financed by Southwest Florida International Airport revenues. These activities, and the activities of the Page Field General Aviation and other Port Authority activities, are accounted for in a single fund (Lee County Port Authority). Summary financial information for the Southwest Florida International Airport is presented below (dollars in thousands) as of September 30, 2012.

	Southwest Florida International Airport
<u>Condensed Statement of Net Assets</u>	
Assets	
Current assets	\$ 85,859
Restricted assets	50,058
Capital assets	595,186
Other assets	3,570
Total assets	734,673
Liabilities	
Current liabilities	12,923
Current liabilities payable from restricted assets	16,340
Noncurrent liabilities	323,339
Total liabilities	352,602
Net assets	
Invested in capital assets, net of related debt	302,876
Restricted	15,171
Unrestricted	64,024
Total net assets	\$ 382,071
<u>Condensed Statement of Revenues, Expenses, and Changes in Net Assets</u>	
Operating revenues	
User fees	\$ 40,900
Rentals	2,847
Concessions	34,043
Miscellaneous	139
Less: Rebates	(2,546)
Total operating revenues	75,383
Operating expenses	
Depreciation	17,178
Other operating expenses	51,881
Total operating expenses	69,059
Operating income	6,324
Non-operating revenues (expenses)	
Investment earnings	341
Interest expense	(17,414)
Other non-operating	462
Total non-operating revenues (expenses)	(16,611)

Lee County, Florida
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2012

Segment Information- Port Authority (continued)

	Southwest Florida International Airport
Loss before capital contributions	(10,287)
Capital contributions	5,631
Transfers	(10,010)
Change in net assets	(14,666)
Beginning net assets	396,737
Ending net assets	\$ 382,071

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	\$ 19,843
Noncapital financing activities	(9,515)
Capital and related financing activities	(13,417)
Investing activities	1,751
Net decrease	(1,338)
Beginning cash and equity in pooled cash and investments	102,039
Ending cash and equity in pooled cash and investments	\$ 100,701

Certain funds that relate to activities at both the Southwest Florida International Airport and Page Field are not included in the segmented statements, including the K-9 donation fund and the discretionary fund. In addition, all of the funds related to the passenger facility charges and Page Field activities are omitted from the segmented statements.

Lee County, Florida
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2012

NOTE VII. OTHER POSTEMPLOYMENT BENEFITS

The County maintains two single-employer, defined benefit other postemployment benefit plans ("OPEB"), the Group Health Program for Lee County, and the Lee County Sheriff Health Care Plan.

Plan Description

Group Health Program for Lee County

The Group Health Program for Lee County ("GHPLC") provides medical, dental, vision and life insurance benefits (OPEB benefits) to eligible County retirees and their spouses. All the Constitutional Officers, except the Lee County Sheriff, participate in GHPLC. All retirees and their dependents are eligible to use the active employee self-funded insurance plan that is administered by Aetna. Beginning in 2012, Medicare eligible retirees and their Medicare eligible dependents may enroll in the Medicare Advantage Plan ("MAP"), a fully funded insurance plan administered by United Healthcare. The Board has the authority to establish and amend the benefit provisions of the plan in accordance with Chapter 110.123, *Florida Statutes*.

Lee County Sheriff Health Care Plan

The Lee County Sheriff's Office ("LCSO") operates a separate health care plan. Lee County Sheriff Health Care Plan ("LCSHCP") offers health, dental, and vision coverage to eligible LCSO retirees and their spouses. The plan also allows retirees the option to continue to participate in the LCSHCP life insurance policy. The life insurance is only available to the retiree, and has a face value of \$5,000. The LCSHCP is a single-employer plan and is administered by Self Insured Benefit Administrator. Authority to establish and amend the benefit provisions of the plan is in accordance with Chapter 110.123, *Florida Statutes*.

A publicly available financial report that includes financial statements and required supplementary information is not available for either plan.

Funding Policy

Group Health Program for Lee County

The contribution requirements of the plan members are established and may be amended by the Board and the Constitutional Officers. The County subsidizes medical premiums for the MAP and self-insurance plan at 60 percent, and 50 percent, respectively. A \$96 discount is applied for plan members enrolled in Medicare Part B for the self-insurance plan. No discount is offered for MAP. However, this policy was modified on January 1, 2008; therefore, the Board does not currently subsidize any portion of the medical or Medicare premiums for the employees hired after that date. The Clerk of Circuit Court does not subsidize any contribution rates. Vision and dental insurance are offered to retirees; however, they are not subsidized by the County. The plan also allows retirees the option to continue to participate in the GHPLC life insurance policy. The life insurance is only available to the retiree, and has a face value of \$5,000. The table listed below summarizes the retirees' monthly contribution rates for 2012.

	General Employee Retirees		Clerk of Circuit Court Retirees	
	Aetna	MAP	Aetna	MAP
Medical/ Prescriptions:				
Retiree only				
Pre 65 years old	\$390	N/A	\$780	N/A
Medicare Eligible	294	136	780	339
Retiree plus spouse				
Pre 65 years old	788	N/A	1,575	N/A
Medicare Eligible	595	271	1,575	678
Retiree plus dependent				
Pre 65 years old	773	N/A	1,545	N/A
Medicare Eligible	580	271	1,545	678
Retiree plus family				
Pre 65 years old	795	N/A	1,590	N/A
Medicare Eligible (3) (spouse + one dep)	602	407	1,590	1,017
Life:				
Individual Coverage	5		5	
Spouse	N/A		N/A	

An irrevocable trust was established with ICMA-RC with a contribution of \$42,594,000 in December 2008; however, no formal plan has been established for future contributions to the trust. The current year's

Lee County, Florida
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2012

contribution is the County's payment on behalf of the retirees for their insurance coverage on a pay-as-you-go basis. Distributions of \$4,714,000 were made from the trust fund for the employer's portion of the insurance premiums. The balance in the trust fund on September 30, 2012, was \$37,950,000.

Lee County Sheriff Health Care Plan

Chapter 74.522, *Laws of Florida*, as amended by Chapter 99.434, and 2003.329, *Laws of Florida*, establishes the contribution requirements of the plan members. The current published monthly rates for Health Care coverage are \$762 for single and \$1,470 for retiree and spouse. An \$80 discount is applied for plan members enrolled in Medicare Part B. The LCSO subsidizes a percentage of the monthly major medical and hospitalization insurance based on the number of years of service credited to the Florida Retirement System ("FRS") before retirement. Vision and dental insurance are offered to retirees; however, they are not subsidized by LCSO.

The table below shows the contribution percentages for the corresponding years of service.

Percent of the Total Contribution Rates Paid by Retiree		
Eligible Service Credit at Retirement or Termination	Retiree	Dependent
More than 6 years but less than 15 years	100%	100%
15 years	25%	100%
16 years	20%	100%
17 years	15%	100%
18 years	10%	100%
19 years	5%	100%
20 years or more	0%	50%

The retiree contribution rate for the life insurance policy is \$0.90 per month. The plan is funded on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The annual OPEB cost (expense) is calculated based on the Annual Required Contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over 30 years. The current ARC rate as a percentage of annual covered payroll is 19 percent and 26 percent for GHPLC and LCSHCP, respectively.

The following table shows the components of the County and Sheriff's OPEB cost for the year, the estimated contributions to the plan per the actuary report, and the changes in the net OPEB obligation.

	GHPLC	LCSHCP
Annual Required Contribution	\$28,032,000	\$20,298,000
Interest on net OPEB Obligation	2,773,000	2,540,000
Adjustment to ARC	<u>(3,978,000)</u>	<u>(2,442,000)</u>
Annual OPEB cost/expense	\$26,827,000	\$20,396,000
Employer contributions made	<u>(1,814,000)</u>	<u>(3,528,000)</u>
Increase, (decrease) in net OPEB obligation	\$25,013,000	\$16,868,000
Net OPEB obligation-beginning of year	<u>56,948,000</u>	<u>\$63,496,000</u>
Net OPEB obligation-end of year	<u>\$81,961,000</u>	<u>\$80,364,000</u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 and the two preceding years were as follows:

	Year Ended	Annual OPEB Cost	Percent of OPEB Cost Contributed	Net OPEB Obligation
GHPLC	09/30/2012	\$26,827,000	6.8%	\$81,961,000
	09/30/2011	\$32,686,000	16.2%	\$56,948,000
	09/30/2010	\$20,446,000	18.5%	\$29,543,000
LCSHCP	09/30/2012	\$20,396,000	17.3%	\$80,364,000
	09/30/2011	\$19,248,000	20.6%	\$63,496,000
	09/30/2010	\$16,354,000	18.7%	\$48,220,000

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
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Funded Status and Funding Progress

The funded status of the plans was as follows:

	GHPLC As of 09/30/12	LCSHCP As of 09/30/12
Actuarial accrued liability (a)	\$252,387,000	\$215,911,000
Actuarial value of plan assets (b)	<u>37,950,000</u>	<u>0</u>
Unfunded actuarial accrued liability (funding excess) (a)-(b)	<u>\$214,437,000</u>	<u>\$215,911,000</u>
Funded ratio (b)/(a)	15.0%	0.0%
Covered payroll (c)	\$151,468,000	\$75,694,000
Unfunded actuarial accrued liability (funding excess) as a Percentage of covered payroll ((a)-(b))/(c)	141.6%	285.2%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

Significant methods and assumptions were as follows:

	GHPLC	LCSHCP
Actuarial valuation date	10/01/2011	07/01/2010
Actuarial cost method	Projected Unit Credit	Entry Age
Amortization method	Level dollar, closed	Level percentage of pay, closed
Remaining amortization periods	23	25
Asset valuation method	Market-related	Plan not funded
Actuarial assumptions:		
Inflation rate	3%	3%
Investment rate of return	County 5%, Port 4%	4%
Projected salary increases	n/a	4.5%-10.5%
Payroll growth assumptions	n/a	4.0%
Healthcare inflation rate	9.0%, initial 5.0%, ultimate	9.0%, initial 4.0%, ultimate
Actuarial valuation date	10/01/2010	07/01/2008
Actuarial cost method	Projected Unit Credit	Entry Age
Amortization method	Level dollar, closed	Level percentage of pay, closed
Remaining amortization periods	24	26
Asset valuation method	Market-related	Plan not funded
Actuarial assumptions:		
Inflation rate	3%	3%
Investment rate of return	County 5%, Port 4%	4%
Projected salary increases	n/a	4.5%-10.5%
Payroll growth assumptions	n/a	4.0%
Healthcare inflation rate	9.0%, initial 5.0%, ultimate	9.0%, initial 4.0%, ultimate

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

NOTE VIII. OTHER INFORMATION

Retirement Plan

Plan Description and Provisions

The County participates in the Florida Retirement System ("FRS"), a cost sharing, multiple-employer, public employee retirement system, which covers substantially all of the full-time and part-time employees. The FRS is contributory and is administered by the State of Florida. Benefits under the plan vest after six years of service for members who joined FRS prior to July 1, 2011, and vest eight years for members who first joined FRS on or after July 1, 2011. Employees who joined FRS prior to July 1, 2011, and retire at or after age 62 (age 55 for special risk) with six years of credited service, or 30 years of service (25 years for special risk) regardless of age, are entitled to receive an annual retirement benefit, payable monthly for life. Employees who joined FRS on or after July 1, 2011, and retire at or after age 65 (age 60 for special risk) with eight years of credited service, or 33 years of service (30 years for special risk) regardless of age, are entitled to receive an annual retirement benefit, payable monthly for life. The FRS also provides for early retirement at reduced benefits and death and disability benefits. These benefit provisions and all other requirements are established by Chapters 112 and 121, *Florida Statutes*. The FRS offers several other plan and/or investment options that may be elected by the employee. Each offers specific contribution and benefit options. The FRS plan documents should be referenced for complete details of these options and benefits.

Pension costs for the County as required and defined by State statute ranged between 4.91 percent and 14.90 percent of gross salaries for fiscal year 2012. For fiscal years ended September 30, 2012, 2011, and 2010, the County contributed 100 percent of the required contributions. These contributions aggregated \$19 million, \$31 million, and \$34 million, respectively, which represents 8 percent, 13 percent,

and 14 percent of covered payroll. The employee is required to contribute three percent of their gross salary.

The Deferred Retirement Option Program ("DROP") is a program that provides an alternative method for payment of retirement benefits for a specified and limited period for members of FRS, effective July 1, 1998. Under this program, the employee may retire and have their benefits accumulate in the Florida Retirement System Trust Fund, earning interest, while continuing to work for a system employer. The participation in the program does not change conditions of employment. When the DROP period ends, maximum of 60 months, employment must be terminated. At the time of termination of employment, the employee will receive payment of the accumulated DROP benefits, and begin receiving their monthly retirement benefit (in the same amount determined at retirement, plus annual cost-of-living increases).

A copy of the FRS's June 30, 2012 annual report can be obtained by writing to the Division of Retirement, PO Box 9000, Tallahassee, Florida 32315-9000, or by phoning (850) 488-5706.

Risk Management

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. After September 30, 1989, and prior to October 1, 1987, the Board established a Self-Insured Retention (SIR) program (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the SIR provides coverage in the areas mentioned below. The County purchases commercial insurance for claims in excess of coverage provided by the fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. As a result there was no reduction in insurance coverage.

Lee County, Florida
 NOTES TO THE FINANCIAL STATEMENTS
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The County remains liable for open claims asserted prior to October 1, 1987, and after September 30, 1989, covered under the existing self-insurance program, limited to the established annual loss fund limits for unasserted claims for a period, generally four years after date of occurrence. Claims that are filed or settled after the end of the fiscal year of occurrence are charged to, and accumulated within, the year of occurrence. Consequently, the County's total liability within any one year is limited to the annual loss fund limits.

From October 1, 1987, to September 30, 1989, the County was a member of the Southwest Florida Intergovernmental Risk Management Association (SFIRMA), a local government liability risk pool. SFIRMA administered insurance activities similar to those provided by the Board's SIR program. SFIRMA absorbed losses up to a specific amount annually and purchased excess and other specific coverages from third-party carriers.

The County remains liable for estimated additional assessments of \$72,600 arising from its years of

membership in SFIRMA, which has changed its name to Public Risk Management of Florida.

Additionally, the Board and the Sheriff maintain self-insurance internal service funds to administer insurance activities relating to countywide employee group health and dental programs. The County absorbs losses related to these programs up to aggregate annual loss fund limits. Excess and other specific coverages are purchased from third-party carriers. Funding for these programs is generated by charges to the operating departments based on management's annual estimates of claim loss funding and administration/operating costs.

At September 30, 2012, the County had recorded liabilities equal to the amounts reflected as reserved and unasserted claims. These amounts were calculated by the third-party self-insurance program's underwriters and actuaries, based on industry standards. These liabilities are subject to adjustments in future years, which would be recorded as claim expenses when they are estimated.

The County's and Sheriff's SIR programs and excess insurance provides coverage for all the County and Sheriff departments' exposure. Funding for the SIR is generated by charges to the operating departments based on management's annual estimates of claim loss funding and administration/operating costs. Changes in the County and Sheriff funds' claims liability for the years ended September 30, 2012 and 2011, were as follows (dollars in thousands):

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Year- End
<i>Self-Insurance Group Health and Dental:</i>				
2012	\$7,083	\$71,798	(\$70,924)	\$7,957
2011	8,598	75,192	(76,707)	7,083
<i>Self-Insurance General Liability:</i>				
2012	\$11,375	\$2,313	(\$2,503)	\$11,185
2011	11,134	4,633	(4,392)	11,375

Landfill Closure and Post-closure Liability

The Florida Department of Environmental Protection (FDEP) requires the County to place a final cover on its landfill cells when it stops accepting waste and to perform certain maintenance

and monitoring functions at the site for thirty years after closure. Although most closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a small portion of these closure and post-closure care costs as an operating expense based on certain minor closure activities that have occurred as of the balance sheet date. The amount

Lee County, Florida
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2012

reported as landfill closure and post-closure care liability in the fund statements, \$14,488,000, represents the cumulative portion of total estimated closure and post-closure care as of September 30, 2012, based on the use of 34 percent of the capacity of the 79.2 acre active disposal areas at the landfill. The total estimated cost for closure and post-closure care for the landfill at September 30, 2012, was \$37,843,000. The County will recognize the remaining estimated cost of closure and post-closure care of \$23,355,000 as the remaining estimated capacity is filled. The County will recalculate its liability annually; the liability amount is based on what it presently would cost to perform all closure and post-closure care at September 30, 2012. The Class I - MSW landfill facility configuration, as currently planned, is expected to provide approximately 15 years of disposal capacity for Lee and Hendry Counties. Actual costs may be higher due to inflation, or changes in regulations.

The County is required by FDEP to annually calculate closure and post-closure costs, and to provide proof of its capacity to fund closure costs. The County is in compliance with these requirements, and at September 30, 2012, cash and investments of \$7,913,000 are held for these purposes. These are reported as restricted assets on the balance sheet.

Commitments and Contingencies

The County is currently receiving, and has received in the past, grants that are subject to special compliance audits by the grantor agency that may result in disallowed expense amounts. These amounts constitute a contingent liability of the County. The County does not believe any contingent liabilities to be material.

The County currently prepares rebate calculations on all debt subject to arbitrage per the United States department of the Treasury Regulations, Section 1.148, and the Internal Revenue Service Code of 1986. Rebates, if any, are paid to the Internal Revenue Service every fifth year after the year of issuance and a final computation is completed when paid in full. Within the five-year period, any positive arbitrage (liability) can be offset by any negative arbitrage (non-liability). These rebates constitute a contingent liability of the County. The

County does not believe any contingent liabilities to be material.

The Sheriff has agreements with a corporation for the provision of inmate medical services and food services at its detention facilities. The contracts are paid 100 percent by the Sheriff through its annual budget. The food services are based on a cost per meal per inmate basis, and the future contract commitment is estimated at approximately \$2,800,000 per year based on the results of the current year. No liability is recorded in the fund statements, as any future commitment will be budgeted and paid from the subsequent year's budget. The minimum payment requirements for inmate medical services are as follows:

	<u>Amount</u>
Year ending September 30, 2013:	\$6,700,000

For the year ended September 30, 2012, the Sheriff paid \$8,698,000 for inmate medical services and \$2,428,000 for food services at its detention facilities.

The Sheriff has an agreement with a corporation to arrange for medical staff, including doctors, to be located at a site (clinic) designated by the Sheriff to provide medical services to the employees, dependents and retirees of the Sheriff. The agreement calls for the Sheriff to pay the corporation approximately \$30.29 per Sheriff participant per month. The agreement has an initial one (1) year term ending November 2012 but is cancellable with ninety (90) day written notice. The agreement automatically renews unless cancelled in writing. No liability is recorded in the fund statements, as any future commitment will be budgeted and paid from the subsequent year's budget. The Sheriff estimates it will pay \$1,600,000 to the corporation for the services for the year ended September 30, 2013.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded as reservations of budget, is employed as an extension of the statutory required budgetary process. Although encumbrances lapse at fiscal year-end it is the County's intention to substantially honor these encumbrances under authority provided in the subsequent year's budget. Encumbrances outstanding at September 30, 2012, are as follows:

Lee County, Florida
 NOTES TO THE FINANCIAL STATEMENTS
 September 30, 2012

	<u>Amount</u>
General Fund	\$27,590,000
Library	2,000
MSTU	393,000
TDC	9,000
Capital Improvement	8,595,000
Other Governmental Funds	40,642,000

Litigation

The County is a defendant in various civil lawsuits in both state and federal courts on a variety of issues. The County is not in a position at this time to predict the outcome of the lawsuits or the exact amount of costs and/or potential recovery. The County plans to contest these matters unless settled. The County believes the outcome of these lawsuits will not have a material effect on the financial statements.

A lawsuit brought under the Bert J. Harris, Jr. Private Property Rights Protection Act (the "Act") alleges that an amendment to the Lee County Comprehensive Plan applicable to Pine Island has reduced allowable densities to such a degree that their property values have been destroyed. (The amendment changes allowable densities for parts of Pine Island from one unit per acre to one unit per 17 acres, but allows reclamation of densities of up to 70 percent of the original if the property owner restores native habitat.) Their estimate of the total economic impact of the amendment is approximately \$61 million. Offers of settlement have been made to the plaintiffs in the case and have been rejected which may limit the County's financial exposure per the terms of the Act. Several trials will be scheduled in 2013.

An inverse condemnation suit was filed in the LPH, LLC and Buckingham Village v. Lee County case due to a Lee Plan amendment that relocated plaintiffs' property from the Buckingham Planning Community to the Lehigh Acres Planning Community, which allows more intense development. The Plaintiffs allege that a temporary taking of their property during the time it was "wrongfully" located in the Buckingham Planning Community resulted in damages of \$12 million. The trial was held on October 4, 2011. The County was found liable and the Plaintiffs awarded \$4.6 million in damages. The County has appealed.

Resource Conservation Holdings, LLC v. Lee County case alleging inverse condemnation after a rezoning denial for mining was denied. The plaintiff is claiming damages of \$70 million. The County was found not liable for inverse condemnation and the plaintiff has appealed.

A complaint for violation of the State of Florida's Whistleblower's Act was brought against the County by seven (7) employees for back pay, emotional distress, and attorney's fees. The maximum exposure is approximately \$1 million.

The County also received 19 notices of claim under the Bert J. Harris Act, totaling \$43.7 million in connection with Lee County's adoption of new Federal Flood Insurance Rate Maps. To date, six lawsuits for inverse condemnation and Bert Harris Act claims have been filed. Discovery has started. The County intends on defending these claims.

Subsequent Events

On October 9, 2012, the County entered into a settlement agreement with Hendry Creek Park, LLC, in a lawsuit brought under the Bert J. Harris, Jr. Private Property Rights Protection Act. Under the settlement agreement the property was transferred to the County for \$1,675,000 to settle all claims for damages, fees, and costs.

On October 10, 2012, the County issued Revenue Note, Series 2012A to refinance a draw against the Revolving Line of Credit for the Airport Woods Sewer MSBU Project in the amount of \$451,000.

On October 31, 2012, the County issued Non-Ad Valorem Refunding Revenue Bonds, Series 2012 in the amount of \$48,385,000 to current refund \$55,530,000 of outstanding Capital Revenue Bonds, Series 2004.

On November 2, 2012, the County issued a draw request in the amount of \$38,000 on the Revolving Line of Credit for the Port Carlos Cove Dredging MSBU Project.

The Sheriff settled a lawsuit brought against it for excessive force on a pretrial detainee and alleged deliberate indifference to his serious medical and mental health needs. Resulting costs or potential

Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2012

recovery will be paid in full or part by third party insurance.

Special Item—Loss on Discontinued Projects

On January 9, 2012, the Board of Port Commissioners approved a deed of release from the Federal Aviation Administration to the Florida Department of Transportation (“FDOT”) of land purchased specifically by the Port Authority for a direct connector road between Southwest Florida International Airport (“SWFIA”) and I-75. Subsequently, the FDOT has agreed to fund, construct, and provide perpetual maintenance for the direct connection between I-75 and SWFIA. The purchase price of the land was \$10,151,000. In addition, SWFIA incurred \$6,146,000 in design and permitting costs for the connector road. The FDOT is utilizing the resulting plans and permits to expedite the construction. The transaction closed on May 18, 2012 and a loss was recognized in the amount of \$16,297,000. The FDOT began construction on October 20, 2012.

In addition, in fiscal year 2012, a loss for \$649,000 was recognized related to conceptual design costs incurred on a SWFIA terminal expansion project. The project has been postponed indefinitely.

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APPENDIX D

FORM OF AUTHORIZING RESOLUTION

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D-1

LEE COUNTY, FLORIDA

SECOND AMENDED AND RESTATED
WATER AND SEWER REVENUE BOND RESOLUTION

ADOPTED JUNE 30, 1993

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RESOLUTION 93-06-40

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF LEE COUNTY, FLORIDA AMENDING AND RESTATING IN ITS ENTIRETY RESOLUTION NO. 88-1-25 ADOPTED ON JANUARY 12, 1988, THE TITLE OF WHICH IS PROVIDED IN SECTION 2 HEREOF, WHICH AMENDED AND RESTATED IN ITS ENTIRETY A RESOLUTION OF THE BOARD ADOPTED ON APRIL 27, 1966; PROVIDING FOR THE CONSENT OF BONDHOLDERS TO AMENDMENTS CONTAINED HEREIN; AND PROVIDING FOR AN EFFECTIVE DATE FOR THIS SECOND AMENDED AND RESTATED RESOLUTION.

BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF LEE COUNTY, FLORIDA:

SECTION 1. AUTHORITY FOR THE SECOND AMENDED AND RESTATED RESOLUTION. This Second Amended and Restated Resolution is adopted pursuant to the provisions of Chapter 125, Florida Statutes, and other applicable provisions of law.

SECTION 2. FINDINGS. It is hereby found and determined by the Board of County Commissioners of Lee County, Florida (the "Board") that:

(A) On January 12, 1988, the Board duly adopted Resolution No. 88-1-25, as amended (the "First Amended and Restated Resolution"), which amended and restated a resolution of the Board duly adopted on April 27, 1966. The title of such First Amended and Restated Resolution is as follows:

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF LEE COUNTY, FLORIDA, AMENDING AND MODIFYING THE TERMS AND PROVISIONS OF A RESOLUTION DULY ADOPTED ON APRIL 27, 1966, AS AMENDED AND SUPPLEMENTED, THE TITLE OF WHICH IS SET FORTH IN SECTION 1.03A HEREOF; AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$18,000,000 WATER AND SEWER REVENUE BONDS, SERIES 1988, OF THE COUNTY TO FINANCE THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, EXTENSIONS AND IMPROVEMENTS TO THE COUNTY'S COMBINED AND CONSOLIDATED WATER AND SEWER SYSTEM; PROVIDING FOR THE PAYMENT OF SAID REVENUE BONDS FROM THE NET REVENUES OF THE SYSTEM, SPECIAL ASSESSMENTS TO BE LEVIED AND COLLECTED FROM PROPERTIES SPECIALLY BENEFITED BY THE PROJECT, AND LAWFULLY AVAILABLE CONNECTION FEES TO BE LEVIED AND COLLECTED BY THE COUNTY; MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.

(B) Upon advice of the Financial Advisor and Bond Counsel of Lee County, Florida (the "Issuer"), it is desirable to amend the First Amended and Restated Resolution in certain respects and to restate the First Amended and Restated Resolution, as amended, in its entirety.

(C) Section 8.01 of the First Amended and Restated Resolution authorizes adoption of a resolution which amends the First Amended and Restated Resolution with the consent of the holders of 66-2/3% or more in aggregate principal amount of outstanding Bonds (as defined in the First Amended and Restated Resolution) outstanding which are affected by such amendments.

(D) The Issuer intends to issue its Lee County, Florida Water and Sewer Refunding Revenue Bonds, Series 1993 (the "Series 1993 Bonds") pursuant to this Second Restated and Amended Resolution. The holders of the Series 1993 Bonds represent over 66-2/3% in aggregate principal amount of Bonds outstanding at the time the amendments provided in the Second Amended and Restated Resolution take effect. The holders of the Series 1993 Bonds shall be deemed to have consented to such amendments.

(E) The Series 1993 Bonds shall be issued on parity with the Lee County, Florida Water and Sewer Refunding Revenue Bonds, Series 1991 (the "Series 1991 Bonds") pursuant to the terms of this Second Amended and Restated Resolution. The Series 1991 Bonds are secured by a municipal bond insurance policy issued by AMBAC Indemnity Corporation, which has consented to the amendments provided in this Second Amended and Restated Resolution.

SECTION 3. SECOND AMENDED AND RESTATED RESOLUTION. The First Amended and Restated Resolution is hereby amended and restated in its entirety to read as follows:

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF LEE COUNTY, FLORIDA AUTHORIZING THE REFUNDING OF CERTAIN INDEBTEDNESS RELATING TO THE COUNTY'S WATER AND SEWER SYSTEM; AUTHORIZING THE ISSUANCE BY LEE COUNTY, FLORIDA OF \$40,000,000 IN THE AGGREGATE PRINCIPAL AMOUNT OF LEE COUNTY, FLORIDA WATER AND SEWER REFUNDING REVENUE BONDS, SERIES 1993 IN ORDER TO PROVIDE FUNDS SUFFICIENT, TOGETHER WITH OTHER AVAILABLE MONEYS, TO REFUND THE ABOVE-DESCRIBED INDEBTEDNESS; PLEDGING THE NET REVENUES, THE CONNECTION FEES, CERTAIN SPECIAL ASSESSMENT PROCEEDS AND VARIOUS OTHER MONEYS TO SECURE PAYMENT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, AND INTEREST ON SAID BONDS, AS WELL AS ANY OTHER BONDS ISSUED PURSUANT TO THIS RESOLUTION, INCLUDING THE OUTSTANDING LEE COUNTY, FLORIDA WATER AND SEWER REFUNDING REVENUE BONDS, SERIES 1991; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SAID BONDS; PROVIDING FOR THE ISSUANCE OF ADDITIONAL BONDS; PROVIDING A FLOW OF FUNDS; AND MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH.

BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF LEE COUNTY, FLORIDA:

ARTICLE I

GENERAL

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

"Accreted Value" shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Date next preceding the date of computation or the date of computation if an Interest Date, such interest to accrue at a rate not exceeding the legal rate, compounded semiannually, plus, with respect to matters related to the payment upon redemption or acceleration of the Capital Appreciation Bonds, if such date of computation shall not be an Interest Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Date and the

Accreted Value as of the immediately succeeding Interest Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a 360-day year.

"Act" shall mean Chapter 125, Florida Statutes, and other applicable provisions of law.

"Additional Bonds" shall mean the obligations issued at any time under the provisions of Section 6.02 hereof on a parity with the Series 1991 Bonds and the Series 1993 Bonds.

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

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

"Annual Debt Service" shall mean, at any time, the aggregate amount in the then current Fiscal Year of (1) interest required to be paid on the Outstanding Bonds during such Fiscal Year, except to the extent that such interest is to be paid from deposits in the Interest Account made from Bond proceeds, (2) principal of Outstanding Serial Bonds maturing in such Fiscal Year, and (3) the Sinking Fund Installments herein designated with respect to such Fiscal Year. For purposes of this definition, all amounts payable on a Capital Appreciation Bond shall be considered a principal payment due in the year it becomes due.

"Authorized Investments" shall mean any of the following, if and to the extent that the same are at the time legal for investment of funds of the Issuer:

(1) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

(2) Obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including:

- Export-Import Bank
- Farmers Home Administration
- General Services Administration
- U.S. Maritime Administration
- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration

(3) Bonds, notes or other evidences of indebtedness rated "AAA" by Standard & Poor's Corporation and "Aaa" by Moody's issued by the Federal National Mortgage Association, the Federal Home Loan Bank System or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years.

(4) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by Standard & Poor's Corporation and "P-1" by Moody's and maturing no more than 360 days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank.)

(5) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by Standard & Poor's Corporation and "P-1" by Moody's and which matures not more than 270 days after the date of purchase.

(6) Investments in a money market fund rated "AAAm" or "AAA-m-G" or better by Standard & Poor's Corporation.

(7) Prerefunded Obligations.

(8) Investments in the Florida Counties Investment Trust.

(9) Fixed income mutual funds comprised of only those investments identified in paragraphs (1) through (7) above.

(10) Repurchase agreements collateralized by investments described in paragraphs (1), (2) or (3) above with any registered broker/dealer subject to the jurisdiction of the Securities Investors' Protection Corporation or any commercial bank, if such broker/dealer or bank has an unsecured, unsecured and unguaranteed obligation rated "Prime-1" or "A" or better by Moody's, and "A-1" or "A" or better by Standard & Poor's Corporation, provided:

(A) a master repurchase agreement or specific written repurchase agreement governs the transactions, and

(B) the securities shall be held free and clear of any lien by the Issuer or an independent third party acting solely as agent for the Issuer and such third party is (i) a Federal Reserve Bank, (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25 million, or (iii) a bank approved in writing for such purpose by each Insurer of the Bonds and the Issuer shall have received written confirmation from such third party that it holds such securities free and clear of any lien, as agent for the Issuer, and

(C) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R., 306.1 et. seq. or 31 C.F.R. 350.0 et. seq. in such securities is created for the benefit of the Issuer, and

(D) the purchase agreement has a maximum term of 120 days or less, and the Issuer will value the collateral securities no less frequently than weekly and may liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation, and

(E) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 102%;

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

(12) Any other investment agreed to in writing by all Credit Banks and Insurers securing the Outstanding Bonds with advance notice to Standard & Poor's Corporation.

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

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

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

"Bond Insurance Policy" shall mean, in regard to a Series of Bonds, the municipal bond new issue insurance policy or policies issued by an Insurer guaranteeing the payment of the principal of and interest on all or any portion of such Series of Bonds.

"Bonds" shall mean the Series 1991 Bonds and the Series 1993 Bonds, together with any Additional Bonds issued pursuant to this Resolution and any Subordinated Indebtedness which accedes to the status of Bonds pursuant to Section 6.04 hereof.

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

"Chairman" shall mean the Chairman of the Board of County Commissioners of Lee County, Florida and such other person as may be duly authorized to act on his or her behalf.

"Clerk" shall mean the Clerk of the Board of County Commissioners of Lee County, Florida and such other person as may be duly authorized to act on his or her behalf.

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

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

"Construction Fund" shall mean the fund established pursuant to Section 4.03 hereof.

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

"Cost," when used in connection with a Project, shall mean (1) the Issuer's cost of physical construction; (2) costs of acquisition by or for the Issuer of such Project; (3) costs of land and interests therein and the cost of the Issuer incidental to such acquisition; (4) the cost of any indemnity and surety bonds and premiums for insurance during construction; (5) all interest due to be paid on the Bonds and other obligations relating to the System during the period of acquisition and construction of such Project and for such period subsequent to completion as the Issuer shall determine; (6) engineering, legal and other consultant fees and expenses; (7) costs and expenses of the financing, including fees and expenses of any Paying Agent, Registrar or depository, Credit Bank or Insurer; (8) amounts, if any, required by this Resolution to be paid into the Interest Account upon the issuance of any Series of Bonds; (9) payments, when due (whether at the maturity of principal or the due date of interest or upon redemption) on any interim or temporary indebtedness of the Issuer (other than the Bonds) incurred for a Project for the System; (10)

costs of machinery, equipment and supplies and reserves required by the Issuer for the commencement of operation of such Project; and (11) any other costs properly attributable to such construction or acquisition, as determined by generally accepted accounting principles applicable to public utility systems similar to the System, and shall include reimbursement to the Issuer for any such items of Cost heretofore paid by the Issuer prior to the issuance of the Bonds. Any Supplemental Resolution may provide for additional items to be included in the aforesaid Costs.

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

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

"Current Interest Bonds" shall mean Bonds which are not Capital Appreciation Bonds.

"Escrow Deposit Agreement" shall mean the Escrow Deposit Agreement, dated as of June 15, 1993, between the Issuer and First Union National Bank of Florida, as Escrow Agent, pursuant to which certain moneys shall be held and invested for the payment of the Refunded Bonds.

"Federal Securities" shall mean obligations described in paragraphs (1) and (2) of the definition of "Authorized Investments." Federal Securities shall also include Treasury Receipts, CATS, STRPS, Refcorp interest strips and TIGRS; provided such obligations do not permit redemption prior to maturity at the option of the obligor.

"First Amended and Restated Resolution" shall mean Resolution No. 88-1-25 of the Issuer, adopted on January 12, 1988, as amended and supplemented.

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

"Fitch" shall mean Fitch Investors Services, and any assigns and successors thereto.

"Governing Body" shall mean the Board of County Commissioners of Lee County, Florida and its successor in function.

"Government Grant," when used with respect to the System, shall mean any sum of money heretofore or hereafter received by the Issuer from the United States of America or any agency thereof or from the State of Florida or any agency or political subdivision thereof as or on account of a grant or contribution, not repayable by the Issuer, for or with respect to (1) the construction, acquisition or other development of an addition, extension or improvement to any part of the System or any costs of any such construction, acquisition or development, or (2) the financing of any such construction, acquisition, development or costs.

"Gross Revenues" shall mean all income and moneys received by the Issuer from the rates, fees, rentals, charges and other income to be made and collected by the Issuer for the use of the products, services and facilities to be provided by the System, or otherwise received by the Issuer or accruing to the Issuer in the ownership, management and/or operation of the System, calculated in accordance with generally accepted accounting principles applicable to public utility systems similar to the System, including, without limiting the generality of the foregoing, Investment Earnings. "Gross Revenues" shall not include (1) Government Grants, (2) Water Connection Fees, (3) Sewer Connection Fees, and (4) Special Assessment Proceeds.

"Insurer" shall mean such Person as shall issue a Bond Insurance Policy which shall guarantee the payment of principal of and interest on a Series of Bonds or portion thereof, when due.

"Interest Account" shall mean the separate account in the Sinking Fund established pursuant to Section 4.04(B) hereof.

"Interest Date" or "interest payment date" shall be such date or dates as shall be provided by Supplemental Resolution of the Issuer.

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

"Issuer" shall mean Lee County, Florida and also includes any Special District to which the System may be transferred pursuant to Section 5.20 hereof.

"Maximum Annual Debt Service" shall mean the largest aggregate amount in any Fiscal Year, excluding all Fiscal Years which shall have ended prior to the Fiscal Year in which the Maximum Annual Debt Service shall at any time be computed, of the Annual Debt Service.

"Maximum Interest Rate" shall mean, with respect to any particular Variable Rate Bonds, a numerical rate of interest, which

shall be set forth in the Supplemental Resolution of the Issuer delineating the details of such Bonds, that shall be the maximum rate of interest such Bonds may at any particular time bear.

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

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

"Operating Expenses" shall mean the Issuer's expenses for operation, maintenance, repairs and replacements with respect to the System and shall include, without limiting the generality of the foregoing, administration expenses, payments for the purchase of materials essential to or used in the operation of the System including bulk purchases of water or sewage services, fees for management of the System or any portion thereof, any insurance and surety bond fees or premiums, the fees to the provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit (but excluding any expenses or reimbursement obligations for draws made thereunder), accounting, legal and engineering expenses, ordinary and current rentals of equipment or other property, refunds of moneys lawfully due to others, payments to others for disposal of sewage or other wastes, payments to pension, retirement, health and hospitalization funds, and any other expenses required to be paid for or with respect to proper operation or maintenance of the System, including appropriate reserves therefor, all to the extent properly attributable to the System in accordance with generally accepted accounting principles applicable to public utility systems similar to the System, and disbursements for the expenses, liabilities and compensation of any Paying Agent or Registrar under this Resolution, but does not include any costs or expenses in respect of original construction or improvement other than expenditures necessary to prevent an interruption of service or of Gross Revenues or minor capital expenditures necessary for the proper and economical operation or maintenance of the System, or any provision for interest, depreciation, amortization or similar charges.

"Operation and Maintenance Account" shall mean the separate account in the Revenue Fund established pursuant to Section 4.04(A) hereof.

"Outstanding," when used with reference to Bonds and as of any particular date, shall describe all Bonds theretofore and thereupon being authenticated and delivered except, (1) any Bond in lieu of which other Bond or Bonds have been issued under agreement to replace lost, mutilated or destroyed Bonds, (2) any Bond surrendered by the Holder thereof in exchange for other Bond or Bonds under Sections 2.06 and 2.08 hereof, (3) Bonds deemed to have been paid pursuant to Section 9.01 hereof and (4) Bonds

cancelled after purchase in the open market or because of payment at or redemption prior to maturity.

"Paying Agent" shall mean any paying agent for Bonds appointed by or pursuant to this Resolution and its successor or assigns, and any other Person which may at any time be substituted in its place pursuant to this Resolution.

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

"Pledged Funds" shall mean, (1) the Net Revenues, (2) the Connection Fees, (3) the Special Assessment Proceeds, if any, and (4) until applied in accordance with the provisions of this Resolution, all moneys, including investments thereof, in the funds and accounts established hereunder, except (A) the Rebate Fund, (B) moneys in any fund or account to the extent such moneys shall be required to pay the Operating Expenses of the System in accordance with the terms hereof, (C) moneys on deposit in a subaccount of the Reserve Account to the extent moneys on deposit therein shall be pledged solely for the payment of the Series of Bonds for which it was established in accordance with the provisions hereof, (D) Special Assessment Proceeds to the extent they are pledged solely to a Series of Bonds pursuant to this Resolution, and (E) any additional revenues to the extent they are pledged solely to a Series of Bonds pursuant to this Resolution. If provided for by Supplemental Resolution of the Issuer for a particular Series or all Series of Bonds, "Pledged Funds" may also include other moneys specified therein. Such additional revenues shall be pledged in the sole discretion of the Issuer.

"Prerefunded Obligations" shall mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (1) which are (A) not callable prior to maturity or (B) as to which irrevocable instructions have been given to the fiduciary for such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (2) which are fully secured as to principal, redemption premium, if any, and interest by a fund held by a fiduciary consisting only of cash or Federal Securities, secured in the manner set forth in Section 9.01 hereof, which fund may be applied only to the payment of such principal of, redemption premium, if any, and interest on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as the case may be, (3) as to which the principal of and interest on the Federal Securities, which have been deposited in such fund along with any cash on deposit in such fund are sufficient (as verified by a nationally recognized firm of independent certified

public accountants) to pay principal of, redemption premium, if any, and interest on the bonds or other obligations on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (1) above and are not available to satisfy any other claims, including those against the fiduciary holding the same, and (4) which are rated in the highest rating category of Standard & Poor's Corporation and Moody's.

"Principal Account" shall mean the separate account in the Sinking Fund established pursuant to Section 4.04(B) hereof.

"Project" shall mean any structure, property or facility for public use which the Issuer from time to time may determine to construct or acquire as part of the System, together with all equipment, structures and other facilities necessary or appropriate in connection therewith which are financed in whole or in part with the indebtedness secured by this Resolution. This term is to be broadly construed as including any lawful undertaking which will accrue to the benefit of the System, including joint ventures and acquisition of partial interests or contractual rights, and including modification, disposal, replacement or cancellation of a Project previously authorized, should such modification, disposal or cancellation be permitted under this Resolution.

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

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

"Rebate Fund" shall mean the Rebate Fund established pursuant to Section 4.04(G) hereof.

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

"Refunded Bonds" shall mean (1) the Issuer's Water and Sewer Revenue Bonds, dated as of November 1, 1976, (2) the Issuer's Water and Sewer Revenue Bonds, Series 1978, dated as of May 1, 1978, (3) the Issuer's Water and Sewer Revenue Bonds, Series 1988, dated as of January 1, 1988, (4) the Lee County, Florida Water and Sewer Refunding Revenue Bonds, Series 1988A, dated as of July 1, 1988 and July 6, 1988, and (5) the Lee County, Florida Water and Sewer Revenue Bonds, Series 1989, dated as of July 1, 1989.

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

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

"Renewal and Replacement Fund" shall mean the fund created pursuant to Section 4.04(F) hereof.

"Renewal and Replacement Fund Requirement" shall mean, on the date of calculation, an amount of money equal to five percent (5%) of the Gross Revenues received by the Issuer in the immediately preceding Fiscal Year, or such other amount as may be certified to the Issuer by the Consulting Engineers as an amount appropriate for the purposes of this Resolution.

"Reserve Account" shall mean the separate account in the Sinking Fund established pursuant to Section 4.04(B) hereof.

"Reserve Account Insurance Policy" shall mean the insurance policy deposited in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.05(B)(iv).

"Reserve Account Letter of Credit" shall mean a letter of credit or line of credit or other credit facility (other than a Reserve Account Insurance Policy) deposited in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.05(B)(iv) hereof.

"Reserve Account Requirement" shall mean, as of any date of calculation, an amount equal to the lesser of (1) Maximum Annual Debt Service for all Outstanding Bonds, (2) 125% of the average annual debt service for all Outstanding Bonds, or (3) such other amount, if any, as shall be provided by Supplemental Resolution of the Issuer and approved by Bond Counsel as being the maximum amount which may be funded from proceeds of the Bonds or other sources without (A) being subject to yield restriction or (B) causing the Bonds to be deemed "arbitrage bonds" within the meaning of the Code. In computing the Reserve Account Requirement in respect of a Series of Bonds that constitute Variable Rate Bonds, the interest rate on such Bonds shall be assumed to be the greater of (i) 110% of the daily average interest rate on such Variable Rate Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period of time that such Series of Bonds shall have been Outstanding, or (ii) the actual rate of interest borne by the such Variable Rate Bonds on such date of calculation; provided, in no event shall the Reserve Account Requirement as adjusted on such date of calculation exceed the lesser of the amounts specified in the immediately preceding sentence. The dates of calculation of the Reserve Account Requirement for purposes of computing such Requirement in regard

to Variable Rate Bonds shall be (i) August 1 of each year and (ii) the sale date relating to the initial issuance of Variable Rate Bonds.

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

"Revenue Account" shall mean the separate account in the Revenue Fund established pursuant to Section 4.04(A) hereof.

"Revenue Fund" shall mean the fund created pursuant to Section 4.04(A) hereof.

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

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

"Series 1991 Bonds" shall mean the Lee County, Florida Water and Sewer Refunding Revenue Bonds, Series 1991.

"Series 1993 Bonds" shall mean the Lee County, Florida Water and Sewer Refunding Revenue Bonds, Series 1993 authorized pursuant to Section 2.02 hereof.

"Sewer Connection Fees" shall mean the fees and charges, if any, which relate to acquiring, constructing, equipping or expanding the capacity of the sewer facilities of the System, and levied for the purpose of paying or reimbursing the equitable share of the capital cost relating to such acquisition, construction, expansion or equipping of excess and unused capacity of the System or expansion thereof in order to serve new users of the sewer facilities of the System, to the extent the same are lawfully levied, collected and pledged.

"Sewer Connection Fees Fund" shall mean the fund established pursuant to Section 4.04(D) hereof.

"Sinking Fund" shall mean the fund established pursuant to Section 4.04(B) hereof.

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

"Special Assessments" means any and all assessments against property benefited by the System or any part thereof, but special assessments shall be subject to the provisions and lien and pledge of this Resolution only if and to the extent provision for inclusion as part of the Pledged Funds has been made by Supplemental Resolution to be adopted by the Issuer. Special Assessments shall include special assessments levied by the Issuer in connection with facilities acquired and constructed with proceeds of the Refunded Bonds and which were pledged to the payment of the Refunded Bonds pursuant to the First Amended and Restated Resolution; such special assessments shall be pledged to the payment of all Bonds issued hereunder. Special Assessments shall include special assessments which were pledged to the payment of the Series 1991 Bonds pursuant to the First Amended and Restated Resolution and Resolution No. 91-09-19; provided such special assessments shall be pledged solely to the payment of the Series 1991 Bonds.

"Special Assessments Fund" shall mean the fund created pursuant to Section 4.04(E) hereof.

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

"Special District" shall mean a separate local unit of special-purpose government created either by the Florida Legislature or by the Governing Body for purpose of owning and/or operating the System.

"State" shall mean the State of Florida.

"Standard and Poor's Corporation" shall mean Standard and Poor's Corporation, and any assigns and successors thereto.

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

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

"System" shall mean any and all water production, transmission, treatment and distribution facilities and sewage collection, transmission, treatment and disposal facilities now owned and operated or hereafter owned and operated by the Issuer, which System shall also include any and all improvements, extensions and additions thereto hereafter constructed or acquired either from the proceeds of Bonds or from any other sources,

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

"Taxable Bonds" means any Bond which states, in the body thereof, that the interest income thereon is includible in the gross income of the Holder thereof for federal income taxation purposes or that such interest is subject to federal income taxation.

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

"Term Bonds Redemption Account" shall mean the separate account in the Sinking Fund established pursuant to Section 4.04(B) hereof.

"Utility Reserve Account" shall mean the separate account in the Revenue Fund established pursuant to Section 4.04(A) hereof.

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

"Water Connection Fees" shall mean the fees and charges, if any, which relate to acquiring, constructing, equipping or expanding the capacity of the water facilities of the System, and levied for the purpose of paying or reimbursing the equitable share of the capital cost relating to such acquisition, construction, expansion or equipping of excess and unused capacity of the System or expansion thereof in order to serve new users of the water facilities of the System, to the extent the same are lawfully levied, collected and pledged.

"Water Connection Fees Fund" shall mean the fund created pursuant to Section 4.04(C) hereof.

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

Words importing the masculine gender include every other gender.

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

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

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

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

(A) That the Issuer now owns, operates and maintains water and sewer facilities for the supply, treatment and distribution of water for domestic, commercial and industrial use and for the collection, treatment and disposal of sewage.

(B) That the Issuer has heretofore issued and has Outstanding the Series 1991 Bonds and the Refunded Bonds.

(C) That the Pledged Funds are not pledged or encumbered on a senior lien basis except for the payment of principal of and interest on the Series 1991 Bonds and the Refunded Bonds.

(D) That in order to achieve debt service savings and to amend the First Amended and Restated Resolution, it is deemed to be in the best interests of the citizens of the Issuer that the Refunded Bonds be refunded at this time.

(E) That the changes made to the First Amended and Restated Resolution in the form of this Resolution will benefit the operation and administration of the System.

(F) That there is hereby authorized the payment and refunding of the Refunded Bonds all in the manner as provided by this Resolution and the Escrow Deposit Agreement.

(G) That the estimated Gross Revenues to be derived in each year hereafter from the operation of the System will be sufficient to pay all the Operating Expenses, the principal of and interest on the Series 1991 Bonds, the Series 1993 Bonds, as well as all other Bonds to be issued pursuant to this Resolution, as the same become due, and all other payments provided for in this Resolution.

(H) That the principal of and interest on the Bonds to be issued pursuant to this Resolution, and all other payments provided for in this Resolution will be paid solely from the Pledged Funds in accordance with the terms hereof and any moneys received for such purpose from any Credit Bank or Insurers; and neither the ad valorem taxing power of the Issuer, the State of Florida or any political subdivision or agency thereof will never be necessary or authorized to pay the principal of and interest on the Bonds to be issued pursuant to this Resolution, or to make any other payments provided for in this Resolution, and the Bonds shall not constitute a lien upon the System or upon any other property whatsoever of or in the Issuer.

SECTION 1.05. AUTHORIZATION OF REFUNDING. The Issuer does hereby authorize the refunding of the Refunded Bonds in accordance with the terms hereof and of the Escrow Deposit Agreement.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION AND
REGISTRATION OF BONDS

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

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

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

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

SECTION 2.02. AUTHORIZATION AND DESCRIPTION OF SERIES 1993 BONDS. A Series of Bonds entitled to the benefit, protection and security of this Resolution is hereby authorized in the aggregate principal amount of \$40,000,000 for the principal purpose of refunding the Refunded Bonds. Such Series of Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "Lee County, Florida Water and Sewer Refunding Revenue Bonds, Series 1993"; provided the Issuer may change such designation in the event that the total amount of Series 1993 Bonds authorized herein are not issued in a simultaneous transaction or the Series 1993 Bonds are not issued in calendar year 1993.

The Series 1993 Bonds shall be dated as of the first day of the month in which occurs the delivery of the Series 1993 Bonds to the purchaser or purchasers thereof or such other date or dates as may be set forth by Supplemental Resolution of the Issuer; shall be issued as fully registered Bonds; shall be numbered consecutively from one upward in order of maturity; shall be in such denominations and shall bear interest at a rate or rates not exceeding the maximum rate permitted by law, payable in such manner and on such dates; shall consist of such amounts of Serial Bonds, Term Bonds, Variable Rate Bonds, Current Interest Bonds and Capital Appreciation Bonds maturing in such years and amounts not exceeding such period as may be permitted by the Act at the time of issuance; shall be payable in such place or places; shall have such Paying Agents and Registrars; and shall contain such redemption provisions; all as the Issuer shall provide hereafter by Supplemental Resolution.

The principal of or Redemption Price, if applicable, on the Series 1993 Bonds and compound interest on Series 1993 Bonds which are Capital Appreciation Bonds are payable upon presentation and surrender of the Series 1993 Bonds at the designated office of the Paying Agent. Interest payable on any Series 1993 Bond which is a Current Interest Bond on any Interest Date will be paid by check or draft of the Paying Agent to the Holder in whose name such Bond shall be registered at the close of business on the date which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding such Interest Date, or, at the prior written request and expense of such Holder, by bank wire transfer for the account of such Holder. In the event the interest payable on any Series 1993 Bond is not punctually paid or duly provided for by the Issuer on such Interest Date, such defaulted interest will be paid to the Holder in whose name such Bond shall be registered at the close of business on a special record date for the payment of such defaulted interest as established by notice to such Holder, not less than ten (10) days preceding such special record date. All payments of principal of or Redemption Price, if applicable, and interest on the Series 1993 Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

SECTION 2.03. APPLICATION OF SERIES 1993 BOND PROCEEDS. Except as otherwise provided by Supplemental Resolution of the Issuer, the proceeds derived from the sale of the Series 1993 Bonds, including accrued interest and premium, if any, shall, simultaneously with the delivery of the Series 1993 Bonds to the purchaser or purchasers thereof, be applied by the Issuer as follows:

(A) Accrued interest on the Series 1993 Bonds, if any, shall be deposited in the Interest Account and shall be used only for the

purpose of paying the interest which shall thereafter become due on the Series 1993 Bonds.

(B) An amount of Series 1993 Bond proceeds, if any, shall be deposited in the Reserve Account which, together with any other moneys and securities on deposit therein and any Reserve Account Insurance Policy and/or Reserve Account Letter of Credit obtained in accordance with Section 4.05(B)(4) hereof, shall equal the Reserve Account Requirement.

(C) A sufficient amount of Series 1993 Bond proceeds, together with other legally available moneys of the Issuer, shall be deposited irrevocably in trust in the escrow fund under the terms and provisions of the Escrow Deposit Agreement and shall be invested in U.S. Treasury obligations in the manner set forth in the Escrow Deposit Agreement, which investments shall mature at such times and in such amounts as shall be sufficient, together with any cash deposits, to pay the principal of, redemption premium, if any, and interest on the Refunded Bonds as the same mature and become due or are redeemed prior to maturity.

(D) The balance of the Series 1993 Bond proceeds shall be applied to the payment of the premiums of the Bond Insurance Policy applicable to the Series 1993 Bonds and any Reserve Account Insurance Policy or Reserve Account Letter of Credit and to the payment of costs and expenses relating to the issuance of the Series 1993 Bonds.

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

SECTION 2.05. AUTHENTICATION. No Bond of any Series shall be secured hereunder or entitled to the benefit hereof or shall be

valid or obligatory for any purpose unless there shall be manually endorsed on such Bond a certificate of authentication by the Registrar or such other entity as may be approved by the Issuer for such purpose. Such certificate on any Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution. The form of such certificate shall be substantially in the form provided in Section 2.09 hereof.

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

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

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

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

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

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

The Registrar, in any case where it is not also the Paying Agent in respect to any Series of Bonds, forthwith (A) following the fifteenth day prior to an interest payment date for such Series; (B) following the fifteenth day next preceding the date of

first mailing of notice of redemption of any Bonds of such Series; and (C) at any other time as reasonably requested by the Paying Agent of such Series, shall certify and furnish to such Paying Agent the names, addresses and holdings of Bondholders and any other relevant information reflected in the registration books. Any Paying Agent of any fully registered Bond shall effect payment of interest on such Bonds by mailing a check to the Holder entitled thereto or may, in lieu thereof, upon the request and at the expense of such Holder, transmit such payment by bank wire transfer for the account of such Holder.

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

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

SECTION 2.09. FORM OF BONDS. The text of the Current Interest Bonds and Capital Appreciation Bonds, other than Variable Rate Bonds, the form of which shall be provided by Supplemental Resolution of the Issuer, shall be in substantially the following forms with such omissions, insertions and variations as may be necessary and/or desirable and approved by the Chairman or the Clerk prior to the issuance thereof (which necessity and/or desirability and approval shall be presumed by such officer's execution of the Bonds and the Issuer's delivery of the Bonds to the purchaser or purchasers thereof):

[Form of Current Interest Bond]

No. [CI]R-

\$

UNITED STATES OF AMERICA
STATE OF FLORIDA
LEE COUNTY
WATER AND SEWER [REFUNDING] REVENUE BOND,
SERIES

Interest Rate	Maturity Date	Date of Original Issue	CUSIP
_____ %	_____	_____	_____

Registered Holder:

Principal Amount:

Lee County, Florida, a political subdivision of the State of Florida, and any successor thereto (the "Issuer"), for value received, hereby promises to pay, solely from the Pledged Funds hereinafter described, to the Registered Holder identified above, or registered assigns as hereinafter provided, on the Maturity Date identified above, the Principal Amount identified above and to pay interest on such Principal Amount from the Date of Original Issue identified above or from the most recent interest payment date to which interest has been paid at the Interest Rate per annum identified above on _____ and _____ of each year commencing _____ until such Principal Amount shall have been paid, except as the provisions hereinafter set forth with respect to redemption prior to maturity may be or become applicable hereto.

Such Principal Amount and interest and the redemption premium, if any, on this Bond are payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts. Such Principal Amount and the premium, if any, on this Bond, are payable at the designated corporate trust office of _____, _____, as Paying Agent. Payment of each installment of interest shall be made to the person in whose name this Bond shall be registered on the registration

books of the Issuer maintained by _____, _____, _____, as Registrar, at the close of business on the date which shall be the fifteenth day (whether or not a business day) next preceding each interest payment date and shall be paid by a check of such Paying Agent mailed to such Registered Holder at the address appearing on such registration books or, at the prior written request and expense of such Registered Holder, by bank wire transfer for the account of such Holder.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of \$_____ (the "Bonds") of like date, tenor and effect, except as to maturity date, interest rate, principal amount, registered owner and number, issued to finance _____, in and for the Issuer, under the authority of and in full compliance with the Constitution and laws of the State of Florida, particularly Chapter 125, Florida Statutes, and other applicable provisions of law (the "Act"), and a resolution duly adopted by the Board of County Commissioners of the Issuer on April 27, 1966, as amended, restated and supplemented, in particular by Resolution No. _____ adopted on _____, 1993 (collectively, the "Resolution"), and is subject to all the terms and conditions of the Resolution.

This Bond and the interest hereon are payable solely from and secured by a lien upon and a pledge of (1) the Net Revenues (as defined in the Resolution) to be derived from the operation of the Issuer's water and sewer system (the "System"), (2) the Connection Fees (as defined in the Resolution), (3) the Special Assessment Proceeds (as defined in the Resolution), if any, and (4) until applied in accordance with the provisions of the Resolution, all moneys, including investments thereof, in the funds and accounts established by the Resolution, except (A) the Rebate Fund, (B) moneys in any fund and account established pursuant to the Resolution to the extent said moneys shall be required by the Resolution to pay the Operating Expenses (as defined in the Resolution), (C) moneys on deposit in a subaccount of the Reserve Account established by the Resolution to the extent moneys therein shall be pledged solely for the payment of the series of Bonds for which it was established in accordance with the provisions of the Resolution, (D) Special Assessment Proceeds to the extent they are pledged solely to a series of Bonds pursuant to the Resolution, and (E) any additional revenues to the extent they are pledged solely to a series of Bonds pursuant to the Resolution, subject in each case to the application thereof for the purposes and on the conditions permitted by the Resolution (collectively, the "Pledged Funds"). [The Bonds are further secured by a pledge of and lien on The Special Assessment Proceeds related to the project financed by the Bonds.] It is expressly agreed by the Registered Holder of this Bond that the full faith and credit of the Issuer are not pledged to the payment of the principal of, premium, if any, and interest on this Bond and that such Holder shall never have the right to require or compel the exercise of any taxing power of the

Issuer to the payment of such principal, premium, if any, and interest. This Bond and the obligation evidenced hereby shall not constitute a lien upon the System or any other property of the Issuer, but shall constitute a lien only on, and shall be payable solely from, the Pledged Funds in accordance with the terms of the Resolution.

The Bonds shall be issued on parity pursuant to the terms of the Resolution with certain other obligations of the Issuer. The Issuer may issue obligations on parity with the Bonds pursuant to the terms of the Resolution.

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

[The Issuer made various amendments to the Resolution pursuant to its Resolution No. ____ adopted on _____, 1993. Such amendments modified significant portions of the Resolution, including the flow of funds, additional bonds test, covenants and procedures for modifying the Resolution. Acceptance of this Bond by the Registered Holder shall be considered consent to such amendments for purposes of the Resolution.]

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

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

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

IN WITNESS WHEREOF, the Board of County Commissioners of Lee County, Florida has issued this Bond and has caused the same to be executed by the manual or facsimile signature of the Chairman, and by the manual or facsimile signature of the Clerk of the Board of County Commissioners of Lee County, Florida, and its corporate seal

or a facsimile thereof to be affixed or reproduced hereon, all as of the Date of Original Issue.

LEE COUNTY, FLORIDA

(SEAL)

Chairman of the Board of County
Commissioners of Lee County, Florida

Clerk of the Board of County
Commissioners of Lee County, Florida

D-16

(Provisions on reverse side of Bond)

This Bond is transferable in accordance with the terms of the Resolution only upon the books of the Issuer kept for that purpose at the designated corporate trust office of the Registrar by the Registered Holder hereof in person or by his attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Holder or his attorney duly authorized in writing, and thereupon a new Bond or Bonds in the same aggregate principal amount shall be issued to the transferee in exchange therefor, and upon the payment of the charges, if any, therein prescribed. The Bonds are issuable in the form of fully registered Bonds in the denomination of \$5,000 and any integral multiple thereof, not exceeding the aggregate principal amount of the Bonds. The Issuer, the Registrar and any Paying Agent may treat the Registered Holder of this Bond as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and shall not be affected by any notice to the contrary. The Issuer shall not be obligated to make any exchange or transfer of the Bonds during the fifteen (15) days next preceding the interest payment date or, in the case of any proposed redemption of the Bonds, then, for the Bonds subject to such redemption, during the fifteen (15) days next preceding the date of the first mailing of notice of such redemption and continuing until the date fixed for redemption.

D-17

(INSERT REDEMPTION PROVISIONS)

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

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

of such pledge and covenants, and the rights, duties, immunities and obligations of the Issuer.

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

ASSIGNMENT

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

Insert Social Security or Other Identifying Number of Assignee

(Name and Address of Assignee)

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

Dated: _____

Signature guaranteed:

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

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

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

TEN COM -- as tenants in common

TEN ENT -- as tenants by the entireties

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

UNIF TRANS MIN ACT -- _____
(Cust.)

Custodian for _____
under Uniform Transfers to Minors Act of _____
(State)

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

CERTIFICATE OF AUTHENTICATION

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

DATE OF AUTHENTICATION:

Registrar

By: _____
Authorized Officer

D-18

[Form of Capital Appreciation Bond]

No. CAR-

CUSIP:

UNITED STATES OF AMERICA
 STATE OF FLORIDA
 LEE COUNTY, FLORIDA
 WATER AND SEWER [REFUNDING] REVENUE BOND,
 SERIES

Interest Rate	Maturity Date	Date of Original Issue	Initial Principal Amount
------------------	------------------	---------------------------	--------------------------------

Registered Holder:

Maturity Amount:

Lee County, Florida, a political subdivision of the State of Florida, and any successor thereto (the "Issuer"), hereby promises to pay, for value received, solely from the Pledged Funds hereinafter described, to the Registered Holder identified above, or registered assigns as hereinafter provided, on the Maturity Date specified above, the Maturity Amount shown above, constituting the Initial Principal Amount hereof plus interest from the Date of Original Issue specified above, at the Interest Rate shown above, compounded on _____ and thereafter on each _____ and _____ until payment of said Maturity Amount, or earlier redemption thereof, upon the presentation and surrender hereof at the designated corporate trust office of _____, _____, as Paying Agent and Registrar. In the event of redemption of this Bond, payment shall be made in an amount equal to its Accreted Value. The Accreted Value of this Bond shall mean, as of any date of computation, an amount equal to the Initial Principal Amount hereof plus the compounded interest accrued hereon to the _____ or _____ next preceding the date of computation or the date of computation if on _____ or _____, plus, if such date of computation shall not be on _____ or _____, a portion of the difference between the Accreted Value as of the immediately preceding _____ or _____ and the Accreted Value as of the immediately succeeding _____ or _____, calculated based on the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a 360-day year. The Accreted Values per

\$5,000 Maturity Amount of this Bond on each _____ and _____ is set forth in the Official Statement, dated _____, relating to the original offering of this Bond. The Maturity Amount or Accreted Value, if applicable, and redemption premium, if any, on this Bond are payable in lawful money of the United States of America.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of \$_____ (the "Bonds") of like date, tenor and effect, except as to maturity date, interest rate, initial principal amount, maturity amount, registered owner and number, issued to finance _____, in and for the Issuer, under the authority of and in full compliance with the Constitution and laws of the State of Florida, particularly Chapter 125, Florida Statutes, and other applicable provisions of law (the "Act"), and a resolution duly adopted by the Board of County Commissioners of the Issuer on April 27, 1966, as amended, restated and supplemented, in particular by Resolution No. _____ adopted on _____, 1993 (collectively, the "Resolution"), and is subject to all the terms and conditions of the Resolution.

This Bond and the interest hereon are payable solely from and secured by a lien upon and a pledge of (1) the Net Revenues (as defined in the Resolution) to be derived from the operation of the Issuer's water and sewer system (the "System"), (2) the Connection Fees (as defined in the Resolution), (3) the Special Assessment Proceeds (as defined in the Resolution), if any, and (4) until applied in accordance with the provisions of the Resolution, all moneys, including investments thereof, in the funds and accounts established by the Resolution, except (A) the Rebate Fund, (B) moneys in any fund and account established pursuant to the Resolution to the extent said moneys shall be required by the Resolution to pay the Operating Expenses (as defined in the Resolution), (C) moneys on deposit in a subaccount of the Reserve Account established by the Resolution to the extent moneys therein shall be pledged solely for the payment of the series of Bonds for which it was established in accordance with the provisions of the Resolution, (D) Special Assessment Proceeds to the extent they are pledged solely to a series of Bonds pursuant to the Resolution, and (E) any additional revenues to the extent they are pledged solely to a series of Bonds pursuant to the Resolution, subject in each case to the application thereof for the purposes and on the conditions permitted by the Resolution (collectively, the "Pledged Funds"). [The Bonds are further secured by a pledge of and lien on The Special Assessment Proceeds related to the project financed by the Bonds.] It is expressly agreed by the Registered Holder of this Bond that the full faith and credit of the Issuer are not pledged to the payment of the principal of, premium, if any, and interest on this Bond and that such Holder shall never have the right to require or compel the exercise of any taxing power of the Issuer to the payment of such principal, premium, if any, and interest. This Bond and the obligation evidenced hereby shall not

D-19

constitute a lien upon the System or any other property of the Issuer, but shall constitute a lien only on, and shall be payable solely from, the Pledged Funds in accordance with the terms of the Resolution.

The Bonds shall be issued on parity pursuant to the terms of the Resolution with certain other obligations of the Issuer. The Issuer may issue obligations on parity with the Bonds pursuant to the terms of the Resolution.

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

[The Issuer made various amendments to the Resolution pursuant to its Resolution No. ____ adopted on _____, 1993. Such amendments modified significant portions of the Resolution, including the flow of funds, additional bonds test, covenants and procedures for modifying the Resolution. Acceptance of this Bond by the Registered Holder shall be considered consent to such amendments for purposes of the Resolution.]

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

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

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

IN WITNESS WHEREOF, the Board of County Commissioners of Lee County, Florida has issued this Bond and has caused the same to be executed by the manual or facsimile signature of the Chairman, and by the manual or facsimile signature of the Clerk of the Board of County Commissioners of Lee County, Florida, and its corporate seal

or a facsimile thereof to be affixed or reproduced hereon, all as of the Date of Original Issue.

LEE COUNTY, FLORIDA

(SEAL)

Chairman of the Board of County
Commissioners of Lee County, Florida

Clerk of the Board of County
Commissioners of Lee County, Florida

D-20

(Provisions on reverse side of Bond)

This Bond is transferable in accordance with the terms of the Resolution only upon the books of the Issuer kept for that purpose at the designated corporate trust office of the Registrar by the Registered Holder hereof in person or by his attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Holder or his attorney duly authorized in writing, and thereupon a new Bond or Bonds in the same aggregate Accreted Value shall be issued to the transferee in exchange therefor, and upon the payment of the charges, if any, therein prescribed. The Bonds are issuable in the form of fully registered Bonds in the denomination of \$5,000 maturity amount and any integral multiple thereof, not exceeding the aggregate principal amount of the Bonds. The Issuer, the Registrar and any Paying Agent may treat the Registered Holder of this Bond as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and shall not be affected by any notice to the contrary. The Issuer shall not be obligated to make any exchange or transfer of the Bonds during the fifteen (15) days next preceding the Maturity Date or, in the case of any proposed redemption of the Bonds, then, for the Bonds subject to such redemption, during the fifteen (15) days next preceding the date of the first mailing of notice of such redemption and continuing until the date fixed for redemption.

D-21

(INSERT REDEMPTION PROVISIONS)

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

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

of such pledge and covenants, and the rights, duties, immunities and obligations of the Issuer.

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

Capital Appreciation Bonds, of which this Bond is one, pay principal and compound accrued interest only at maturity or upon prior redemption. For the purposes of (A) receiving payment of the redemption price if a Capital Appreciation Bond is redeemed prior to maturity, or (B) receiving payment if the principal of all Bonds becomes due and payable, or (C) computing the amount of Capital Appreciation Bonds held by the Registered Holder in giving to the Issuer or any trustee or receiver appointed to represent the Bondholders any notice, consent, request or demand pursuant to the Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

ASSIGNMENT

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

Insert Social Security or Other
Identifying Number of Assignee

(Name and Address of Assignee)

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

Dated: _____

Signature guaranteed: _____

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

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

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

TEN COM -- as tenants in common

TEN ENT -- as tenants by the entireties

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

UNIF TRANS MIN ACT -- _____
(Cust.)

Custodian for _____
under Uniform Transfers to Minors Act of _____
(State)

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

CERTIFICATE OF AUTHENTICATION

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

DATE OF AUTHENTICATION:

Registrar

By: _____
Authorized Officer

D-22

ARTICLE III

REDEMPTION OF BONDS

SECTION 3.01. PRIVILEGE OF REDEMPTION. The terms of this Article III shall apply to redemption of Bonds other than Variable Rate Bonds. The terms and provisions relating to redemption of Variable Rate Bonds shall be provided by Supplemental Resolution.

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

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

SECTION 3.03. NOTICE OF REDEMPTION. Notice of such redemption, which shall specify the Bond or Bonds (or portions thereof) to be redeemed and the date and place for redemption, shall be given by the Registrar on behalf of the Issuer, and (A) shall be filed with the Paying Agents of such Bonds, and (B) shall be mailed first class, postage prepaid, at least thirty (30) days and not more than forty-five (45) days prior to the redemption date to all Holders of Bonds to be redeemed at their addresses as they appear on the registration books kept by the Registrar as of the date of mailing of such notice. Failure to mail such notice to the Holders of the Bonds to be redeemed, or any defect therein, shall not affect the proceedings for redemption of Bonds as to which no such failure or defect has occurred. Notice of optional

redemption of Bonds shall only be sent if the Issuer determines it shall have sufficient funds available to pay the Redemption Price of and interest on the Bonds called for redemption on the redemption dates.

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

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

(i) Each further notice of redemption shall be sent by certified mail or overnight delivery service or telecopy to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds (such depositories now being The Depository Trust Company, New York, New York, Midwest Securities Trust Company, Chicago, Illinois, Pacific Securities Depository Trust Company, San Francisco, California, and Philadelphia Depository Trust Company, Philadelphia, Pennsylvania) and to [two] or more national information services which disseminate notices of prepayment or redemption of obligations such as the Bonds (such information services now being Financial Information, Inc.'s "Daily Called Bond Service," Jersey City, New Jersey, Kenny Information Service's "Called Bond Service," New York, New York, Moody's "Municipal and Government," New York, New York and Standard & Poor's Corporation's "Called Bond Record," New York, New York).

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

The notice of redemption described in this paragraph need not be given as described above if the Bonds called for redemption are registered pursuant to a book-entry-only system.

SECTION 3.04. REDEMPTION OF PORTIONS OF BONDS. Any Bond which is to be redeemed only in part shall be surrendered at any place of payment specified in the notice of redemption (with due endorsement by, or written instrument of transfer in form satisfactory to the Registrar duly executed by, the Holder thereof or his attorney duly authorized in writing) and the Issuer shall execute and the Registrar shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds, of any authorized denomination, as requested by such Holder in an aggregate principal amount (or Accreted Value in the case of Capital Appreciation Bonds) equal to and in exchange for the unredeemed portion of the principal (or Accreted Value in the case of Capital Appreciation Bonds) of the Bonds so surrendered.

SECTION 3.05. PAYMENT OF REDEEMED BONDS. Notice of redemption having been given substantially as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar and/or Paying Agent at the appropriate Redemption Price, plus accrued interest. All Bonds which have been redeemed shall be cancelled and destroyed by the Registrar and shall not be reissued.

ARTICLE IV

SECURITY, SPECIAL FUNDS AND APPLICATION THEREOF

SECTION 4.01. BONDS NOT TO BE INDEBTEDNESS OF ISSUER. The Bonds shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of any constitutional or statutory provision, but shall be special obligations of the Issuer, payable solely from and secured by a lien upon and pledge of the Pledged Funds, in the manner and to the extent provided in this Resolution and any moneys payable pursuant to any Credit Facility or Bond Insurance Policy. No Holder of any Bond shall ever have the right to compel the exercise of any ad valorem taxing power to pay such Bond, or be entitled to payment of such Bond from any moneys of the Issuer except from the Pledged Funds in the manner and to the extent provided herein.

SECTION 4.02. SECURITY FOR BONDS. The payment of the principal of or Redemption Price, if applicable, and interest on the Bonds shall be secured forthwith equally and ratably by a pledge of and lien upon the Pledged Funds; provided, however, a Series of Bonds may be further secured by a Credit Facility or Bond Insurance Policy of an Insurer in addition to the security provided herein; provided further that a Series of Bonds may be secured independently of any other Series of Bonds by the establishment of a separate subaccount in the Reserve Account for such Series of Bonds; provided further that a Series of Bonds may be secured independently of any other Series of Bonds by a pledge of and lien on Special Assessment Proceeds related to such Series of Bonds as provided in the Supplemental Resolution related thereto; and provided further that a Series of Bonds may be secured independently of any Series of Bonds by a pledge of and lien on additional revenues as provided in the Supplemental Resolution related thereto. The Issuer does hereby irrevocably pledge the Pledged Funds to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds in accordance with the provisions hereof.

The Pledged Funds shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer.

SECTION 4.03. CONSTRUCTION FUND. The Issuer covenants and agrees to establish, a special fund in a bank, trust company or such other entity in the State, which is eligible under the laws of the State to receive funds of the Issuer, to be known as the "Lee County, Florida Water and Sewer System Construction Fund," which shall be used only for payment of the Cost of the Projects.

Moneys in the Construction Fund, until applied in payment of any item of the Cost of a Project in the manner hereinafter provided, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders.

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

The Issuer shall establish within the Construction Fund a separate account for each Project, the Cost of which is to be paid in whole or in part out of the Construction Fund. The Issuer may establish separate accounts in the Construction Fund for construction funds established under the First Amended and Restated Resolution in which moneys are on deposit.

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

Any moneys received by the Issuer from the State or from the United States of America or any agencies thereof for the purpose of financing part of the Cost of a Project shall be deposited into the appropriate account of the Construction Fund and used in the same manner as other Bond proceeds are used therein; provided that separate accounts or subaccounts may be established in the Construction Fund for moneys received pursuant to the provisions of this paragraph whenever required by Federal or State law.

The Issuer covenants that the acquisition, construction and installation of each Project will be completed without delay and in accordance with sound engineering practices. The Issuer shall make disbursements or payments from the Construction Fund to pay the Cost of a Project upon the filing with the Clerk of certificates and/or documents signed by an Authorized Issuer Officer, stating with respect to each disbursement or payment to be made: (A) the item number of the payment, (B) the name and address of the Person to whom payment is due, (C) the amount to be paid, (D) the Construction Fund account from which payment is to be made, (E) the purpose, by general classification, for which payment is to be made, and (F) that (i) each obligation, item of cost or expense mentioned therein has been properly incurred, is in payment of a part of the Cost of a Project and is a proper charge against the account of the Construction Fund from which payment is to be made and has not been the basis of any previous disbursement or payment, or (ii) each obligation, item of cost or expense mentioned therein has been paid by the Issuer, is a reimbursement of a part of the Cost of a Project, is a proper

charge against the account of the Construction Fund from which payment is to be made, has not been theretofore reimbursed to the Issuer or otherwise been the basis of any previous disbursement or payment and the Issuer is entitled to reimbursement thereof. The Clerk shall retain all such certificates and/or documents of the Authorized Issuer Officers for three (3) years after the dates of audits related to same.

Notwithstanding any of the other provisions of this Section 4.03, to the extent that other moneys are not available therefor, amounts in the Construction Fund shall be applied to the payment of principal and interest on Bonds, when due.

The date of completion of the acquisition and construction of a Project shall be determined by an Authorized Issuer Officer which shall certify such fact in writing to the Governing Body. An Authorized Issuer Officer may perform such tests relating to a Project as they deem necessary in order to make such certification. Promptly after the date of the completion of a Project, and after paying or making provision for the payment of all unpaid items of the Cost of such Project, the Issuer shall deposit in the following order of priority any balance of moneys remaining in the Construction Fund in (i) another account of the Construction Fund for which an Authorized Issuer Officer has stated that there are insufficient moneys present to pay the Cost of the related Project, (ii) the Reserve Account, to the extent of a deficiency therein, and (iii) such other fund or account established hereunder as shall be determined by the Governing Body, provided the Issuer has received an opinion of Bond Counsel to the effect that such transfer shall not adversely affect the exclusion, if any, of interest on the Bonds from gross income for purposes of federal income taxation.

SECTION 4.04. CREATION OF FUNDS AND ACCOUNTS. The Issuer covenants and agrees to establish with a bank, trust company or such other entity in the State, which is eligible under the laws of the State to receive funds of the Issuer the following funds and accounts:

(A) The "Lee County, Florida Water and Sewer System Revenue Fund." The Issuer shall maintain three separate accounts in the Revenue Fund: the "Revenue Account," the "Operation and Maintenance Account" and the "Utility Reserve Account."

(B) The "Lee County, Florida Water and Sewer System Sinking Fund." The Issuer shall maintain four separate accounts in the Sinking Fund: the "Interest Account," the "Principal Account," the "Term Bonds Redemption Account" and the "Reserve Account."

(C) The "Lee County, Florida Water and Sewer System Water Connection Fees Fund."

(D) The "Lee County, Florida Water and Sewer System Sewer Connection Fees Fund."

(E) The "Lee County, Florida Water and Sewer System Special Assessments Fund."

(F) The "Lee County, Florida Water and Sewer System Renewal and Replacement Fund."

(G) The "Lee County, Florida Water and Sewer System Rebate Fund."

Moneys in the aforementioned funds and accounts (except for moneys in the Rebate Fund), until applied in accordance with the provisions hereof, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders.

The Issuer may at any time and from time to time appoint one or more depositories to hold, for the benefit of the Bondholders, any one or more of the funds and accounts established hereby. Such depository or depositories shall perform at the direction of the Issuer the duties of the Issuer in depositing, transferring and disbursing moneys to and from each of such funds or accounts as herein set forth, and all records of such depository in performing such duties shall be open at all reasonable times to inspection by the Issuer and its agents and employees. Any such depository shall be a bank or trust company duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, and be qualified under applicable State law.

SECTION 4.05. DISPOSITION OF GOVERNMENT GRANTS, REVENUES AND SPECIAL ASSESSMENTS. (A) (i) In the event the Issuer receives a Government Grant, the use and withdrawal of moneys from such Government Grant shall be governed by the terms of the Government Grant and applicable law.

(ii) Into the Revenue Account, the Issuer shall deposit promptly, as received, all Gross Revenues.

Operation and Maintenance Account. Moneys in the Revenue Account shall first be used each month to deposit in the Operation and Maintenance Account such sums as are necessary to pay Operating Expenses for the ensuing month; provided the Issuer may transfer moneys from the Revenue Account to the Operation and Maintenance Account at any time to pay Operating Expenses to the extent there is a deficiency in the Operation and Maintenance Account for such purpose. Amounts in the Operation and Maintenance Account shall be paid out from time to time by the Issuer for reasonable and necessary Operating Expenses; provided, however, that no such

payment shall be made unless the provisions of Section 5.03 hereof in regard to the current Annual Budget are complied with.

(iii) Into the Special Assessments Fund, the Issuer shall deposit promptly, as received, all Special Assessment Proceeds.

Redemptions from Special Assessments. In the event the Issuer by Supplemental Resolution provides for all or a portion of any Special Assessment Proceeds to the payment of all or a portion of a particular Series of Bonds, the Issuer may establish separate accounts or subaccounts for the deposit of the corresponding Special Assessments Proceeds if necessary to provide for the payment or earlier redemption of such Bonds from such Special Assessments Proceeds.

(B) All moneys at any time on deposit in the Special Assessments Fund (except as otherwise provided by Supplemental Resolution) and any deposits remaining in the Revenue Account after the aforementioned transferrals to the Operation and Maintenance Account shall be disposed of by the Issuer on or before the twenty-fifth (25th) day of each month or such later date as hereinafter provided, first from the Special Assessments Fund and then from the Revenue Account in the following manner and in the following order of priority:

(i) Interest Account. The Issuer shall deposit or credit to the Interest Account the sum which, together with the balance in said Account, shall equal the interest on all Bonds Outstanding (except as to Capital Appreciation Bonds) accrued and unpaid and to accrue to the end of the then current calendar month. Moneys in the Interest Account shall be applied by the Issuer for deposit with the Paying Agents to pay the interest on the Bonds on or prior to the date the same shall become due. The Issuer shall adjust the amount of the deposit to the Interest Account not later than a month immediately preceding any Interest Date so as to provide sufficient moneys in the Interest Account to pay the interest on the Bonds coming due on such Interest Date. No further deposit need be made to the Interest Account when the moneys therein are equal to the interest coming due on the Outstanding Bonds on the next succeeding Interest Date.

(ii) Principal Account. Commencing in the month which is one year prior to the first principal due date, the Issuer shall next deposit into the Principal Account the sum which, together with the balance in said Account, shall equal the principal amounts on all Bonds Outstanding (including all amounts due on Capital Appreciation Bonds) due and unpaid and that portion of the principal next due which would have accrued on such Bonds during the then current calendar month if such principal amounts were deemed to accrue monthly (assuming that a year consists of twelve (12) equivalent calendar months having thirty (30) days each) in equal amounts from the next preceding principal payment due date,

or, if there be no such preceding payment due date from a date one year preceding the due date of such principal amount. Moneys in the Principal Account shall be applied by the Issuer for deposit with the Paying Agents to pay the principal of the Bonds on or prior to the date the same shall mature, and for no other purpose. Serial Capital Appreciation Bonds shall be payable from the Principal Account in the years in which such Bonds mature and monthly payments into the Principal Account on account of such Bonds shall commence in the month of the respective Bond Years in which such Bonds mature. The Issuer shall adjust the amount of the deposit to the Principal Account not later than the month immediately preceding any principal payment date so as to provide sufficient moneys in the Principal Account to pay the principal on Bonds becoming due on such principal payment date. No further deposit need be made to the Principal Account when the moneys therein are equal to the principal coming due on the Outstanding Bonds on the next succeeding principal payment date.

(iii) Term Bonds Redemption Account. Commencing in the month which is one year prior to the first Sinking Fund Installment due date, there shall be deposited to the Term Bonds Redemption Account the sum which, together with the balance in such Account, shall equal the Sinking Fund Installments on all Bonds Outstanding due and unpaid and that portion of the Sinking Fund Installments of all Bonds Outstanding next due which would have accrued on such Bonds during the then current calendar month if such Sinking Fund Installments were deemed to accrue monthly (assuming that a year consists of twelve (12) equivalent calendar months having thirty (30) days each) in equal amounts from the next preceding Sinking Fund Installment due date, or, if there is no such preceding Sinking Fund Installment due date, from a date one year preceding the due date of such Sinking Fund Installment. Moneys in the Term Bonds Redemption Account shall be used to purchase or redeem Term Bonds in the manner herein provided, and for no other purpose. The Issuer shall adjust the amount of the deposit to the Term Bonds Redemption Account on the month immediately preceding any Sinking Fund Installment Date so as to provide sufficient moneys in the Term Bonds Redemption Account to pay the Sinking Fund Installments becoming due on such date. Payments to the Term Bonds Redemption Account shall be on parity with payments to the Principal Account.

Amounts accumulated in the Term Bonds Redemption Account with respect to any Sinking Fund Installment (together with amounts accumulated in the Interest Account with respect to interest, if any, on the Term Bonds for which such Sinking Fund Installment was established) may be applied by the Issuer, on or prior to the sixtieth (60th) day preceding the due date of such Sinking Fund Installment, (a) to the purchase of Term Bonds of the Series and maturity for which such Sinking Fund Installment was established, or (b) to the redemption at the applicable Redemption Prices of such Term Bonds, if then redeemable by their terms. The applicable Redemption Price (or principal amount of maturing Term Bonds) of

any Term Bonds so purchased or redeemed shall be deemed to constitute part of the Term Bonds Redemption Account until such Sinking Fund Installment date, for the purposes of calculating the amount of such Account. As soon as practicable after the 60th day preceding the due date of any such Sinking Fund Installment, the Issuer shall proceed to call for redemption on such due date, by causing notice to be given as provided in Section 3.03 hereof, Term Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Term Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. The Issuer shall pay out of the Term Bonds Redemption Account and the Interest Account to the appropriate Paying Agents, on or before the day preceding such redemption date (or maturity date), the amount required for the redemption (or for the payment of such Term Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Term Bonds shall be paid by the Issuer from the Operation and Maintenance Account.

(iv) Reserve Account. There shall be deposited to the Reserve Account an amount which would enable the Issuer to restore the funds on deposit in the Reserve Account to an amount equal to the Reserve Account Requirement applicable thereto, whether such shortfall was caused by decreased value or withdrawal (from cash or a Reserve Account Insurance Policy or Reserve Account Letter of Credit). Except as otherwise provided herein, all deficiencies in the Reserve Account shall be made up no later than 12 months from the date such deficiency occurred. On or prior to each principal payment date and Interest Date for the Bonds (in no event earlier than the twenty-fifth (25th) day of the month preceding such payment date), moneys in the Reserve Account shall be applied by the Issuer to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds to the extent moneys in the Interest Account, the Principal Account and the Term Bonds Redemption Account shall be insufficient for such purpose, but only to the extent the moneys transferred from the Utility Reserve Account or Renewal and Replacement Fund for such purposes pursuant to Sections 4.05(B)(viii) and 4.05(B)(v) hereof, respectively, shall be inadequate to fully provide for such insufficiency. Whenever there shall be surplus moneys in the Reserve Account by reason of a decrease in the Reserve Account Requirement, increase in the value of the investment with Reserve Account or as a result a deposit of money to the issuer of a Reserve Account Insurance Policy or Reserve Account Letter of Credit, such surplus moneys shall be deposited by the Issuer first, into the Renewal and Replacement Fund to the extent necessary to cause the amounts in such Fund to equal the Renewal and Replacement Fund Requirement, and second, into the Utility Reserve Account. The Issuer shall inform each Insurer and Credit Bank of any draw upon the Reserve

Account for purposes of paying the principal of and interest on the Bonds.

Upon the issuance of any Series of Bonds under the terms, limitations and conditions as herein provided, the Issuer shall, on the date of delivery of such Series of Bonds, fund the Reserve Account in an amount at least equal to the Reserve Account Requirement. Such required amount may be paid in full or in part from the proceeds of such Series of Bonds or may be accumulated in equal monthly payments to the Reserve Account over a period of months from the date of issuance of such Series of Bonds, which shall not exceed the greater of (a) thirty-six (36) months, or (b) the number of months for which interest on such Series of Bonds has been capitalized, as determined by Supplemental Resolution. In the event moneys in the Reserve Account are accumulated as provided above, (1) the amount in said Reserve Account on the date of delivery of the Additional Bonds shall not be less than the Reserve Account Requirement on all Bonds Outstanding (excluding the Additional Bonds) on such date, and (2) the incremental difference between the Reserve Account Requirement on all Bonds Outstanding (excluding the Additional Bonds) on the date of delivery of the Additional Bonds and the Reserve Account Requirement on all such Bonds and the Additional Bonds shall be fifty percent (50%) funded upon delivery of the Additional Bonds.

Notwithstanding the foregoing provisions, in lieu of the required deposits into the Reserve Account, the Issuer may cause to be deposited into the Reserve Account a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit for the benefit of the Bondholders in an amount equal to the difference between the Reserve Account Requirement applicable thereto and the sums then on deposit in the Reserve Account, if any. The Issuer may also substitute a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit for cash on deposit in the Reserve Account upon compliance with the terms of this Section 4.05(B) (iv). Such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be payable to the Paying Agent (upon the giving of notice as required thereunder) on any principal payment date or Interest Date on which a deficiency exists which cannot be cured by moneys in any other fund or account held pursuant to this Resolution and available for such purpose. The issuer providing such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall either be (a) an insurer (1) whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in one of the two highest rating categories (without regard to gradations, such as "plus" or "minus" of such categories) by a Rating Agency, or (2) who holds the highest policyholder rating accorded insurers by A.M. Best & Company, or any comparable service, or (b) a commercial bank, insurance company or other financial institution, the obligations payable or guaranteed by which have been assigned a rating by a Rating Agency in one of the

two highest rating categories (without regard to gradations, such as "plus" or "minus" of such categories).

In the event the Reserve Account contains both a Reserve Account Insurance Policy or Reserve Account Letter of Credit and cash and separate subaccounts have not been established in the Reserve Account, the cash shall be drawn down completely prior to any draw on the Reserve Account Insurance Policy or Reserve Account Letter of Credit. In the event more than one Reserve Account Insurance Policy or Reserve Account Letter of Credit is on deposit in the Reserve Account, amounts required to be drawn thereon shall be done on a pro-rata basis. The Issuer agrees to pay all amounts owing in regard to any Reserve Account Insurance Policy or Reserve Account Letter of Credit from the Pledged Funds. Pledged Funds shall be applied in accordance with this Section 4.05(B)(iv), first, to reimburse the issuer of the Reserve Account Insurance Policy or Reserve Account Letter of Credit for amounts advanced under such instruments, second, replenish any cash deficiencies in the Reserve Account, and third, to pay the issuer of the Reserve Account Insurance Policy or Reserve Account Letter of Credit interest on amounts advanced under such instruments. This Resolution shall not be discharged or defeased while any obligations are owing in regard to a Reserve Account Insurance Policy or Reserve Account Letter of Credit on deposit in the Reserve Account. The Issuer agrees not to optionally redeem or refund Bonds unless all amounts owing in regard to a Reserve Account Insurance Policy or Reserve Account Letter of Credit on deposit in the Reserve Account have been paid in full.

If two (2) days prior to an interest payment or redemption date or such other period of time as shall be established pursuant to Supplemental Resolution, the Issuer shall determine that a deficiency exists in the amount of moneys available to pay in accordance with the terms hereof interest and/or principal due on the Bonds on such date, the Issuer shall immediately notify (a) the issuer of the applicable Reserve Account Insurance Policy and/or the issuer of the Reserve Account Letter of Credit and submit a demand for payment pursuant to the provisions of such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit, (b) the Paying Agent, and (c) the Insurer, if any, of the amount of such deficiency and the date on which such payment is due, and shall take all action to cause such Issuer or Insurer to provide moneys sufficient to pay all amounts due on such interest payment date.

The Issuer may evidence its obligation to reimburse the issuer of any Reserve Account Letter of Credit or Reserve Account Insurance Policy by executing and delivering to such issuer a promissory note therefor; provided, however, any such note (a) shall not be a general obligation of the Issuer the payment of which is secured by the full faith and credit or taxing power of

the Issuer, and (b) shall be payable solely from the Pledged Funds in the manner provided herein.

To the extent the Issuer causes to be deposited into the Reserve Account, a Reserve Account Insurance Policy and/or a Reserve Account Letter of Credit for a term of years shorter than the life of the Series of Bonds so insured or secured, then the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit shall provide, among other things, that the issuer thereof shall provide the Issuer with notice as of each anniversary of the date of the issuance of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit of the intention of the issuer thereof to either (a) extend the term of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit beyond the expiration dates thereof, or (b) terminate the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit on the initial expiration dates thereof or such other future date as the issuer thereof shall have established. If the issuer of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit notifies the Issuer pursuant to clause (b) of the immediately preceding sentence or if the Issuer terminates the Reserve Account Letter of Credit and/or Reserve Account Insurance Policy, then the Issuer shall deposit into the Reserve Account, on or prior to the end of the first full calendar month following the date on which such notice is received by the Issuer, such sums as shall be sufficient to pay an amount equal to a fraction, the numerator of which is one (1) and the denominator of which is equal to the number of months remaining in the term of the Reserve Account Insurance Policy and/or the Reserve Account Letter of Credit of the Reserve Account Requirement on the date such notice was received (the maximum amount available, assuming full reimbursement by the Issuer, under the Reserve Account Letter of Credit and/or the Reserve Account Insurance Policy to be reduced annually by an amount equal to the deposit to the Reserve Account during the previous twelve (12) month period) until amounts on deposit in the Reserve Account, as a result of the aforementioned deposits, and no later than upon the expiration of such Reserve Account Insurance Policy and/or such Reserve Account Letter of Credit, shall be equal to the Reserve Account Requirement applicable thereto.

If any Reserve Account Letter of Credit or Reserve Account Insurance Policy shall terminate prior to the stated expiration date thereof, the Issuer agrees that it shall fund the Reserve Account over a period not to exceed sixty (60) months during which it shall make consecutive equal monthly payments in order that the amount on deposit in the Reserve Account shall equal the Reserve Account Requirement; provided, the Issuer may obtain a new Reserve Account Letter of Credit or a new Reserve Account Insurance Policy in lieu of making the payments required by this paragraph.

The provisions of any agreement relating to a Reserve Account Insurance Policy or Reserve Account Letter of Credit, when duly authorized, executed and delivered, shall be incorporated herein by reference. The provisions of such agreements still supercede the provisions hereof to the extent of any conflict herewith.

Whenever the amount of cash or securities in the Reserve Account, together with the other amounts in the Sinking Fund, are sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable Redemption Price and interest thereon), the funds on deposit in the Reserve Account may be transferred to the other Accounts of the Sinking Fund for the payment of the Bonds.

The Issuer may also establish a separate subaccount in the Reserve Account for any Series of Bonds and provide a pledge of such subaccount to the payment of such Series of Bonds apart from the pledge provided herein. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Account, the Holders of such Bonds shall not be secured by any other moneys in the Reserve Account. Moneys in a separate subaccount of the Reserve Account shall be maintained at the Reserve Account Requirement applicable to such Series of Bonds secured by the subaccount unless otherwise provided by Supplemental Resolution. Moneys shall be deposited to separate subaccounts in the Reserve Account on a pro-rata basis. In the event the Issuer shall maintain a Reserve Account Insurance Policy or Reserve Account Letter of Credit and moneys in such subaccount, the moneys shall be used prior to making any disbursements under such Reserve Account Insurance policy or Reserve Account Letter of Credit.

(V) Renewal and Replacement Fund. There shall be deposited to the Renewal and Replacement Fund such sums as shall be sufficient to pay one-twelfth (1/12) of five percent (5%) of the Gross Revenues derived from the System during the preceding Fiscal Year until the amount accumulated in such Fund is equal to the Renewal and Replacement Fund Requirement; provided, however, that (a) such Renewal and Replacement Fund Requirement may be increased or decreased as the Consulting Engineers shall certify to the Issuer is necessary for the purposes of the Renewal and Replacement Fund, and (b) in the event that the Consulting Engineers shall certify that the Renewal and Replacement Fund Requirement is excessive for the purposes of the Renewal and Replacement Fund such excess amount as may be on deposit therein may be transferred by the Issuer from the Renewal and Replacement Fund for deposit into the Utility Reserve Account. The moneys in the Renewal and Replacement Fund shall be applied by the Issuer for the purpose of paying the cost of major extensions, improvements or additions to, or the replacement or renewal of capital assets of, the System, or extraordinary repairs of the System; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the twenty-fifth (25th) day of the month

next preceding such payment date), moneys in the Renewal and Replacement Fund shall be applied for the payment into the Interest Account, the Principal Account, and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Account for such purpose pursuant to Sections 4.05(B)(viii) hereof, together with moneys available in the Reserve Account for such purpose pursuant to Section 4.05(B)(iv) hereof, shall be inadequate to fully provide for such insufficiency. Moneys in the Renewal and Replacement Fund may also be transferred to the Operation and Maintenance Account to fund Operating Expenses to the extent Gross Revenues shall be insufficient for such purpose; provided, however, such transfer shall be treated as an interfund loan and shall be repaid from Gross Revenues as described in this Section 4.05(B)(v) within one year from the date of such transfer.

(vi) Subordinated Indebtedness. There shall be deposited or applied such amounts as shall be necessary for the payment of any accrued debt service on Subordinated Indebtedness incurred by the Issuer in connection with the System and in accordance with the proceedings authorizing such Subordinated Indebtedness.

(vii) Sinking Fund. Subsequent to deposits made pursuant to Sections 4.05(B)(i) through 4.05(B)(vi) hereof, there shall be deposited to the Interest Account, the Principal Account and the Term Bonds Redemption Account, in that order, sufficient moneys such that the amounts on deposit therein shall equal, respectively, the interest, principal and Sinking Fund Installment next coming due on the Bonds Outstanding; provided, however, no deposit need be made to the Principal Account or Term Bonds Redemption Account until a date one year preceding the due date of such principal amount or Sinking Fund Installment.

(viii) Utility Reserve Account. The balance of any moneys on deposit in the Revenue Account and Special Assessments Fund shall be deposited in the Utility Reserve Account and applied to the payment, on or prior to each principal and interest payment date for the Bonds (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date), into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein shall be insufficient to pay the principal of and interest on the Bonds coming due. Moneys not required to meet such a deficiency shall be deposited to the Water Connection Fees Fund and Sewer Connection Fees Fund to make up any withdrawal from such Funds pursuant to Sections 4.06(A) and 4.07(A) hereof, respectively (to the extent required by such Sections), and then to the Reserve Account to make up any deficiency therein. Moneys in the Utility Reserve Account shall also be used to make any deposits to the Rebate Fund as shall be required by Section 4.08 hereof. Thereafter, moneys in the Utility Reserve Account may be applied for any lawful purpose, including, but not limited to,

purchase or redemption of Bonds, payment of Subordinated Indebtedness and improvements, renewals and replacements to the System; provided, however, that none of such revenues shall ever be used for the purposes provided in this Section 4.05(B)(viii) unless all payments required in Sections 4.05(B)(i) through 4.05(B)(vi) hereof, including any deficiencies for prior payments, have been made in full to the date of such use.

(C) Whenever moneys on deposit in the Reserve Account, together with the other amounts in the Sinking Fund, are sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable Redemption Price and interest thereon), no further deposits to the Sinking Fund need be made. If on any payment date the Gross Revenues and Special Assessment Proceeds are insufficient to deposit the required amount in any of the funds or accounts or for any of the purposes provided above, the deficiency shall be made up on the subsequent payment dates.

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

(D) In the event the Issuer shall issue a Series of Bonds secured by a Credit Facility, the Issuer may establish separate subaccounts in the Interest Account, the Principal Account and the Term Bonds Redemption Account to provide for payment of the principal of and interest on such Series; provided payment from the Pledged Funds of one Series of Bonds shall not have preference over payment of any other Series of Bonds. The Issuer may also deposit moneys in such subaccounts at such other times and in such other amounts from those provided in Section 4.05(B) as shall be necessary to pay the principal of and interest on such Bonds as the same shall become due, all as provided by the Supplemental Resolution authorizing such Bonds.

In the case of Bonds secured by a Credit Facility, amounts on deposit in the Sinking Fund may be applied as provided in the applicable Supplemental Resolution to reimburse the Credit Bank for amounts drawn under such Credit Facility to pay the principal of, premium, if any, and interest on such Bonds or to pay the purchase price of any such Bonds which are tendered by the holders thereof for payment; provided such Credit Facility shall have no priority over Bondholders or an Insurer to amounts on deposit in the Sinking Fund.

SECTION 4.06. WATER CONNECTION FEES FUND. The Issuer shall deposit into the Water Connection Fees Fund all Water Connection Fees as received, together with moneys transferred to such Fund pursuant to Section 4.05(B)(viii) hereof, and such Water Connection

Fees shall be accumulated in the Water Connection Fees Fund and applied by the Issuer in the following manner and order of priority:

(A) For the payments on or prior to each principal and interest payment date (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date) into the Interest Account, the Principal Account and the Term Bonds Redemption Account, when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Account and the Renewal and Replacement Fund for such purpose pursuant to Sections 4.05(B)(viii) and 4.05(B)(v), respectively, hereof, together with moneys available in the Reserve Account for such purpose pursuant to Section 4.05(B)(iv) hereof, shall be inadequate to fully provide for such insufficiency; provided moneys shall be transferred to the aforementioned Accounts from the Water Connection Fees Fund and the Sewer Connection Fees Fund on a pro-rata basis or such other basis as the Issuer deems appropriate in relation to the amount of moneys in each Fund at the time of transfer. Any moneys transferred to the aforementioned Accounts described above shall be treated as an interfund loan and shall be repaid, together with reasonable interest thereon, from Gross Revenues as described in Section 4.05(B)(viii) hereof, on or prior to the date such amounts are needed for the purposes described in Sections 4.06(B) and (C) hereof, but in no event later than one year from the date of such transfer, unless the Issuer shall determine that such transfer constitutes a lawful use of such Water Connection Fees.

(B) To the extent permitted by law, to pay or reimburse the capital cost of acquiring and/or constructing such improvements or additions to the water facilities of the System for which the Water Connection Fees were imposed in accordance with requisitions for disbursement of moneys provided by the Issuer.

(C) To be used for any other lawful purpose relating to the System.

SECTION 4.07. SEWER CONNECTION FEES FUND. The Issuer shall deposit into the Sewer Connection Fees Fund all Sewer Connection Fees as received, together with moneys transferred to such Fund pursuant to Section 4.05(B)(viii) hereof, and such Sewer Connection Fees Fund shall be accumulated in the Sewer Connection Fees Fund and applied by the Issuer in the following manner and order of priority:

(A) For the payments on or prior to each principal and interest payment date (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date) into the Interest Account, the Principal Account and the Term Bonds Redemption Account, when the moneys therein are insufficient to

pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Account and the Renewal and Replacement Fund for such purpose pursuant to Sections 4.05(B)(viii) and 4.05(B)(v), respectively, hereof, together with moneys available in the Reserve Account for such purpose pursuant to Section 4.05(B)(iv) hereof, shall be inadequate to fully provide for such insufficiency; provided moneys shall be transferred to the aforementioned Accounts from the Sewer Connection Fees Fund and the Water Connection Fees Fund on a pro-rata basis or such other basis as the Issuer deems appropriate in relation to the amount of moneys in each Fund at the time of transfer. Any moneys transferred to the aforementioned Accounts described above shall be repaid from Gross Revenues as described in Section 4.05(B)(viii) hereof on or prior to the date such amounts are needed for the purposes described in Sections 4.07(B) and (C) hereof, but in no event later than one year from the date of such transfer, unless the Issuer shall determine that such transfer constitutes a lawful use of such Sewer Connection Fees.

(B) To the extent permitted by law, to pay or reimburse the capital cost of acquiring and/or constructing such improvements or additions to the sewer facilities of the System for which the Sewer Connection Fees were imposed in accordance with the requisitions for disbursement of moneys provided by the Issuer.

(C) To be used for any other lawful purpose relating to the System.

SECTION 4.08. REBATE FUND. Amounts on deposit in the Rebate Fund shall be held in trust by the Issuer and used solely to make required rebates to the United States (except to the extent the same may be transferred to the Revenue Account) and the Bondholders shall have no right to have the same applied for debt service on the Bonds. For any Series of Bonds for which the rebate requirements of Section 148(f) of the Code are applicable, the Issuer agrees to undertake all actions required of it in its arbitrage certificate relating to such Series of Bonds, including, but not limited to:

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

(B) depositing the amount determined in clause (A) above into the Rebate Fund;

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

(D) keeping such records of the determinations made pursuant to this Section 4.08 as shall be required by the Code, as well as evidence of the fair market value of any investments purchased with proceeds of the Bonds.

The provisions of the above-described arbitrage certificates may be amended without the consent of any Holder, Credit Bank or Insurer from time to time as shall be necessary, in the opinion of Bond Counsel, to comply with the provisions of the Code.

SECTION 4.09. INVESTMENTS. Moneys on deposit in the Construction Fund, the Sinking Fund, the Water Connection Fees Fund, the Sewer Connection Fees Fund, the Revenue Account, the Operation and Maintenance Account, the Special Assessments Fund, the Utility Reserve Account and the Renewal and Replacement Fund shall be continuously secured in the manner by which the deposit of public funds are authorized to be secured by the laws of the State. Moneys on deposit in the Construction Fund, the Revenue Account, Operation and Maintenance Account, the Special Assessments Fund, the Principal Account, the Interest Account, the Term Bonds Redemption Account, the Renewal and Replacement Fund, the Water Connection Fees Fund, the Sewer Connection Fees Fund and the Utility Reserve Account shall be invested and reinvested by the Issuer in Authorized Investments, maturing not later than the dates on which such moneys will be needed for the purposes of such Fund or Account. Moneys on deposit in the Reserve Account shall be invested in Authorized Investments, maturing no later than ten (10) years from the date of investment. All investments shall be valued at amortized cost.

Notwithstanding any other provision hereof, all amounts on deposit in the Construction Fund or Interest Account representing accrued and capitalized interest shall be held by the Issuer, shall be pledged solely to the payment of interest on the corresponding Series of Bonds and, unless otherwise provided by Supplemental Resolution, shall be invested only in Federal Securities maturing in such times and in such amounts as are necessary to pay the interest to which they are pledged.

Any and all income received from the investment of moneys in each separate account of the Construction Fund, the Sinking Fund (other than the Reserve Account), the Utility Reserve Account, the Special Assessments Fund, the Renewal and Replacement Fund (to the extent such income and the other amounts in such Fund do not exceed the Renewal and Replacement Fund Requirement), the Water Connection Fees Fund, the Sewer Connection Fees Fund, the Utility Reserve Account and the Reserve Account (to the extent such income and the other amounts in the Reserve Account does not exceed the Reserve Account Requirement), shall be retained in such respective Fund or Account.

Any and all income received from the investment of moneys in the Renewal and Replacement Fund (only to the extent such income and the other amounts in such Fund exceed the Renewal and Replacement Fund Requirement) and the Reserve Account (only to the extent such income and the other amounts in the Reserve Account exceed the Reserve Account Requirement), shall be deposited upon receipt thereof in the Revenue Account.

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

SECTION 4.10. SEPARATE ACCOUNTS. The moneys required to be accounted for in each of the foregoing funds, accounts and subaccounts established herein may be deposited in a bank account, and funds allocated to the various funds, accounts and subaccounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds, accounts and subaccounts as herein provided.

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

ARTICLE V
COVENANTS

SECTION 5.01. GENERAL. The Issuer hereby makes the following covenants, in addition to all other covenants in this Resolution, with each and every successive Holder of any of the Bonds so long as any of said Bonds remain Outstanding.

SECTION 5.02. OPERATION AND MAINTENANCE. The Issuer will maintain or cause to be maintained the System and all portions thereof in good condition and will operate or cause to be operated the same in an efficient and economical manner, making or causing to be made such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof. The Issuer may contract with a responsible Person which has experience in the operation of utility systems similar to the System for the operation and maintenance of the System.

SECTION 5.03. ANNUAL BUDGET. The Issuer shall annually prepare and adopt, prior to the beginning of each Fiscal Year, an Annual Budget in accordance with applicable law. In accordance with applicable law, expenditures for the operation and maintenance of the System shall not be made in any Fiscal Year in excess of the aggregate amount provided therefor in the Annual Budget, (A) without a written finding and recommendation by an Authorized Issuer Officer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures, and (B) until the Governing Body shall have approved such finding and recommendation by resolution.

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

The Issuer shall mail copies of such Annual Budgets and amended Annual Budgets and all resolutions authorizing increased expenditures for operation and maintenance to any Credit Bank or Insurer of Bonds who shall file his address with the Clerk and request in writing that copies of all such Annual Budgets and resolutions be furnished to him and shall make available all such Annual Budgets and resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder or Holders of Bonds or to anyone acting for and on behalf of such Holder or Holders.

SECTION 5.04. RATES. The Issuer shall fix, establish and maintain such rates, fees, charges and collect such fees, rates or other charges for the product, services and facilities of its System, and revise the same from time to time, whenever necessary, as will always provide in each Fiscal Year, (A) Net Revenues and Special Assessment Proceeds adequate at all times to pay in each Fiscal Year at least one hundred percent (100%) of (i) the Annual Debt Service on all Outstanding Bonds becoming due in such Fiscal Year, (ii) any amounts required by the terms hereof to be deposited in the Reserve Account (as a result of a deficiency therein) or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy, and (iii) the amounts required by Sections 4.06(A) and 4.07(A) hereof to be repaid to the Water Connection Fees Fund and Sewer Connection Fees Fund, respectively, in such Fiscal Year, and (B) Net Revenues, Special Assessment Proceeds and Connection Fees in each Fiscal Year adequate to pay at least one hundred twenty (120%) of the Annual Debt Service on all Outstanding Bonds becoming due in such Fiscal Year. Such rates, fees or other charges shall not be so reduced so as to be insufficient to provide adequate Net Revenues, Connection Fees and Special Assessment Proceeds for the purposes provided therefor by this Resolution.

If, in any Fiscal Year, the Issuer shall fail to comply with the requirements contained in this Section 5.04, it shall cause the Rate Consultant to review its rates, fees, charges, income, Gross Revenues, Operating Expenses and methods of operation and to make written recommendations as to the methods by which the Issuer may promptly seek to comply with the requirements set forth in this Section 5.04. The Issuer shall forthwith commence to implement such recommendations to the extent required so as to cause it to thereafter comply with said requirements.

SECTION 5.05. BOOKS AND RECORDS. The Issuer shall keep books, records and accounts of the revenues and operations of the System, which shall be kept separate and apart from all other books, records and accounts of the Issuer, and the Holders of any Bonds Outstanding or the duly authorized representatives thereof shall have the right at all reasonable times to inspect all books, records and accounts of the Issuer relating thereto.

SECTION 5.06. ANNUAL AUDIT. The Issuer shall, immediately after the close of each Fiscal Year, cause the books, records and accounts relating to the System to be properly audited by a recognized independent firm of certified public accountants, and shall require such accountants to complete their report of such Annual Audit in accordance with applicable law. Such Annual Audit may be part of the Issuer's comprehensive annual audit. Such Annual Audits shall contain, but not be limited to, a balance sheet, an income statement, a statement of cash flow, statement of changes in retained earnings, a statement of the number and classification of users, and any other statements as required by

law or accounting convention, and a certificate by such accountants disclosing any material default on the part of the Issuer of any covenant or agreement herein. Each Annual Audit shall be in conformity with generally accepted accounting principles for governmental entities. A copy of each Annual Audit shall regularly be furnished to any Credit Bank or Insurer and to any Holder of a Bond who shall have furnished his address to the Clerk and requested in writing that the same be furnished to him.

SECTION 5.07. NO MORTGAGE OR SALE OF THE SYSTEM. The Issuer irrevocably covenants, binds and obligates itself not to sell, lease, encumber or in any manner dispose of the System (including land) in the following manner, if any one of the following conditions exist: (A) such property is not necessary for the operation of the System, (B) such property is not useful in the operation of the System, or (C) in the case of a lease of such property; provided, in each case, such sale, lease or other disposition shall not cause the Issuer to be in violation of the rate covenant contained in Section 5.04 hereof.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System (including land) in the following manner, if any one of the following conditions exist: (A) such property is not necessary for the operation of the System, (B) such property is not useful in the operation of the System, or (C) in the case of a lease of such property; provided, in each case, such sale, lease or other disposition shall not cause the Issuer to be in violation of the rate covenant contained in Section 5.04 hereof.

Prior to any such sale, lease or other disposition of said property: (i) if the amount to be received therefor is not in excess of one percent (1%) of the book value of the gross plant of the System at original cost, an Authorized Issuer Officer shall make a finding in writing determining that one or more of the conditions for sale, lease or disposition of property provided for in the second paragraph of this Section 5.07 have been met; or (ii) if the amount to be received from such sale, lease or other disposition of said property shall be in excess of one percent (1%) of the book value of the gross plant of the System at original cost, (a) an Authorized Issuer Officer and the Consulting Engineers shall each first make a finding in writing determining that one or more of the conditions for sale, lease or other disposition of property provided for in the second paragraph of this Section 5.07 have been met, (b) the Governing Body shall, by resolution, duly adopt, approve and concur in the finding of the an Authorized Issuer Officer and the Consulting Engineers, and (c) the Issuer shall obtain an opinion of Bond Counsel to the effect that such sale, lease or other disposition is not in violation of the Act and will not adversely affect the federal tax exempt status of interest on the Bonds (other than Taxable Bonds).

The proceeds from such sale or other disposition shall be deposited, first, into the Renewal and Replacement Fund to the

extent necessary to make the amount therein equal to the Renewal and Replacement Fund Requirement, and, second, into the Utility Reserve Account. Proceeds from any such lease shall constitute Gross Revenues and shall be deposited in the Revenue Account.

The Issuer may make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the System if such contract, license, easement or right does not impede or restrict the operation by the Issuer of the System, but any payments to the Issuer under or in connection with any such contract, license, easement or right in respect of the System or any part thereof shall constitute Gross Revenues and shall be deposited in the Revenue Account.

SECTION 5.08. INSURANCE. The Issuer will carry such insurance as is ordinarily carried by public entities owning and operating utilities similar to the System with a reputable insurance carrier or carriers, including public liability insurance in such amounts as the Issuer shall determine to be sufficient and such other insurance against loss or damage by fire, explosion (including underground explosion), hurricane, tornado or other hazards and risks, and said property loss or damage insurance shall at all times be in an amount or amounts equal to the fair appraisal value of the buildings, properties, furniture, fixtures and equipment of the System, or such other amount or amounts as the Consulting Engineers shall approve as sufficient.

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

The Issuer shall, immediately upon receipt, deposit the proceeds from property loss and casualty insurance to the credit of the Utility Reserve Account. The proceeds from property loss and casualty insurance shall be applied as follows: (A) if such proceeds, together with other available funds of the Issuer, are sufficient to repair or replace the damaged portion of the System, such proceeds and other available funds shall be transferred to the credit of the Renewal and Replacement Fund and, together with any other available funds of the Issuer, applied to such repair or replacement; or (B) if such proceeds, together with other available funds of the Issuer, are not sufficient to repair or replace the damaged portion of the System or if the Issuer makes a determination in accordance with Section 5.07 hereof that such portion of the System is no longer necessary or useful in the operation of the System, such proceeds shall (i) if such proceeds equal or exceed \$50,000, (a) be applied to the redemption or purchase of Bonds or (b) be deposited in irrevocable trust for the payment of Bonds in the manner set forth in Section 9.01, provided

the Issuer has received an opinion of Bond Counsel to the effect that such deposit shall not adversely affect the exclusion, if any, from gross income of interest on the Bonds for purposes of federal income taxation, or (ii) if such proceeds are less than \$50,000, remain deposited in the Utility Reserve Account.

SECTION 5.09. NO FREE SERVICE. The Issuer will not render, or cause to be rendered, any free services of any nature by its System or any part thereof (other than fire services), including reservation of capacity, nor will any preferential rates be established for users of the same class.

SECTION 5.10. NO IMPAIRMENT OF RIGHTS. The Issuer will not enter into any contract or contracts, nor take any action, the results of which might impair the rights of the Holders of the Bonds and will not permit the operation of any competing water or sewer service facilities in Lee County, Florida; provided, however, the Issuer reserves the right to permit the ownership and operation of water or sewer service facilities or both by itself or by others in any territory which is not in any service area now or hereafter served by the System.

SECTION 5.11. COMPULSORY WATER AND SEWER CONNECTIONS. In order to better secure the prompt payment of principal and interest on the Bonds, as well as for the purpose of protecting the health and welfare of the inhabitants of the Issuer, and acting under authority of the general laws of Florida, the Issuer, to the extent permitted by law, will require every owner of each lot which is contiguous to any street or public way containing a sewer line forming a part of the sewer facilities of the System and upon which lot a building shall subsequently be constructed for residential, commercial or industrial use, to connect such building to such sewer facilities and to cease to use any other method for the disposal of sewage waste or other polluting matter; provided, however, the Issuer may create exceptions from the above-described compulsory connection policy for owners of parcels of land of five acres or more and for situations involving hardship on the part of the property owner.

SECTION 5.12. ENFORCEMENT OF CHARGES. The Issuer shall compel the prompt payment of rates, fees and charges imposed in connection with the System, and to that end will vigorously enforce all of the provisions of any ordinance or resolution of the Issuer having to do with sewer and water connections and charges, and all of the rights and remedies permitted the Issuer under law, including the requirement for the making of a reasonable deposit by each user, the requirement for disconnection of all premises delinquent in the payment, and the securing of injunction against the disposition of sewage or industrial waste into the sewer facilities of the System by any premises delinquent in the payment of such charges.

SECTION 5.13. UNIT WATER AND SEWER BILLS. In every instance in which a building or structure on a lot is connected to the sewer facilities of the System, which building or structure is also connected to the water facilities of the System and receives water therefrom, the Issuer shall submit to the owner or occupant of such lot a single bill for both water and sewer service and shall refuse to accept payment for either the water charge alone or sewer charge alone without payment of the other.

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

SECTION 5.15. COLLECTION OF SPECIAL ASSESSMENTS. The Issuer shall proceed diligently to perform legally and effectively all steps required in the imposition and collection of the Special Assessments. The Issuer shall diligently proceed to collect such Special Assessments and shall exercise all legally available remedies now or hereafter available under State law, including foreclosure, to enforce such collections.

SECTION 5.16. RE-ASSESSMENTS. If any Special Assessment shall be either in whole or in part annulled, vacated or set aside by the judgment of any court, or if the Governing Body shall be satisfied that any such Special Assessment is so irregular or defective that the same cannot be enforced or collected, or if the Governing Body shall have omitted to make such Special Assessment when it might have done so, the Governing Body shall take all necessary steps to cause a new Special Assessment to be made for the whole or any part of said improvement or against any property benefited by said improvement, and in case such second Special Assessment shall be annulled, said Governing Body shall obtain and make other Special Assessments until a valid Special Assessment shall be made.

SECTION 5.17. COLLECTION OF CONNECTION FEES. The Issuer shall proceed diligently to perform legally and effectively all steps required in the imposition and collection of the Connection Fees. Upon the due date of any such Connection Fees, the Issuer shall diligently proceed to collect the same and shall exercise all legally available remedies to enforce such collections now or hereafter available under State law.

SECTION 5.18. CONSULTING ENGINEERS. The Issuer shall at all times employ Consulting Engineers, whose duties shall be to make

any certificates and perform any other acts required or permitted of the Consulting Engineers under this Resolution, and also to review the construction and operation of the System, to make an inspection of the System at least once a year, and, not more than sixty (60) days after receipt of the Annual Audit by the Issuer, to submit to the Issuer a report with recommendations as to the proper maintenance, repair and operation of the System during the ensuing Fiscal Year, including recommendations for expansion and additions to the System to meet anticipated service demands, and an estimate of the amount of money necessary for such purposes. Copies of such reports, recommendations and estimates made as hereinabove provided shall be filed with the Issuer for inspection by Bondholders, if such inspection is requested.

SECTION 5.19. FEDERAL INCOME TAXATION COVENANTS; TAXABLE BONDS. The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that it shall not use the proceeds of such Series of Bonds in any manner which would cause the interest on such Series of Bonds to be or become included in gross income for purpose of federal income taxation to the extent not theretofore included.

The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that neither the Issuer nor any Person under its control or direction will make any use of the proceeds of such Series of Bonds (or amounts deemed to be proceeds under the Code) in any manner which would cause such Series of Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and neither the Issuer nor any other Person shall do any act or fail to do any act which would cause the interest on such Series of Bonds to become subject to inclusion within gross income for purposes of federal income taxation.

The Issuer hereby covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that it will comply with all provisions of the Code necessary to maintain the exclusion from gross income of interest on the Bonds for purposes of federal income taxation, including, in particular, the payment of any amount required to be rebated to the U.S. Treasury pursuant to the Code.

The Issuer may, if it so elects, issue one or more Series of Taxable Bonds the interest on which is (or may be) includible in the gross income of the Holder thereof for federal income taxation purposes, so long as each Bond of such Series states in the body thereof that interest payable thereon is (or may be) subject to federal income taxation and provided that the issuance thereof will not cause interest on any other Bonds theretofore issued hereunder to be or become subject to federal income taxation. The covenants set forth in this Section 5.19 shall not apply to any Taxable Bonds.

SECTION 5.20 TRANSFER OF SYSTEM TO SPECIAL DISTRICT. Lee County, Florida specifically reserves the right to transfer the ownership and operation of the System as a whole and all of Lee County's rights and obligations under this Resolution and the Bonds to a Special District upon compliance with the following conditions:

(A) Lee County shall certify that it is current in all deposits or credits to the various funds, accounts and subaccounts established hereby and all payments theretofore required to have been deposited or credited by it under the provisions of this Resolution and that no Event of Default shall have occurred and be continuing.

(B) The Special District shall constitute a governmental entity, the interests on obligations issued by which is excluded from gross income for purposes of federal income taxation under Section 103(a) of the Code.

(C) The Special District shall agree, in writing, to assume all obligations of Lee County under this Resolution and the Bonds.

(D) Lee County shall receive an opinion of Bond Counsel to the effect that under existing law, the consummation of such transfer (i) is authorized by applicable law and proceedings of Lee County and the Special District, and (ii) would not adversely affect the exclusion of interest for purposes of federal income taxation of interest payable on any Bonds then Outstanding (other than Taxable Bonds).

Upon the consummation of such transfer, the transferee Special District shall become the "Issuer" for all purposes hereunder. Thereafter, the transferee Special District shall be solely responsible for compliance with all of the terms and provisions hereof, including but not limited to payment of the Bonds and the interest thereon, and shall be entitled to exercise all rights hereunder, including but not limited to the right to issue future Series of Additional Bonds on a parity with any Bonds then Outstanding. Lee County shall immediately transfer the various funds, accounts and subaccounts established hereby to the transferee Special District.

ARTICLE VI
SUBORDINATED INDEBTEDNESS AND
ADDITIONAL BONDS

SECTION 6.01. SUBORDINATED INDEBTEDNESS. The Issuer will not issue any other obligations, except under the conditions and in the manner provided herein, payable from the Pledged Funds or the Gross Revenues or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien thereon in favor of the Bonds and the interest thereon. The Issuer may at any time or from time to time issue evidences of indebtedness payable in whole or in part out of Pledged Funds and which may be secured by a pledge of Pledged Funds; provided, however, that such pledge shall be, and shall be expressed to be, subordinated in all respects to the pledge of the Pledged Funds created by this Resolution and provided further that the issuance of such Subordinated Indebtedness shall be subject to any provisions contained in financing documents securing outstanding Subordinated Indebtedness to the extent such provisions impact on the ability of the Issuer to issue Subordinated Indebtedness. The Issuer shall have the right to covenant with the holders from time to time of any Subordinated Indebtedness to add to the conditions, limitations and restrictions under which any Additional Bonds may be issued under the provisions of Section 6.02 hereof. The Issuer agrees to pay promptly any Subordinated Indebtedness as the same shall become due.

SECTION 6.02. ISSUANCE OF ADDITIONAL BONDS. No Additional Bonds, payable on a parity with the Bonds then Outstanding pursuant to this Resolution, shall be issued except upon the conditions and in the manner herein provided. The Issuer may issue one or more Series of Additional Bonds for any one or more of the following purposes: (i) financing the Cost of a Project, or the completion thereof, or (ii) refunding any or all Outstanding Bonds, any Subordinated Indebtedness or other outstanding obligations of the Issuer.

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

(A) Except in the case of Additional Bonds issued for the purpose of refunding Outstanding Bonds, the Issuer shall certify that it is current in all deposits into the various funds and accounts established hereby and all payments theretofore required to have been deposited or made by it under the provisions of this Resolution and have complied with the covenants and agreements of this Resolution.

(B) An independent certified public accountant or the Rate Consultant shall certify to the Issuer that the amount of the Net Revenues and Special Assessments Proceeds during the immediate preceding Fiscal Year or any twelve (12) consecutive months selected by the Issuer of the twenty-four (24) months immediately preceding the issuance of said Additional Bonds, adjusted as hereinafter provided, will (i) be equal to at least one hundred percent (100%) of (a) the Maximum Annual Debt Service of the Outstanding Bonds and the Additional Bonds then proposed to be issued, (b) any amounts required by the terms hereof to be deposited into the Reserve Account (as a result of a deficiency therein) or with an issuer of a Reserve Account Insurance Policy or Reserve Account Letter of Credit during such twelve (12) consecutive months, and (c) any amounts required by the terms of Sections 4.06(A) and 4.07(A) hereof to be repaid to the Water Connection Fees Fund and Sewer Connection Fees Fund during such twelve (12) consecutive months, and (ii) when added to the Connection Fees, adjusted as hereinafter provided, received by the Issuer during such twelve (12) consecutive months, be equal to at least one hundred twenty percent (120%) of the Maximum Annual Debt Service of the Outstanding Bonds and the Additional Bonds then proposed to be issued.

(C) For the purpose of determining the Maximum Annual Debt Service under this Section 6.02, the interest rate on additional parity Variable Rate Bonds then proposed to be issued shall be deemed to be the greater of (i) the rate of interest such additional parity Variable Rate Bonds shall be assumed to have borne if such interest rate was a fixed rate established as of the first business day of the month next preceding the date on which the Supplemental Resolution authorizing the issuance of the additional parity Variable Rate Bonds is adopted, or (ii) the variable rate that the additional parity Variable Rate Bonds would have borne as of the first business day of the month next preceding the date on which the Supplemental Resolution authorizing the issuance of the additional parity Variable Rate Bonds, plus 50% of the difference between such rate and the Maximum Interest Rate applicable to such Bonds. The assumed interest rates for the additional parity Variable Rate Bonds established pursuant to this paragraph shall be based upon a written report or opinion to the Issuer of a banking or investment banking or financial advisory institution knowledgeable in financial matters relating to the Issuer.

(D) For the purpose of determining the Maximum Annual Debt Service under this Section 6.02, the interest rate on Outstanding Variable Rate Bonds shall be deemed to be the greater of (i) one hundred twenty-five percent (125%) of the effective interest on the Outstanding Variable Rate Bonds on the first business day of the month next preceding the date that the Supplemental Resolution authorizing the issuance of the Additional Bonds is adopted, or (ii) one hundred twenty-five percent (125%) of the average interest

rates on the Outstanding Variable Rate Bonds for the preceding twelve (12) month period (or such shorter period of time such Bonds were Outstanding), which ends on the first business day of the month next preceding the date that the Supplemental Resolution authorizing the issuance of Additional Bonds is adopted.

(E) For the purpose of this Section 6.02, the phrase "immediately preceding Fiscal Year or any twelve (12) consecutive months selected by the Issuer of the twenty-four (24) months immediately preceding the issuance of said Additional Bonds" shall be sometimes referred to as "twelve (12) consecutive months."

(F) The Net Revenues, the Connection Fees and the Special Assessment Proceeds calculated pursuant to the foregoing Section 6.02(B) may be adjusted upon the written advice of the Rate Consultant or Consulting Engineers, at the option of the Issuer, as follows:

(i) If the Issuer, prior to the issuance of the proposed Additional Bonds, shall have increased the rates, fees or other charges for the product, services or facilities of the System, the Net Revenues and the Connection Fees for the twelve (12) consecutive months immediately preceding the issuance of said Additional Bonds shall be adjusted to show the Net Revenues and the Connection Fees which would have been derived from the System in such twelve (12) consecutive months as if such increased rates, fees or other charges for the product, services or facilities of the System had been in effect during all of such twelve (12) consecutive months.

(ii) If the Issuer shall have acquired or has contracted to acquire any privately or publicly owned existing water and/or sewer system, then the Net Revenues and the Connection Fees derived from the System during the twelve (12) consecutive months immediately preceding the issuance of said Additional Bonds shall be increased by adding to the Net Revenues and the Connection Fees for said twelve (12) consecutive months the Net Revenues and the Connection Fees which would have been derived from said existing water and/or sewer system as if such existing water and/or sewer system had been a part of the System during such twelve (12) consecutive months. For the purposes of this paragraph, the Net Revenues and the Connection Fees derived from said existing water and/or sewer system during such twelve (12) consecutive months shall be adjusted to determine such Net Revenues and the Connection Fees by deducting the cost of operation and maintenance of said existing water and/or sewer system from the gross revenues of said system. Such Net Revenues and the Connection Fees shall take into account any increase in rates imposed on customers of such water and/or sewer system on or prior to the acquisition thereof by the Issuer.

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

(iv) If the Issuer covenants to levy Special Assessments against property to be benefited by the improvements, the cost of which shall be paid from the proceeds of the proposed Additional Bonds, then the Special Assessment Proceeds derived from the System during the twelve (12) consecutive months shall be increased by an amount equal to the least amount which the Rate Consultant or Consulting Engineers estimates will be received in any one year subsequent to completion of such improvements from the levy of said Special Assessments, said amount to be the total received, assuming no prepayments, from the installment payments on the Special Assessments plus the interest paid on the unpaid portion of the Special Assessments. The estimate of the Rate Consultant or Consulting Engineers shall be based upon the preliminary assessment roll filed with the Issuer prior to the construction of such improvements.

(v) In the event the Issuer shall be constructing or acquiring additions, extensions or improvements to the System from the proceeds of such Additional Bonds or shall have additions, extensions and improvements under construction at the time of the issuance of such Additional Bonds and shall have established fees, rates or charges to be charged and collected from users of such facilities when service is rendered, such Net Revenues and Connection Fees may be adjusted by adding thereto one hundred percent (100%) of the Net Revenues and Connection Fees estimated by the Rate Consultant or Consulting Engineers to be derived during the third twelve (12) months of operation after completion of the construction or acquisition of said additions, extensions and improvements from the customers of such facilities.

(vi) The Net Revenues and Connection Fees may be adjusted for any period any portion of the System was not owned by the Issuer to reflect government ownership of the System of such portion.

(vii) If any customer of the Issuer shall have commenced service by the System during the twelve (12) consecutive months, the Net Revenues and the Connection Fees may be adjusted to take into account the Net Revenues and the Connection Fees which would have been derived during such twelve (12) consecutive months if

such customer had been serviced by the System for such entire twelve (12) consecutive month period.

(G) Additional Bonds shall be deemed to have been issued pursuant to this Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to this Resolution. Except as provided in Sections 4.02 and 4.05 hereof, all Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Pledged Funds and their sources and security for payment therefrom without preference of any Bonds over any other.

(H) In the event any Additional Bonds are issued for the purpose of refunding any Bonds then Outstanding, the conditions of Section 6.02(B) shall not apply, provided that the issuance of such Additional Bonds shall result in a reduction of the aggregate debt service. The conditions of Section 6.02(B) shall apply to Additional Bonds issued to refund Subordinated Indebtedness and to Additional Bonds issued for refunding purposes which cannot meet the conditions of this paragraph.

(I) If at any time the Issuer shall enter into an agreement or contract for an ownership interest in any public or privately owned water and/or sewer system or for the reservation of capacity therein whereby the Issuer has agreed as part of the cost thereof to pay part of the debt service on the obligations of such public or privately owned water and/or sewer system issued in connection therewith, such payments to be made by the Issuer shall be junior, inferior and subordinate in all respects to the Bonds issued hereunder, unless such obligations (when treated as Additional Bonds) shall meet the conditions of Section 6.02(B), in which case such obligations shall rank on parity as to lien on the Pledged Funds with the Bonds.

(J) In addition to all of the other requirements specified in this 6.02, the Issuer must comply with any applicable provisions of any financing documents related to outstanding Subordinated Indebtedness to the extent such provisions impact on the ability of the Issuer to issue Additional Bonds.

SECTION 6.03. BOND ANTICIPATION NOTES. The Issuer may issue notes in anticipation of the issuance of Bonds which shall have such terms and details and be secured in such manner, not inconsistent with this Resolution, as shall be provided by Supplemental Resolution of the Issuer.

SECTION 6.04. ACCESSION OF SUBORDINATED INDEBTEDNESS TO PARITY STATUS WITH BONDS. The Issuer may provide for the accession of Subordinated Indebtedness to the status of complete parity with

the Bonds, if (A) the Issuer shall meet all the requirements imposed upon the issuance of Additional Bonds by Sections 6.02(A) and (B) hereof, assuming for purposes of said requirements, that such Subordinated Indebtedness shall be Additional Bonds, (B) the facilities financed by such Subordinated Indebtedness shall be, or become part of, the System, and (C) the Reserve Account, upon such accession, which shall contain an amount equal to the Reserve Account Requirement in accordance with Section 4.05(B)(iv) hereof. If the aforementioned conditions are satisfied, the Subordinated Indebtedness shall be deemed to have been issued pursuant to this Resolution the same as the Outstanding Bonds, and such Subordinated Indebtedness shall be considered Bonds for all purposes provided in this Resolution.

ARTICLE VII

DEFAULTS AND REMEDIES

SECTION 7.01. EVENTS OF DEFAULT. The following events shall each constitute an "Event of Default":

(A) Default shall be made in the payment of the principal of Sinking Fund Installment, redemption premium or interest on any Bond or Subordinated Indebtedness when due. In determining whether a payment default has occurred, no effect shall be given to payment made under a Bond Insurance Policy.

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

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

SECTION 7.02. REMEDIES. Any Holder of Bonds issued under the provisions of this Resolution or any trustee or receiver acting for such Bondholders may either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights under the Laws of the State of Florida, or granted and contained in this Resolution, and may enforce and compel the performance of all duties required by this Resolution or by any applicable statutes to be performed by the Issuer or by any officer thereof; provided, however, that no Holder, trustee or receiver shall have the right to declare the Bonds immediately due and payable.

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

SECTION 7.03. DIRECTIONS TO TRUSTEE AS TO REMEDIAL PROCEEDINGS. The Holders of a majority in principal amount of the Bonds then Outstanding (or any Insurer insuring any then Outstanding Bonds) have the right, by an instrument or concurrent instruments in writing executed and delivered to the trustee, to direct the method and place of conducting all remedial proceedings to be taken by the trustee hereunder with respect to the Series of Bonds owned by such Holders or insured by such Insurer, provided that such direction shall not be otherwise than in accordance with law or the provisions hereof, and that the trustee shall have the right to decline to follow any direction which in the opinion of the trustee would be unjustly prejudicial to Holders of Bonds not parties to such direction.

SECTION 7.04. REMEDIES CUMULATIVE. No remedy herein conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

SECTION 7.05. WAIVER OF DEFAULT. No delay or omission of any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by Section 7.02 to the Bondholders may be exercised from time to time, and as often as may be deemed expedient.

SECTION 7.06. APPLICATION OF MONEYS AFTER DEFAULT. If an Event of Default shall happen and shall not have been remedied, the Issuer or a trustee or receiver appointed for the purpose shall apply all Pledged Funds (except as for any Special Assessment Proceeds or special revenues pledged to a Series of Bonds and for amounts in the subaccounts, if any, of the Reserve Account which shall be applied to the payment of the Series of Bonds for which they were established) as follows and in the following order:

A. To the payment of the reasonable and proper charges, expenses and liabilities of the trustee or receiver and Registrar hereunder;

B. To the payment of the amounts required for reasonable and necessary Operating Expenses, and for the reasonable renewals, repairs and replacements of the System necessary to prevent loss of Gross Revenues, as certified by the Consulting Engineer;

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

(1) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

FIRST: to the payment to the Persons entitled thereto of all installments of interest then due, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference;

SECOND: to the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of Section 9.01 of this Resolution), in the order of their due dates, with interest upon such Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the Persons entitled thereto without any discrimination or preference; and

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

(2) If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with interest thereon as aforesaid, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or preference.

SECTION 7.07. CONTROL BY INSURER. Upon the occurrence and continuance of an Event of Default, an Insurer, if such Insurer shall have honored all of its commitments under its Bond Insurance Policy, shall be entitled to direct and control the enforcement of all right and remedies with respect to the Bonds it shall insure, including any waiver of an Event of Default. The Issuer shall provide each Insurer immediate notice of any Event of Default described in Section 7.01(A) hereof and notice of any other Event of Default occurring hereunder within 30 days of the occurrence thereof.

ARTICLE VIII

SUPPLEMENTAL RESOLUTIONS

SECTION 8.01. SUPPLEMENTAL RESOLUTION WITHOUT BONDHOLDERS' CONSENT. The Issuer, from time to time and at any time, may adopt such Supplemental Resolutions without the consent of the Bondholders (which Supplemental Resolution shall thereafter form a part hereof) for any of the following purposes:

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

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

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

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

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

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

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

(H) To provide for the establishment of a separate subaccount or subaccounts in the Reserve Account which shall independently secure one or more Series of Bonds.

(I) To revise the procedures provided in Section 4.05(B)(iv) hereof pursuant to which moneys are drawn on a Reserve Account Insurance Policy or Reserve Account Letter of Credit and moneys are reimbursed to the provider of such Policy or Letter of Credit.

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

SECTION 8.02. SUPPLEMENTAL RESOLUTION WITH BONDHOLDERS' AND INSURER'S CONSENT. Subject to the terms and provisions contained in this Section 8.02 and Sections 8.01 and 8.03 hereof, the Holder or Holders of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in this Resolution to the contrary notwithstanding, to consent to and approve the adoption of such Supplemental Resolution or Resolutions hereto as shall be deemed necessary or desirable by the Issuer for the purpose of supplementing, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Resolution; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series or maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section 8.02. Any Supplemental Resolution which is adopted in accordance with the provisions of this Section 8.02 shall also require the written consent of the Insurer of any Bonds which are Outstanding at the time such Supplemental Resolution shall take effect. No Supplemental Resolution may be approved or adopted which shall permit or require (A) an extension of the maturity of the principal of or the payment of the interest on any Bond issued hereunder, (B) reduction in the principal amount of any Bond or the Redemption Price or the rate of interest thereon, (C) the creation of a lien upon or a pledge of the Pledged Funds other than the lien and pledge created by this Resolution or except as otherwise permitted or provided hereby, (D) a preference or priority of any Bond or Bonds over any other Bond or Bonds (except as to the establishment of separate subaccounts in the Reserve Account provided in Section 4.05(B)(iv) hereof), or (E) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders or any Insurer of the adoption of any Supplemental Resolution as authorized in Section 8.01 hereof.

If at any time the Issuer shall determine that it is necessary or desirable to adopt any Supplemental Resolution pursuant to this Section 8.02, the Clerk shall cause the Registrar to give notice of the proposed adoption of such Supplemental Resolution and the form of consent to such adoption to be mailed, postage prepaid, to all Bondholders at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies

thereof are on file at the offices of the Clerk and the Registrar for inspection by all Bondholders. The Issuer shall not, however, be subject to any liability to any Bondholder by reason of its failure to cause the notice required by this Section 8.02 to be mailed and any such failure shall not affect the validity of such Supplemental Resolution when consented to and approved as provided in this Section 8.02.

Whenever the Issuer shall deliver to the Clerk an instrument or instruments in writing purporting to be executed by the Holders of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Issuer may adopt such Supplemental Resolution in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

If the Holders of not less than two-thirds (2/3) in aggregate principal amount of the Bonds Outstanding at the time of the adoption of such Supplemental Resolution shall have consented to and approved the adoption thereof as herein provided, no Holder of any Bond shall have any right to object to the adoption of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Issuer from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption of any Supplemental Resolution pursuant to the provisions of this Section 8.02, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the Issuer and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of this Resolution as so modified and amended.

SECTION 8.03. AMENDMENT WITH CONSENT OF INSURER. For purposes of amending the Resolution pursuant to Section 8.02 hereof, an Insurer of Bonds shall be considered the Holder of such Bonds which it has insured, provided such Bonds, at the time of the adoption of the amendment, shall be rated by the Rating Agencies which shall have rated such Bonds at the time such Bonds were insured no lower than the ratings assigned thereto by such Rating Agencies on such date of being insured. The consent of the Holders of such Bonds shall not be required if the Insurer of such Bonds shall consent to the amendment as provided by this Section 8.03. The foregoing right of amendment, however, does not apply to any amendment to Section 5.19 hereof with respect to the exclusion, if applicable, of interest on said Bonds from gross income for

purposes of federal income taxation. Prior to adoption of any amendment made pursuant to this Section 8.03, notice of such amendment shall be delivered to the Rating Agencies rating the Bonds. Upon filing with the Clerk of evidence of such consent of the Insurer or Insurers as aforesaid, the Issuer may adopt such Supplemental Resolution. After the adoption by the Issuer of such Supplemental Resolution, notice thereof shall be mailed in the same manner as notice of an amendment under Section 8.02 hereof.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. DEFEASANCE. If the Issuer shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution and if the Issuer shall pay all amounts owing to any provider of a Reserve Account Letter of Credit or Reserve Account Insurance Policy, then the pledge of and lien on the Pledged Funds, and all covenants, agreements and other obligations of the Issuer to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Paying Agents shall pay over or deliver to the Issuer all money or securities held by them pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Any Bonds or interest installments appertaining thereto, whether at or prior to the maturity or redemption date of such Bonds, shall be deemed to have been paid within the meaning of this Section 9.01 if (A) in case any such Bonds are to be redeemed prior to the maturity thereof, there shall have been taken all action necessary to call such Bonds for redemption and notice of such redemption shall have been duly given or provision shall have been made for the giving of such notice, and (B) there shall have been deposited in irrevocable trust with a banking institution or trust company by or on behalf of the Issuer either moneys in an amount which shall be sufficient, or Refunding Securities the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with such bank or trust company at the same time shall be sufficient (as verified by an independent certified public accountant), to pay the principal of or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be. Except as hereafter provided, neither the Refunding Securities nor any moneys so deposited with such bank or trust company nor any moneys received by such bank or trust company on account of principal of or Redemption Price, if applicable, or interest on said Refunding Securities shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for and be applied to, the payment, when due, of the principal of or Redemption Price, if applicable, of the Bonds for the payment or redemption of which they were deposited and the interest accruing thereon to the date of maturity or redemption; provided, however, the Issuer may substitute new Refunding Securities and moneys for the deposited Refunding Securities and moneys if the new Refunding Securities and moneys

are sufficient to pay the principal of or Redemption Price, if applicable, and interest on the refunded Bonds.

For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or the redemption date thereof, as the case may be, by the deposit of moneys, or specified Refunding Securities and moneys, if any, in accordance with this Section 9.01, the interest to come due on such Variable Rate Bonds on or prior to the maturity or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than the Maximum Interest Rate for any period, the total amount of moneys and specified Refunding Securities on deposit for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Bonds is in order to satisfy this Section 9.01, such excess shall be paid to the Issuer free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under this Resolution.

In the event the Bonds for which moneys are to be deposited for the payment thereof in accordance with this Section 9.01 are not by their terms subject to redemption within the next succeeding sixty (60) days, the Issuer shall cause the Registrar to mail a notice to the Holders of such Bonds that the deposit required by this Section 9.01 of moneys or Refunding Securities has been made and said Bonds are deemed to be paid in accordance with the provisions of this Section 9.01 and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of or Redemption Price, if applicable, and interest on said Bonds.

Nothing herein shall be deemed to require the Issuer to call any of the Outstanding Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Issuer in determining whether to exercise any such option for early redemption.

In the event that the principal of or Redemption Price, if applicable, and interest due on the Bonds shall be paid by an Insurer or Insurers, such Bonds shall remain Outstanding, shall not be defeased and shall not be considered paid by the Issuer, and the pledge of the Pledged Funds and all covenants, agreements and other obligations of the Issuer to the Bondholders shall continue to exist and shall run to the benefit of the Insurer, and such Insurer or Insurers shall be subrogated to the rights of such Bondholders.

SECTION 9.02. CAPITAL APPRECIATION BONDS. For the purposes of (A) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (B) receiving

payment of a Capital Appreciation Bond if the principal of all Bonds becomes due and payable, or (C) computing the amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to the Issuer or any trustee or receiver appointed to represent the Bondholders any notice, consent, request or demand pursuant to this Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

SECTION 9.03. SUCCESSOR FUNDS AND ACCOUNTS. The funds and accounts established hereunder shall succeed to the funds and accounts established by the First Amended and Restated Resolution as follows:

(A) The Revenue Account established hereunder shall succeed the Revenue Fund established by the First Amended and Restated Resolution.

(B) The Principal Account and Interest Account established hereunder shall succeed the Sinking Fund established by the First Amended and Restated Resolution.

(C) The Term Bonds Redemption Account established hereunder shall succeed the Bond Amortization Account established by the First Amended and Restated Resolution.

(D) The Reserve Account established hereunder shall succeed the Reserve Account established by the First Amended and Restated Resolution.

(E) The Renewal and Replacement Fund established hereunder shall succeed the Renewal and Replacement Account established by the First Amended and Restated Resolution.

(F) The Special Assessments Fund established hereunder shall succeed the Special Assessments Fund established by the First Amended and Restated Resolution.

(G) The Water Connection Fees Fund and the Sewer Connection Fees Fund established hereunder shall succeed the Impact Fees Fund established by the First Amended and Restated Resolution.

SECTION 9.04. SALE OF BONDS. The Bonds shall be issued and sold at public or private sale at one time or in installments from time to time and at such price or prices as shall be consistent with the provisions of the Act, the requirements of this Resolution and other applicable provisions of law.

SECTION 9.05. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason

whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

SECTION 9.06. VALIDATION AUTHORIZED. To the extent deemed necessary by Bond Counsel or desirable by Counsel for the Issuer, the Attorney for the Issuer is authorized to institute appropriate proceedings for validation of the Bonds herein authorized pursuant to Chapter 75, Florida Statutes.

SECTION 9.07. REPEAL OF INCONSISTENT RESOLUTIONS. All ordinances, resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict.

SECTION 4. SERIES 1993 BONDHOLDERS TO CONSENT TO AMENDMENTS. As provided in the Second Amended and Restated Resolution, various amendments are made to the First Amended and Restated Resolution. Acceptance of the Series 1993 Bonds by the Holders thereof shall be considered consent to such amendments by such Holders for purposes of Section 8.01 of the First Amended and Restated Resolution.

SECTION 5. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the provisions herein contained shall be held contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such provisions shall be null and void and shall be deemed separate from the remaining provisions and shall in no way affect the validity of any other provisions hereof.

SECTION 6. REPEALING CLAUSE. All resolutions, ordinances, or parts thereof in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed.

SECTION 7. EFFECTIVE DATE. This Second Amended and Restated Resolution shall take effect immediately upon adoption hereof; provided material modifications to the First Amended and Restated Resolution shall take effect simultaneously with the issuance of the Series 1993 Bonds.

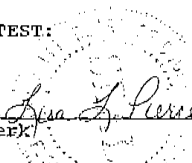
ADOPTED at a Regular Meeting this 30th day of June, 1993.

BOARD OF COUNTY COMMISSIONERS
OF LEE COUNTY, FLORIDA

(SEAL)

Vice-Chairman Ray Judah

ATTEST:


Lisa S. Peres, Deputy Clerk
Clerk

Approved as to Form and
Legal Sufficiency:

James G. Geyer
County Attorney

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APPENDIX E
FORM OF BOND COUNSEL OPINION

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APPENDIX E

**FORM OF OPINION OF NABORS, GIBLIN & NICKERSON, P.A.,
WITH RESPECT TO THE SERIES 2013 BONDS**

Upon delivery of the Series 2013 Bonds in definitive form, Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, proposes to render its opinion with respect to such Series 2013 Bonds in substantially the following form:

(Date of Delivery)

Board of County Commissioners
of Lee County, Florida
Fort Myers, Florida

Commissioners:

We have examined a record of proceedings relating to the issuance of \$53,755,000 aggregate principal amount of Lee County, Florida Water and Sewer Revenue Bonds, Series 2013A (the "Series 2013A Bonds") and \$39,440,000 aggregate principal amount of Lee County, Florida Water and Sewer Refunding Revenue Bonds, Series 2013B (the "Series 2013B Bonds," and, together with the Series 2013A Bonds, the "Series 2013 Bonds"). The Series 2013 Bonds are issued under and pursuant to the Laws of the State of Florida, including, particularly, Chapter 125, Florida Statutes, and Resolution No. 93-06-40 of Lee County, Florida (the "County"), adopted on June 30, 1993, as supplemented (the "Resolution").

The Series 2013 Bonds are dated and shall bear interest from their date of delivery, except as otherwise provided in the Resolution. The Series 2013 Bonds will mature on the dates and in the principal amounts, and will bear interest at the respective rates per annum, as provided in the Resolution. Interest shall be payable on each October 1 and April 1, commencing on October 1, 2013. The Series 2013 Bonds are subject to redemption prior to maturity in accordance with the terms of the Resolution.

The Series 2013A Bonds are issued for the principal purpose of financing certain capital improvements to the System, in particular the replacement/rehabilitation of the Green Meadows Water Treatment Plant, as more particularly described in the records, plans and specifications on file with the County. The Series 2013B Bonds are issued for

the principal purpose of refunding all of the County's outstanding Water and Sewer Refunding Revenue Bonds, Series 2003A (the "Refunded Bonds").

Certain proceeds of the Series 2013B Bonds, together with other moneys of the County, shall be deposited into an escrow deposit trust fund established pursuant to the Escrow Deposit Agreement between the County and Regions Bank, Orlando, Florida, as Escrow Agent. Such proceeds and other moneys shall be sufficient to pay the principal of, redemption premium, if any, and interest on the Refunded Bonds, as the same become due or are redeemed prior to maturity.

As to questions of fact material to our opinion, we have relied upon the representations of the County contained in the Resolution and in the certified proceedings relating thereto and to the issuance of the Series 2013 Bonds and other certifications of public officials furnished to us in connection therewith without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that:

1. The County is a duly created and validly existing political subdivision of the State of Florida.

2. The County has the right and power under the Constitution and Laws of the State of Florida to adopt the Resolution, and the Resolution has been duly and lawfully adopted by the County, is in full force and effect in accordance with its terms and is valid and binding upon the County and enforceable in accordance with its terms, and no other authorization for the Resolution is required. The Resolution creates the valid pledge which it purports to create of the Pledged Funds (as such term is defined in the Resolution), subject to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution.

3. The County is duly authorized and entitled to issue the Series 2013 Bonds, and the Series 2013 Bonds have been duly and validly authorized and issued by the County in accordance with the Constitution and laws of the State of Florida and the Resolution. The Series 2013 Bonds constitute valid and binding obligations of the County as provided in the Resolution, are enforceable in accordance with their terms and the terms of the Resolution and are entitled to the benefits of the Resolution and the laws pursuant to which they are issued. The Series 2013 Bonds shall be issued on parity under the Resolution with certain other indebtedness of the County. The Series 2013 Bonds do not constitute a general indebtedness of the County or the State of Florida or any agency, department or political subdivision thereof, or a pledge of the faith and credit of such entities, but are payable from the Pledged Funds in the manner and to the extent provided in the Resolution. No holder of the Series 2013 Bonds shall ever have the right to compel the exercise of any ad valorem taxing power of the County or the State of Florida or any political subdivision, agency or department thereof to pay the Series 2013 Bonds.

4. Under existing statutes, regulations, rulings and court decisions, the interest on the Series 2013 Bonds (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to certain corporations, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax. The opinions set forth in this paragraph 4 are subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2013 Bonds in order that interest thereon be (or continues to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Series 2013 Bonds to be so included in gross income retroactive to the date of issuance of the Series 2013 Bonds. The County has covenanted to comply with all such requirements. Ownership of the Series 2013 Bonds may result in collateral federal tax consequences to certain taxpayers. We express no opinion regarding such federal tax consequences arising with respect to the Series 2013 Bonds.

In rendering the opinions set forth above, we are relying upon (a) the arithmetical accuracy of certain computations included in schedules provided by Citigroup Global Markets Inc. relating to the adequacy of proceeds of the Series 2013B Bonds and other moneys of the County deposited in the escrow deposit trust fund established pursuant to the Escrow Deposit Agreement to pay the principal of, redemption premium, if any, and interest on the Refunded Bonds, and (b) the verification of arithmetical accuracy of such computations by GNP Services, CPA, P.A.

It should be noted that (1) except as may expressly be set forth in an opinion delivered by us to the underwriters (on which opinion only it may rely) for the Series 2013 Bonds on the date hereof, we have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Series 2013 Bonds and we express no opinion relating thereto, and (2) we have not been engaged or undertaken to review the compliance with any federal or state law with regard to the sale or distribution of the Series 2013 Bonds and we express no opinion relating thereto.

The opinions expressed in paragraphs 2 and 3 hereof are qualified to the extent that the enforceability of the Resolution and the Series 2013 Bonds may be limited by any applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts and circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

We have examined the forms of the Series 2013 Bonds and, in our opinion, the forms of the Series 2013 Bonds are regular and proper.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by Lee County, Florida (the “Issuer”) in connection with the issuance of its \$53,755,000 aggregate principal amount of Water and Sewer Revenue Bonds, Series 2013A and its \$39,440,000 aggregate principal amount of Water and Sewer Refunding Revenue Bonds, Series 2013B (collectively, the “2013 Bonds”). The 2013 Bonds are being issued pursuant to a resolution adopted by the Board of County Commissioners of the Issuer (the “Board”) on June 30, 1993, as supplemented by Resolution No. 13-06-35 adopted by the Board on June 25, 2013 (collectively, the “Resolution”). Subject to the provisions set forth below, the Issuer covenants and agrees as follows:

SECTION 1. PURPOSE OF DISCLOSURE CERTIFICATE. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Bondholders and in order to assist the underwriters of the 2013 Bonds in complying with the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission (“SEC”) pursuant to the Securities Exchange Act of 1934 (the “Rule”).

SECTION 2. DEFINITIONS. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Resolution or in the Rule.

“Event of Bankruptcy” shall be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

SECTION 3. ANNUAL INFORMATION. In accordance with the provisions of the Rule, the Issuer shall provide or cause to be provided, to the Electronic Municipal Market Access System operated by the Municipal Securities Rulemaking Board (the “MSRB”), or such other system as permitted under the Rule (the “EMMA System”), if any, on or before April 30 of each year, commencing April 30, 2014 (A) the following information with respect to the prior fiscal year, an update of the annual financial information and operating data of the Issuer for the Utility System, consistent with the type of financial information and data included in the Official Statement prepared for the 2013 Bonds (the “Official Statement”): (i) Total operating revenues, total operating expenses, net operating revenues, pledged special assessments proceeds (if any), connection fees, annual debt service on senior lien bonds (including the 2013 Bonds), debt service coverage without pledged connection fees and special assessments and debt service coverage with pledged connection fees and special assessments, (ii) monthly water rates, monthly wastewater rates and connection fees for the System, (iii) customer information for the System of the same type and in a similar format as included in the Official Statement under the caption “THE SYSTEM — Customer Statistics,” and (iv) information regarding the top ten customers of the System of the same type and in a similar format as included in the Official

Statement under the caption “THE SYSTEM — Customer Statistics,” and (B) annual audited financial statements with respect to the prior fiscal year prepared pursuant to generally accepted accounting principles recommended from time to time by the Governmental Accounting Standards Board and in accordance with Florida law. If audited financial statements are not available at the time of required filings as set forth above, unaudited financial statements shall be filed pending the availability of audited financial statements. (The information required to be disclosed in this Section 3 shall be referred to herein as the “Annual Disclosure Filing”).

The Issuer reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.

SECTION 4. SPECIFIED EVENTS. The Issuer agrees to provide or cause to be provided to the EMMA System, in a timely manner not in excess of ten (10) business days after the occurrence of any of the following events:

- (1) principal and interest payment delinquencies on the 2013 Bonds;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the 2013 Bonds, or other material events affecting the tax status of the 2013 Bonds;
- (7) modifications to rights of the holders of the 2013 Bonds, if material;
- (8) 2013 Bond calls, if material (other than scheduled mandatory redemption), and tender offers;
- (9) 2013 Bond defeasances;
- (10) release, substitution, or sale of property securing repayment of the 2013 Bonds, if material;
- (11) rating changes;
- (12) an Event of Bankruptcy or similar event of an Obligated Person;

- (13) the consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

SECTION 5. NOTICE OF FAILURE TO PROVIDE ANNUAL DISCLOSURE FILING. The Issuer agrees to provide or cause to be provided, in a timely manner, to the EMMA System, notice of a failure by the Issuer to provide the Annual Disclosure Filing described in Section 3 above on or prior to the date set forth therein.

SECTION 6. REPOSITORIES. As of the date of issuance of the 2013 Bonds, the Issuer shall provide the information described in Sections 3, 4 and 5 above, to the extent required, to the EMMA System in an electronic format prescribed by the MSRB at the following Internet address: <http://emma.msrb.org/> or such other address or system as designated by the MSRB in compliance with the Rule.

SECTION 7. REMEDIES; NO EVENT OF DEFAULT. The Issuer agrees that its undertaking pursuant to the Rule set forth above is intended to be for the benefit of the holders and beneficial owners of the 2013 Bonds and shall be enforceable by any such holder or beneficial owner; provided that the right to enforce the provisions of this undertaking shall be limited to a right to obtain specific performance of the Issuer's obligations hereunder and any failure by the Issuer to comply with the provisions of this undertaking shall not be an event of default with respect to the 2013 Bonds under the Resolution. The covenants contained herein are solely for the benefit of the holders and beneficial owners of the 2013 Bonds and shall not create any rights in any other parties.

SECTION 8. SEPARATE BOND REPORT NOT REQUIRED; INCORPORATION BY REFERENCE; FORMAT OF FILING. The requirements of this Disclosure Certificate do not necessitate the preparation of any separate report addressing only the 2013 Bonds. These requirements may be met by the filing of a combined bond report or the Issuer's Comprehensive Annual Financial Report; provided, such report includes all of the required information and is available by April 30. Additionally, the Issuer may incorporate any information provided in any prior filing with the EMMA System or other information filed with the SEC or included in any final official statement of the Issuer; provided, such final official statement is filed with the EMMA System. Any voluntary inclusion by the Issuer of information in its Annual Disclosure Filing of supplemental information that is not required hereunder shall not expand the obligations of the Issuer hereunder and the Issuer shall have no obligation to update such supplemental information or include it in any subsequent report.

Any report or filing with the EMMA System pursuant to this Disclosure Certificate must be accompanied by such identifying information as is prescribed by the MSRB. Such information may include, but not be limited to: (a) the category of information being provided;

(b) the period covered by any annual financial information, financial statement or other financial information or operation data; (c) the issues or specific securities to which such documents are related (including CUSIPs, issuer name, state, issue description/securities name, dated date, maturity date, and/or coupon rate); (d) the name of any Obligated Person other than the Issuer; (e) the name and date of the document being submitted; and (f) contact information for the submitter of such filing.

SECTION 9. DISSEMINATION AGENTS. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

SECTION 10. TERMINATION. The Issuer's obligations under this Disclosure Certificate shall cease (A) upon the legal defeasance, prior redemption, or payment in full of all of the 2013 Bonds, or (B) when the Issuer no longer remains an Obligated Person with respect to the 2013 Bonds within the meaning of the Rule, or (C) upon the termination of the continuing disclosure requirements of the Rule by legislative, judicial or administrative action.

SECTION 11. AMENDMENTS. The Issuer reserves the right to amend the provisions of this Disclosure Certificate as may be necessary or appropriate to achieve its compliance with any applicable federal securities law or rule, to cure any ambiguity, inconsistency or formal defect or omission, and to address any change in circumstances arising from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer, or type of business conducted by the Issuer. Any such amendment shall be made only in a manner consistent with the Rule and any amendments and interpretations thereof by the SEC. Additionally, compliance with any provision of this Disclosure Certificate may be waived. Any such amendment or waiver will not be effective unless this Disclosure Certificate (as amended or taking into account such waiver) would have complied with the requirements of the Rule at the time of the primary offering of the 2013 Bonds, after taking into account any applicable amendments to or official interpretations of the Rule, as well as any change in circumstances, and until the Issuer shall have received either (i) a written opinion of bond counsel or other qualified independent special counsel selected by the Issuer that is nationally recognized in the area of Federal securities laws that the amendment or waiver would not materially impair the interests of holders or beneficial owners of the 2013 Bonds, or (ii) the written consent to the amendment or waiver of the holders of at least a majority of the principal amount of the 2013 Bonds then outstanding. Annual Information containing any amended operating data or financial information shall explain, in narrative form, the reasons for any such amendment and the impact of the change on the type of operating data or financial information being provided. Additionally, in the year in which any change in accounting principles is made, the Issuer shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 12. OBLIGATED PERSONS. If any person other than the Issuer becomes an Obligated Person (as defined in the Rule) relating to the 2013 Bonds, the Issuer shall use its best efforts to require such Obligated Person to comply with all provisions of the Rule applicable to such Obligated Person.

DATED this 31st day of July, 2013.

LEE COUNTY, FLORIDA

By: _____
Chairman, Board of County
Commissioners

ATTEST:

Clerk

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