

In the opinion of Bond Counsel (as hereinafter defined), under existing statutes, regulations, published rulings and court decisions, and assuming compliance by the Agency with the tax covenants described herein and the accuracy of certain representations included in the closing transcript for the 2017 Bonds (as hereinafter defined), interest on the 2017 Bonds is under Section 103 of the Code (as hereinafter defined), excludable from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Such interest, however, will be includable in the calculation of a corporation's alternative minimum taxable income. See “TAX MATTERS” herein. Bond Counsel is further of the opinion that the 2017 Bonds and interest thereon are not subject to taxation under the laws of the State of Florida except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations as defined in Chapter 220.



\$12,980,000
INVERNESS COMMUNITY REDEVELOPMENT AGENCY
TAX INCREMENT REVENUE REFUNDING BONDS, SERIES 2017

Dated: Date of Delivery

Due: May 1, as shown on the inside cover

The Tax Increment Revenue Refunding Bonds, Series 2017 (the “2017 Bonds”) will be issued by the Inverness Community Redevelopment Agency (the “Agency”), a public body corporate and politic organized under the laws of the State of Florida to, together with other available funds provided by the Agency and the City of Inverness, Florida (the “City”) (i) pay in full on the date of delivery of the 2017 Bonds the outstanding principal of and interest on the Agency's Tax Increment Revenue Note, Series 2017, currently outstanding in the principal amount of \$3,000,000, (ii) finance the acquisition and construction of redevelopment projects, (iii) make a deposit to the Restricted Surplus Account, (iv) purchase a municipal bond debt service reserve insurance policy (“2017 Surety Policy”) of Build America Mutual Assurance Company (“BAM” or the “Bond Insurer”) to be held to the credit of the 2017 Subaccount of the Reserve Account (the “2017 Reserve Subaccount”), and (v) pay the costs of issuance of the 2017 Bonds including the premium for the Policy (described below). The 2017 Bonds will be issued pursuant to Resolution No. 2017-03 adopted by the Agency on May 4, 2017 as amended and supplemented, particularly by Resolutions No. 2017-05 and 2017-06 adopted by the Agency on July 13, 2017 (collectively the “Bond Resolution”). The City authorized and approved the issuance of the 2017 Bonds pursuant to Resolution No. 2017-24 adopted on July 18, 2017.

The 2017 Bonds will be registered in the name of Cede & Co., as the nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository of the 2017 Bonds. Purchases of beneficial ownership interests in the 2017 Bonds will be in book-entry only form, in denominations of \$5,000 or any integral multiples thereof. Purchasers will not receive certificates representing their interest in the 2017 Bonds so purchased. So long as Cede & Co. is the registered owner of the 2017 Bonds, references herein to the Registered Owners shall mean Cede & Co., and shall not mean the Beneficial Owners (as defined herein) of the 2017 Bonds. See “THE 2017 BONDS - Book-Entry Only System” herein.

Interest on the 2017 Bonds will be paid semi-annually on May 1 and November 1 of each year, commencing May 1, 2018. So long as DTC or its nominee, Cede & Co., is the registered owner, such payments are to 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 is the responsibility of Direct Participants and Indirect Participants (as defined herein), as more fully described herein.

The 2017 Bonds are subject to optional and mandatory redemption prior to maturity as described herein. See “THE 2017 BONDS - Provisions for Redemption” herein.

Concurrently with the issuance of the 2017 Bonds, BAM will issue its Municipal Bond Insurance Policy for the 2017 Bonds (the “Policy”) and the 2017 Surety Policy. The Policy guarantees the scheduled payment of principal of and interest on the 2017 Bonds when due as set forth in the specimen of the Policy included as an appendix to this Official Statement.



The 2017 Bonds and the interest thereon are payable solely from and secured by an irrevocable lien upon and pledge of the Pledged Revenues which generally consist of Pledged Tax Increment Revenues (as defined in the Bond Resolution) and amounts in certain funds and accounts established by the Bond Resolution, including the Restricted Surplus Account and the 2017 Reserve Subaccount, but excluding amounts held in the Rebate Account. In the event the Agency determines on any March 1 that the Pledged Tax Increment Revenues are not sufficient (or are projected by the Agency to be insufficient) to satisfy principal and interest payments on the 2017 Bonds coming due on the immediately following May 1 and November 1, the City has covenanted to budget and appropriate in its annual budget, by amendment if necessary, solely from Support Revenues (as defined herein), amounts sufficient to cure such deficiency and certain other deficiencies under the Bond Resolution as provided in the Interlocal Agreement to be entered into by the City and the Agency simultaneously with the issuance of the 2017 Bonds (the “Interlocal Agreement”). Pursuant to the Bond Resolution, amounts in the Restricted Surplus Account are to be used to pay debt service on the 2017 Bonds prior to the City being asked to make such payments pursuant to the Interlocal Agreement or any draw being made on the 2017 Surety Policy. Additionally, the City has covenanted to contribute \$250,000 on January 1 of each year until certain financial tests and other conditions are met as detailed in the Interlocal Agreement. See “SECURITY FOR THE 2017 BONDS” and “TAX INCREMENT REVENUES - Factors Impacting Pledged Tax Increment Revenues” herein.

The 2017 Bonds shall not be or constitute general or moral obligations or indebtedness or a pledge of the faith and credit of the Agency, the City, Citrus County (the “County”), the State of Florida or any other political subdivision thereof within the meaning of any constitutional, legislative or charter provision or limitation, but shall be limited obligations of the Agency, payable solely from and secured by a lien upon and a pledge of the Pledged Revenues, in the manner and to the extent provided in the Bond Resolution. No Bondholder shall ever have the right directly or indirectly, to compel the exercise of the ad valorem taxing power of the City, the County, the State of Florida or any political subdivision thereof for the payment of any other amounts provided herein. The Agency has no taxing power. The 2017 Bonds and the indebtedness evidenced thereby shall not constitute a lien upon any other funds or property of the Agency, and no Bondholder shall be entitled to payment of such principal, interest and premium, if any, from any other funds of the Agency other than the Pledged Revenues, and any amounts provided by the City pursuant to the Interlocal Agreement.

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

The 2017 Bonds are offered when, as, and if issued, subject to receipt of the legal opinion of Akerman LLP, Orlando, Florida, Bond Counsel. Certain legal matters will be passed on for the Agency and the City by their Counsel, Haag, Friedrich & Williams, P.A., and by Burr & Forman LLP, Orlando, Florida, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by Bryant Miller Olive P.A., Tampa, Florida. Larson Consulting Services, LLC, Orlando, Florida, is acting as Financial Advisor to the Agency and the City in connection with the issuance of the 2017 Bonds. It is expected that settlement for the 2017 Bonds will occur through the facilities of DTC in New York, New York, on or about August 17, 2017.

STIFEL

RAYMOND JAMES®

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

\$7,250,000 Serial Bonds

Maturity (May 1)	Amount	Interest Rate	Yield	Price	Initial CUSIP Number*
5/1/2019	\$280,000	3.000%	1.050%	103.286	461256AA7
5/1/2020	\$290,000	3.000%	1.190%	104.803	461256AB5
5/1/2021	\$295,000	4.000%	1.310%	109.697	461256AC3
5/1/2022	\$310,000	4.000%	1.430%	111.653	461256AD1
5/1/2023	\$320,000	5.000%	1.600%	118.466	461256AE9
5/1/2024	\$335,000	5.000%	1.810%	120.055	461256AF6
5/1/2025	\$355,000	5.000%	2.020%	121.163	461256AG4
5/1/2026	\$370,000	5.000%	2.210%	121.981	461256AH2
5/1/2027	\$390,000	5.000%	2.410%	122.291	461256AJ8
5/1/2028	\$410,000	5.000%	2.570%	120.752**	461256AK5
5/1/2029	\$430,000	5.000%	2.670%	119.801**	461256AL3
5/1/2030	\$450,000	3.000%	3.050%	99.473	461256AM1
5/1/2031	\$465,000	3.000%	3.110%	98.777	461256AN9
5/1/2032	\$480,000	3.000%	3.140%	98.358	461256AP4
5/1/2033	\$495,000	3.000%	3.190%	97.664	461256AQ2
5/1/2034	\$510,000	3.000%	3.260%	96.668	461256AR0
5/1/2035	\$525,000	3.000%	3.290%	96.128	461256AS8
5/1/2036	\$540,000	3.125%	3.350%	96.888	461256AT6

\$5,730,000 Term Bonds

\$1,130,000 - 3.500 %Term Bonds due May 1, 2038 - Yield 3.410% - Price 100.734**
Initial CUSIP No.* 461256AU3

\$2,500,000 - 3.250% Term Bonds due May 1, 2042 - Yield 3.480% - Price 96.205
Initial CUSIP No.* 461256AV1

\$2,100,000 - 3.375% Term Bonds due May 1, 2045 - Yield 3.540% - Price 97.098
Initial CUSIP No.* 461256AW9

* CUSIP numbers have been assigned by an independent company not affiliated with the Agency and are included solely for the convenience of the owners of the 2017 Bonds. The Agency is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the 2017 Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the 2017 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the 2017 Bonds.

** Priced to the first optional call date.

INVERNESS
COMMUNITY REDEVELOPMENT AGENCY
212 West Main Street
Inverness, Florida 34450

MEMBERS OF THE COMMUNITY REDEVELOPMENT AGENCY BOARD

Mr. Tom Slaymaker, Chair Ms. Cindy Devries, Vice Chair Mr. Jesse Brashear Mr. Charles Davis	Mr. David Arthurs Ms. Diana Fender Mr. Kemper Wilcutt
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AGENCY OFFICIALS

Executive Director
Bruce Day

Treasurer
Cheryl Chiodo, P.M.P.

Secretary
Susan Jackson, CMC

CITY OF INVERNESS MANAGEMENT

City Manager
Frank DiGiovanni

Assistant City Manager
Eric Williams

Finance Director
Cheryl Chiodo, P.M.P.

Community Development Director
Bruce Day

City Clerk
Susan Jackson, CMC

CITY AND AGENCY ATTORNEY

Haag, Friedrich & Williams, P.A.
Inverness, Florida

BOND COUNSEL

Akerman LLP
Orlando, Florida

DISCLOSURE COUNSEL

Burr & Forman LLP
Orlando, Florida

FINANCIAL ADVISOR

Larson Consulting Services, LLC
Orlando, Florida

No dealer, broker, salesman or other person has been authorized by the Agency, the City or the Underwriters to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. 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 2017 Bonds, by any person in any jurisdiction in which it is unlawful for such a person to make such offer, solicitation or sale. The information set forth herein (which includes the Appendices) has been obtained from the Agency, the City, the Bond Insurer and other sources that are believed to be reliable and while not guaranteed as to accuracy or completeness is believed to be correct as of this date. The information and expressions of opinions herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the matters described herein since the date hereof.

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.

THE 2017 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION ("SEC") UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE BOND 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 2017 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE 2017 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS RECOMMENDATION THEREOF. NEITHER THE SEC NOR ANY STATE OR ANY STATE AGENCY HAS PASSED UPON THE MERITS OF THE 2017 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2017 BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Bond Insurer makes no representation regarding the 2017 Bonds or the advisability of investing in the 2017 Bonds. In addition, the Bond Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurer, supplied by the Bond Insurer and presented under the headings "MUNICIPAL BOND INSURANCE" and APPENDICES F and H hereto.

THIS OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT WITH THE PURCHASERS OF THE 2017 BONDS. STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT WHICH INVOLVE FORECASTS OR MATTERS OF OPINION, WHETHER OR NOT EXPRESSLY SO DESCRIBED IN THIS OFFICIAL STATEMENT, ARE INTENDED SOLELY AS SUCH AND ARE NOT TO BE CONSTRUED AS REPRESENTATIONS OF FACTS. THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE THE IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AGENCY OR THE CITY SINCE THE DATE OF OFFICIAL STATEMENT OR THE EARLIEST DATE AS OF WHICH SUCH INFORMATION IS GIVEN.

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OFFICIAL STATEMENT
Relating to
\$12,980,000
INVERNESS COMMUNITY REDEVELOPMENT AGENCY
TAX INCREMENT REVENUE REFUNDING BONDS, SERIES 2017

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 or material necessary to the making of an investment decision. The offering by the Inverness Community Redevelopment Agency (the "Agency") of its \$12,980,000 Tax Increment Revenue Refunding Bonds, Series 2017 (the "2017 Bonds"), to potential investors is made only by means of the entire Official Statement, including all appendices attached hereto. The 2017 Bonds, together with any Additional Bonds, are referred to herein as the "Bonds." Any capitalized term not otherwise defined in this Official Statement shall have the meaning ascribed to it in Resolution No. 2017-03 adopted by the Agency on May 4, 2017, as amended and supplemented, particularly by Resolutions No. 2017-05 and 2017-06 adopted by the Agency on July 13, 2017 (collectively, the "Bond Resolution"). The City authorized and approved the issuance of the 2017 Bonds pursuant to Resolution No. 2017-24 adopted on July 18, 2017. See "THE BOND RESOLUTION" attached hereto as APPENDIX B.

The 2017 Bonds

The 2017 Bonds are being issued pursuant to the Bond Resolution in fully registered form in denominations of \$5,000 and integral multiples thereof and when issued, shall, as described herein, be registered in the name of Cede & Co., as Bondholder and securities depository nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of beneficial interests in the 2017 Bonds will be made in book-entry form only through Direct Participants, as described herein. The 2017 Bonds will bear interest at the fixed rates per annum set forth on the inside cover page of this Official Statement, payable semi-annually on May 1 and November 1 of each year, commencing May 1, 2018, and mature on May 1 in the years and principal amounts set forth on the inside cover of this Official Statement. The 2017 Bonds are subject to redemption prior to their respective stated maturities, as hereinafter described. See "THE 2017 BONDS" herein.

Use of 2017 Bond Proceeds

The proceeds of the 2017 Bonds will be used, together with other available funds provided by the Agency and the City of Inverness, Florida (the "City"), to (i) pay in full on the date of delivery of the 2017 Bonds the outstanding principal of and interest on the Agency's Tax Increment Revenue Note, Series 2017, currently outstanding in the principal amount of \$3,000,000 (the "Prior Note"), (ii) finance the acquisition and construction of redevelopment projects (collectively, the "2017 Projects"), (iii) make a deposit to the Restricted Surplus Account, (iv) purchase a municipal bond debt service reserve insurance policy (the "2017 Surety Policy") of Build America Mutual Assurance Company ("BAM" or the "Bond Insurer") to be held to the credit of the 2017 Subaccount of the Reserve Account (the "2017 Reserve Subaccount"), and (v) pay the costs of issuance of the 2017 Bonds, including the premium for the Policy (as defined herein). See "ESTIMATED SOURCES AND USES OF FUNDS" herein.

The Agency

On October 16, 1990, the City Council (the "City Council") of the City adopted Resolution No. 90-06 ("Resolution 90-06") determining that a need existed for a community redevelopment agency to carry out the redevelopment of slum and blighted areas in the City, as authorized by Chapter 163, Part III, Florida Statutes, as amended (the "Redevelopment Act"), within the area generally referred to as the "Central Business District" (the "Original Redevelopment Area"). Pursuant to Resolution CRA 2015-1 adopted by the City Council on February 19, 2015 ("Resolution CRA 2015-1"), the City found that conditions of blight existed beyond the Original Redevelopment Area and consequently expanded the Original Redevelopment Area and amended the redevelopment plan to include

the areas referred to as the "Hospital Area", and areas connecting to Whispering Pines Park and the White Lake Industrial Area. On June 11, 2015, the City enacted Ordinance 2015-710 approving the City's expansion of the Original Redevelopment Area ("Ordinance 2015-710"). The Original Redevelopment Area, as expanded, is referred to herein as the "Redevelopment Area". See "REDEVELOPMENT AREA - Redevelopment Area" herein.

In 1990, the City enacted Ordinance No. 91-434 (the "Redevelopment Trust Fund Ordinance") creating the Redevelopment Trust Fund (the "Redevelopment Trust Fund") and providing for the appropriation of tax increment funds to the Redevelopment Trust Fund pursuant to 163.387, Florida Statutes. Pursuant to the Redevelopment Trust Fund Ordinance, the City and Citrus County, Florida (the "County") (each a "Taxing Authority," and collectively, the "Taxing Authorities") are required in each year to pay to the Redevelopment Trust Fund certain amounts required by the Redevelopment Act. See "TAX INCREMENT REVENUES" herein.

Security for the 2017 Bonds

The 2017 Bonds shall not be or constitute general or moral obligations or indebtedness or a pledge of the faith and credit of the Agency, the City, the County, the State of Florida or any other political subdivision thereof within the meaning of any constitutional, legislative or charter provision or limitation, but shall be limited obligations of the Agency, payable solely from and secured by a lien upon and a pledge of the Pledged Revenues, in the manner and to the extent provided in the Bond Resolution. No Bondholder shall ever have the right directly or indirectly, to compel the exercise of the ad valorem taxing power of the City, the County, the State of Florida or any political subdivision thereof for the payment of any other amounts provided herein. The Agency has no taxing power. The 2017 Bonds and the indebtedness evidenced thereby shall not constitute a lien upon any other funds or property of the Agency, and no Bondholder shall be entitled to payment of such principal, interest and premium, if any, from any other funds of the Agency other than the Pledged Revenues, and any amounts provided by the City pursuant to the Interlocal Agreement.

The 2017 Bonds are limited obligations of the Agency, payable solely from Pledged Revenues, which consist of Pledged Tax Increment Revenues and amounts held in the funds, accounts and subaccounts established by the Bond Resolution, including the Tax Increment Revenue Bond Fund, the 2017 Reserve Subaccount, the Restricted Surplus Account and the 2017 Construction Account but excluding amounts held in the Rebate Account. See "FLOW OF FUNDS - Restricted Surplus Account" herein.

Pursuant to the Interlocal Agreement, the City has covenanted to fund "Deficiencies," as hereinafter described, solely from City "Support Revenues," as hereinafter described. See "SECURITY FOR THE 2017 BONDS - Interlocal Agreement" herein.

Additionally, pursuant to the Interlocal Agreement, the City shall pay to the Agency by no later than January 1 of each year from legally available moneys two hundred and fifty thousand dollars (\$250,000). Such obligation of the City shall terminate at such time as the financial statements of the Agency for the two most recent fiscal years of the Agency indicate that the Pledged Tax Increment Revenues for both such fiscal years, adjusted, as recommended by the City's independent certified public accountant, to take into account any reduction in such Pledged Tax Increment Revenues had the final decision of Cases 2016-CA-000435A and 2017-CA-000239A regarding the calculation of Pledged Tax Increment Revenues been used in determining the amount of Pledged Tax Increment Revenues for such fiscal years equal at least 1.1x of the sum of (a) the Maximum Annual Debt Service on the 2017 Bonds and (b) any other obligations of the Agency secured by the Pledged Tax Increment Revenues, and the City and the Agency receive an opinion of legal counsel reasonably acceptable to both the City and the Agency that Cases # 2016-CA-000435A and 2017-CA-000239A have been concluded including all rights of appeal therefrom. See "TAX INCREMENT REVENUES - Factors Impacting Pledged Tax Increment Revenues" and "LITIGATION AND OTHER MATTERS - Other Matters" herein.

2017 Reserve Subaccount

The 2017 Reserve Subaccount, established pursuant to the Bond Resolution for the benefit of the Holders of the 2017 Bonds, must contain an amount equal to the Reserve Requirement. The Reserve Requirement is based on a three-pronged test (as described herein) and may be provided in full or in part through a Reserve Product. Upon issuance of the 2017 Bonds, the Reserve Requirement will be equal to \$749,700; and the Agency will satisfy the

Reserve Requirement by purchasing the 2017 Surety Policy, which 2017 Surety Policy will be held in the 2017 Reserve Subaccount. See "FLOW OF FUNDS – Reserve Account; 2017 Reserve Subaccount" herein for a further description of the 2017 Surety Policy and "MUNICIPAL BOND INSURANCE" herein for information regarding the Bond Insurer.

Restricted Surplus Account

The Restricted Surplus Account, established pursuant to the Bond Resolution, will initially contain an amount equal to the greater of \$600,000 or 65% of the Maximum Annual Debt Service. The Agency will fund the Restricted Surplus Account upon issuance of the 2017 Bonds by depositing \$600,000 from available tax increment revenues into the Restricted Surplus Account. See "FLOW OF FUNDS - Restricted Surplus Account" herein.

Municipal Bond Insurance

Concurrently with the issuance of the Bonds, the Bond Insurer will issue its Municipal Bond Insurance Policy for the 2017 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the 2017 Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement. See "MUNICIPAL BOND INSURANCE - Bond Insurance Policy" and "BOND INSURANCE RISK FACTORS" herein.

Additional Information

This Official Statement speaks only as of its date and the information contained herein is subject to change. This Official Statement contains certain information concerning the Bond Insurer, the Policy, and the 2017 Surety Policy, DTC, and DTC's Book-Entry System. Such information has not been provided by the Agency, the City or the Underwriters and neither the Agency, the City nor the Underwriters certify as to, or are responsible for, the accuracy or sufficiency of the content of information provided by the Bond Insurer.

Copies of all documents of the Agency and the City referred to herein, including copies of the audited financial statements of the Agency and the City, may be obtained from the Inverness Community Redevelopment Agency, 212 West Main Street, Inverness, Florida 34450, Attention: Secretary of the Inverness Community Redevelopment Agency.

Bondholder Risks

For a description of certain risks attendant to an investment in the 2017 Bonds, see "BOND INSURANCE RISK FACTORS", "TAX INCREMENT REVENUES - Factors Impacting Pledged Tax Increment Revenues," "TAX INCREMENT REVENUES - State Statutory and Constitutional Factors Affecting Pledged Tax Increment Revenues," and "SUPPORT REVENUES" herein.

THE FINANCING PLAN

Refunding of Prior Note

A portion of the proceeds of the 2017 Bonds, together with unspent proceeds of the Prior Note, will be used to pay in full the outstanding principal of, and interest on, the Prior Note on the date of issuance of the 2017 Bonds. Upon payment, the lien of the holder of the Prior Note on the Pledged Tax Increment Revenues will be terminated.

The 2017 Project

A portion of the proceeds of the 2017 Bonds, together with City funds (required to be available at closing) totaling \$2,500,000 and any available grant proceeds will be used, to finance the acquisition and construction of the 2017 Projects. The 2017 Projects are part of Phase I of the Agency's capital improvement program in the Redevelopment Area. Phase I of the capital improvement program includes approximately \$19,000,000 of

government owned projects including roadway, parks, train station, visitor center, public veteran's memorial and parking lot projects expected to be completed over the next 36 months.

ESTIMATED SOURCES AND USES OF FUNDS

The funds provided and the sources thereof, in connection with the issuance of the 2017 Bonds are expected to be as follows:

Sources of Funds:

Par Amount of 2017 Bonds	\$12,980,000.00
Net Original Issue Premium	\$398,604.10
Unspent Proceeds from Prior Note	\$2,005,005.00
City Contribution	\$2,500,000.00
Agency Contribution	\$600,000.00
Total Sources	\$18,483,609.10

Uses of Funds:

Payment of Prior Note ¹	\$3,024,593.33
2017 Construction Account	\$14,438,671.70
Restricted Surplus Account	\$600,000.00
Cost of Issuance ²	\$420,344.07
Total Uses	\$18,483,609.10

(1) Paid from unspent proceeds of the Prior Note and proceeds of the 2017 Bonds

(2) Includes fees for Bond Counsel, Disclosure Counsel, Agency Counsel, City Counsel, Financial Advisor and rating agencies, premiums for the Policy and the 2017 Surety Policy, Underwriters' discount and other costs of issuance

THE COMMUNITY REDEVELOPMENT AGENCY

The Agency

The Redevelopment Act authorizes a municipality to create a community redevelopment agency, after finding that slum or blighted areas exist within the municipality and that the rehabilitation, conservation or redevelopment, or combination thereof, is necessary in the interest of public health, safety, morals or welfare of the residents of the municipality. The Agency was created on October 16, 1990 by the City Council after a finding that slum or blighted areas existed within the Original Redevelopment Area in accordance with the Redevelopment Act. These findings were established in Resolution 90-06. On the same day, the City Council created the Inverness Community Redevelopment Agency pursuant to Resolution 90-07 ("Resolution 90-07"). Pursuant to Resolution 90-07, the City Council appointed a separate council to serve as the governing body of the Agency. The governing body of the Agency consists of seven board members appointed by the City Council. The Chair of the governing body of the Agency is Mr. Tom Slaymaker, and the Vice Chair is Ms. Cindy Devries. Following are the current Agency board members and their respective terms of office:

Agency Members and Terms

Board Member	Year Appointed	Expiration of Term
Mr. Tom Slaymaker	2011	2019
Ms. Cindy Devries	2014	2018
Mr. David Arthurs	1991	2018
Mr. Jesse Brashear	2016	2018
Mr. Charles Davis	1991	2019
Ms. Diana Fender	2014	2020
Mr. Kemper Wilcutt	2016	2019

Source: City of Inverness, Florida

Agency Management

The Agency management includes members of the City's staff. Mr. Bruce Day is the Community Development Director for the City and also serves as the Agency's Executive Director. As the Executive Director of the Agency, Mr. Day is responsible for overseeing the Agency's affairs, economic and redevelopment efforts, implementing and executing the Agency's policies, and other such related duties.

Ms. Cheryl Chiodo is the City's Finance Director and also serves as the Agency's Treasurer. As the Agency's Treasurer, Ms. Chiodo is responsible for providing services related to budgeting, investing, accounting, billing, purchasing, and collection of the Agency's revenues. Ms. Chiodo is also responsible for producing the Agency's audited financial reports as a part of the City's Annual Financial Report.

Ms. Susan Jackson is the City Clerk of the City and also serves as the Agency's Secretary. As the Agency's Secretary, Ms. Jackson is responsible for preparing and publishing meeting notifications, preparing meeting minutes, and maintaining the Agency's documents and records.

The Redevelopment Area

The City Council designated the Central Business District in the City as the Original Redevelopment Area. Following such designation, the City enacted the Redevelopment Trust Fund Ordinance. The City Council expanded the Original Redevelopment Area during the 2014-2015 fiscal year accepting the new findings of conditions of blight via Resolution CRA2015-1, and reaffirming all aspects of the findings of necessity, the redevelopment plan, and the Redevelopment Trust Fund on June 11, 2015 via enactment of Ordinance 2015-710. See "REDEVELOPMENT AREA" herein for a map of the Redevelopment Area.

The Redevelopment Trust Fund

The Redevelopment Trust Fund of the City is effective for thirty (30) years and will expire on September 30, 2045. Current and future tax increment revenues accruing within the Redevelopment Area are predicated upon increases in assessed real property valuations in excess of assessed values recognized for a specific base year. With respect to the Original Redevelopment Area, increases are measured in terms of the base year of 1990 (the "1990 Base Year"). The Base Year for the Expanded Redevelopment Area is 2014 (the "2014 Base Year").

THE CITY

General

The City is located in northwest Central Florida, and is approximately seventy miles northwest of downtown Orlando, Florida. The City was incorporated in 1917 and is one of two incorporated municipalities located in Citrus County, Florida (the "County"). The City is bordered on the east by the Tsala Apopka Chain of Lakes and encompasses seven square miles. The City has an estimated population of 7,200 residents. For additional information concerning the City, please See "APPENDIX A - GENERAL INFORMATION PERTAINING TO THE CITY OF INVERNESS" and "APPENDIX D - Annual Financial Report For Fiscal Year Ended September 30, 2016".

City Management

The City is governed by the provisions of its Charter (the "Charter"). Under its Charter, the City has all governmental, corporate, and proprietary powers to enable it to conduct municipal government, perform municipal functions, and render municipal services, and may exercise any power for municipal purposes except as expressly prohibited by law or by its Charter. The City's powers are limited only by the Florida constitution, general and special law, and specific limitations pursuant to the Charter.

Pursuant to its Charter, the City operates under a council/manager form of government. The City Council acts as the governing board, with the power to enact ordinances and adopt resolutions, and consists of five City Council

members and a mayor. The Mayor is the ceremonial head of the City government and does not have the power to vote on measures before the City Council, but does have veto powers, which can be overridden by four (4) votes of the City Council. The Council President presides over the council meetings and is recognized as the head of the City government for service of process, execution of contracts, deeds, and other documents. The City Council members are elected for a term of four-years, and the election for the Mayor is held in those years in which three Council members are elected. The City Manager and the City Clerk are the only designated Charter officers. The Charter officers are appointed by and serve at the pleasure of the City Council.

Frank DiGiovanni has held the position of City Manager since 1995. Prior to serving as City Manager, Mr. DiGiovanni was the Assistant Director of Leisure Services for the County. In 1979, the City of Inverness hired Mr. DiGiovanni as its first park director to develop Whispering Pines Park. Mr. DiGiovanni remained in that position for thirteen (13) years. Mr. DiGiovanni has been recognized for thirty (30) years of local government service by the International City/County Management Association (ICMA), received the Outstanding Chamber of Commerce Service Award, was issued the President's Award from the Inverness Little League, and was recognized by the City of Dunnellon for his guidance and assistance to their community.

Cheryl Chiodo, PMP, has been the City's Finance Director since 2010 following six (6) years in the private sector as a consulting services project manager at Tyler Technologies. She previously served as Finance Director for the City from 1997 to 1999, following her time as Treasurer for Fruitland Park, Florida, and Town Treasurer and Town Administrator in Nederland, Colorado. Ms. Chiodo also previously served as a project manager for Software Management, Inc. Ms. Chiodo's responsibilities at the City include the annual budget, the annual audit process, utility billing, purchasing, accounting, finance, treasury, debt management, investments, and auditing. She has been active in the national Government Finance Officers Association and the Florida Government Finance Officers Association organizations since 1986, and has served as a Vice President of The Women in Municipal Government. She graduated from the University of Maine in 1983, with a major in Accounting and Business Administration. In 2006, Ms. Chiodo received her Project Management Professional (PMP) Certification from the Project Management Institute.

The City's Assistant City Manager is Eric Williams. The City has employed Mr. Williams since 2013 as the Assistant City Manager. Prior to coming to the City, Mr. Williams served as the Planning Director and GIS (Geographic Information Systems) Director for the Citrus County Board of County Commissioners. His background includes extensive experience in Land Management and Development within both the private and public sectors across the Southeastern United States since 2001. His public sector experience includes working with the City of Inverness, Citrus County, State of Florida, and Mississippi State University. His private sector experience focused on institutional, pension fund, Real Estate Investment Trust, and large acreage ownership clientele in land management, with an emphasis on highest and best use development for transitioning lands. Mr. Williams holds a Bachelor of Science in Forestry and Land Management, a minor in Economics and a Master's of Science in Forest Biometrics and GIS from Mississippi State University.

Susan Jackson is the City Clerk. Ms. Jackson has served in the City of Inverness since June 2007. She was first hired as staff assistant to the City Clerk. She was subsequently appointed Deputy Clerk and in December 2015 earned the title of a Certified Municipal Clerk from the International Institute of Municipal Clerks (IIMC). She has served on various committees for both the IIMC and the Florida Association of the City Clerks (FACC) since becoming a member in 2005.

THE 2017 BONDS

General

The 2017 Bonds will be issued in fully registered form, in denominations of \$5,000 and integral multiples thereof. The 2017 Bonds will bear interest at the fixed rates per annum set forth on the inside cover page of this Official Statement, payable semi-annually on May 1 and November 1 of each year (each an "Interest Payment Date"), commencing May 1, 2018, and will mature on May 1 in the years and principal amounts set forth on the inside cover of this Official Statement. The registered owners of the 2017 Bonds will be deemed and regarded as the absolute owners thereof for all purposes. Principal of and premium, if any, on the 2017 Bonds will be payable upon presentation and surrender at the designated corporate trust office of U.S. Bank National Association, as Paying Agent and

Registrar (the "Paying Agent" and the "Registrar"). Interest on the 2017 Bonds will be payable by the Paying Agent on each Interest Payment Date to the Registered Owners of the 2017 Bonds at the addresses as they appear on the registration books maintained by the Registrar at the close of business on the fifteenth (15th) day (whether or not a business day) of the month next preceding the Interest Payment Date (the "Record Date") or by wire transfer to Registered Owners of \$1,000,000 or more in principal amount of 2017 Bonds, irrespective of any transfer or exchange of such Bond subsequent to such Record Date and prior to such interest payment date, unless the Agency shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name such 2017 Bond is registered at the close of business on a special record date for the payment of such defaulted interest as established by notice by deposit in the U.S. mail, postage prepaid, by the Agency to the Registered Holders of 2017 Bonds not less than fifteen days preceding such special record date. Such notice shall be mailed to the persons in whose names the Bonds are registered at the close of business on the fifth (5th) day (whether or not a business day) preceding the date of mailing.

The 2017 Bonds originally will be issued solely in book-entry form to DTC or its nominee, Cede & Co., to be held in DTC's book-entry system (the "Book-Entry System"). So long as the 2017 Bonds are held in the Book-Entry System, DTC or its nominee will be the Registered Owner of the 2017 Bonds for all purposes of the Bond Resolution, the 2017 Bonds and this Official Statement. Individual purchases of book-entry interests in the 2017 Bonds will be made in book-entry only form in authorized denominations as described herein. See "THE 2017 BONDS - Book-Entry-Only System" herein.

Provisions for Redemption

Optional Redemption. The 2017 Bonds maturing on or prior to May 1, 2027 will not be subject to optional redemption prior to maturity. The 2017 Bonds maturing on and after May 1, 2028 shall be subject to redemption prior to their respective maturities, at the option of the Agency, on or after May 1, 2027, in whole or in part at any time, in such manner as shall be determined by the Bond Registrar and Paying Agent, at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, without premium.

Mandatory Redemption from Amortization Installments. The 2017 Bonds maturing on May 1, 2038 shall be subject to mandatory redemption prior to maturity, by lot, in such manner as the Paying Agent and Registrar may deem appropriate, at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption, on May 1, 2037, and on each May 1, thereafter, from Amortization Installments deposited in the Debt Service Account, in the following principal amounts in the years specified:

<u>Year</u>	<u>Amortization Installments</u>
May 1, 2037	\$555,000
May 1, 2038*	\$575,000

*Maturity

The 2017 Bonds maturing on May 1, 2042 shall be subject to mandatory redemption prior to maturity, by lot, in such manner as the Paying Agent and Registrar may deem appropriate, at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption, on May 1, 2039, and on each May 1, thereafter, from Amortization Installments deposited in the Debt Service Account, in the following principal amounts in the years specified:

<u>Year</u>	<u>Amortization Installments</u>
May 1, 2039	\$595,000
May 1, 2040	\$615,000
May 1, 2041	\$635,000
May 1, 2042*	\$655,000

*Maturity

The 2017 Bonds maturing on May 1, 2045 shall be subject to mandatory redemption prior to maturity, by lot, in such manner as the Paying Agent and Registrar may deem appropriate, at a redemption price equal to the

principal amount thereof plus interest accrued to the date of redemption, on May 1, 2043, and on each May 1, thereafter, from Amortization Installments deposited in the Debt Service Account, in the following principal amounts in the years specified:

<u>Year</u>	<u>Amortization Installments</u>
May 1, 2043	\$675,000
May 1, 2044	\$700,000
May 1, 2045*	\$725,000

*Maturity

Notice of Redemption. Unless otherwise provided by or pursuant to supplemental resolution with respect to a series of Bonds, notice of redemption shall be given by the deposit in the U.S. mail of a copy of said redemption notice, postage prepaid, at least thirty and not more than sixty (60) days before the redemption date (or such other method or time period established with respect to a Series of Bonds by or pursuant to resolution of the Agency adopted with respect to such Series of Bonds prior to the issuance thereof) to all Registered Owners of the Bonds or portions of Bonds to be redeemed at their addresses as they appear on the registration books to be maintained in accordance with provisions hereof. Failure to mail any such notice to a Registered Owner of a Bond, or any defect therein, shall not affect the validity of the proceedings for redemption of any Bond or portion thereof with respect to which no failure or defect occurred.

Unless otherwise provided, each notice will set forth the date fixed for redemption of the Bond being redeemed, the redemption price to be paid, the date of such notice, the original issue date of such Bonds, the maturity date and rate of interest borne by each Bond being redeemed, any conditions to such redemption or the reservation of the Agency of the right to rescind such notice of redemption, the name, address and telephone number of the person designated by the Registrar and Paying Agent to be responsible for such redemption and, if less than all of the Bonds then Outstanding shall be called for redemption, the distinctive numbers and letters, including CUSIP Numbers, if any, of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any Bond is to be redeemed in part only, the notice of redemption which relates to such Bond shall also state that on or after the redemption date, upon surrender of such Bond, new Bond or Bonds in a principal amount equal to the unredeemed portion of such Bond will be issued.

Any notice mailed in accordance with notice requirements shall be conclusively presumed to have been duly given, whether or not the owner of such Bond receives such notice.

Notwithstanding the foregoing, notice of optional redemption pursuant may be conditioned upon the occurrence or non-occurrence of such event or events as specified in such notice of optional redemption and may also be subject to rescission by the Agency if expressly set forth in such notice.

Effect of Notice of Redemption. Except as provided above, if notice has been given in the required manner and upon the satisfaction of any conditions of the redemption as specified in the notice, the 2017 Bonds or portions of the 2017 Bonds so called for redemption will, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of the 2017 Bonds or portions of the 2017 Bonds on such date. On the designated redemption date, moneys for payment of the redemption price being held in separate accounts by the Paying Agents in trust for the Registered Owners of the 2017 Bonds or portions thereof to be redeemed, all as provided in the Bond Resolution, interest and, if applicable, principal, on the 2017 Bonds or portions of the 2017 Bonds so called for redemption will cease to accrue, such 2017 Bonds and portions of the 2017 Bonds will cease to be entitled to any lien, benefit or security under the Bond Resolution, and the Registered Owners of such 2017 Bonds or portions of the 2017 Bonds will have no right in respect thereof except to receive payment of the redemption price thereof and to the extent of a redemption of a portion of the 2017 Bonds, to receive the 2017 Bonds for any unredeemed portions of the 2017 Bonds.

Redemption of Portion of Bonds In case part but not all of an Outstanding fully registered Bond is selected for redemption, the Owner(s) will present and surrender the Bond to the Agency or its designated Paying Agent for payment of the principal amount as required by the redemption, and the Agency will execute and deliver to or upon

the order of the Owner, without charge for the unredeemed balance of the principal amount of the Bond so surrendered, a fully registered Bond or Bonds.

Bonds Called for Redemption Not Deemed Outstanding. The 2017 Bonds or portions of the 2017 Bonds that have been duly called for redemption and with respect to which amounts sufficient to pay the principal of, premium, if any, and interest to the date fixed for redemption will be delivered to and held in separate accounts by an escrow agent, any Authorized Depositary or any Paying Agent in trust for the Registered Owners of the Bond, as provided in the Bond Resolution; and as to which any conditions to such redemption have been satisfied, will not be deemed to be Outstanding under the provisions of the Bond Resolution and will cease to be entitled to any lien, benefit or security under the Bond Resolution, except to receive the payment of the redemption price on or after the designated date of redemption from moneys deposited with or held by the escrow agent, Authorized Depositary or Paying Agent, as the case may be, for such redemption of the 2017 Bonds and to the extent of a redemption of a portion of the 2017 Bonds, to receive the 2017 Bonds for any unredeemed portions of the 2017 Bonds.

Book-Entry-Only System

DTC will act as securities depository for the 2017 Bonds. The 2017 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 certificate will be issued for each maturity of each series of the 2017 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

SO LONG AS CEDE & CO IS THE REGISTERED OWNER OF THE 2017 BONDS, AS NOMINEE OF DTC, REFERENCES IN THIS OFFICIAL STATEMENT TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE 2017 BONDS SHALL MEAN CEDE & CO AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE 2017 BONDS.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Agency believes to be reliable, but the Agency takes no responsibility for the accuracy thereto.

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 bond 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, all of which are registered clearing agencies. The 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" and together with the Direct Participants, the "DTC Participants"). DTC has Standard & Poor's highest rating: AAA. 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 beneficial interests in 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 2017 Bonds will be accomplished by entries made on the books of

Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2017 Bonds, except in the event that use of the book-entry system for the 2017 Bonds is discontinued.

To facilitate subsequent transfers, all 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. The deposit of 2017 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 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2017 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 Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2017 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2017 Bonds, such as redemptions, defaults and proposed amendments to the Bond Resolution. For example, Beneficial Owners of 2017 Bonds may wish to ascertain that the nominee holding the 2017 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2017 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the 2017 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 Agency 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 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the 2017 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 Agency or the Registrar and Paying Agent, on 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 Participant and not of DTC, the Registrar and Paying Agent or the Agency, subject to any statutory or 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 Agency and/or the Registrar and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2017 Bonds at any time by giving reasonable notice to the Agency or the Registrar and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2017 Bond certificates are required to be printed and delivered.

Upon compliance with any agreements between the Agency and DTC, the Agency may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2017 Bond certificates will be printed and delivered to DTC. In the event the book-entry system is terminated, the transfer and exchange of 2017 Bonds shall be accomplished as described in APPENDIX B - THE BOND RESOLUTION.

DEBT SERVICE SCHEDULE

Period Ending May 1	Principal	Interest	Total Debt Service
2018		\$330,270.56	\$330,270.56
2019	\$280,000.00	\$468,100.00	\$748,100.00
2020	\$290,000.00	\$459,700.00	\$749,700.00
2021	\$295,000.00	\$451,000.00	\$746,000.00
2022	\$310,000.00	\$439,200.00	\$749,200.00
2023	\$320,000.00	\$426,800.00	\$746,800.00
2024	\$335,000.00	\$410,800.00	\$745,800.00
2025	\$355,000.00	\$394,050.00	\$749,050.00
2026	\$370,000.00	\$376,300.00	\$746,300.00
2027	\$390,000.00	\$357,800.00	\$747,800.00
2028	\$410,000.00	\$338,300.00	\$748,300.00
2029	\$430,000.00	\$317,800.00	\$747,800.00
2030	\$450,000.00	\$296,300.00	\$746,300.00
2031	\$465,000.00	\$282,800.00	\$747,800.00
2032	\$480,000.00	\$268,850.00	\$748,850.00
2033	\$495,000.00	\$254,450.00	\$749,450.00
2034	\$510,000.00	\$239,600.00	\$749,600.00
2035	\$525,000.00	\$224,300.00	\$749,300.00
2036	\$540,000.00	\$208,550.00	\$748,550.00
2037	\$555,000.00	\$191,675.00	\$746,675.00
2038	\$575,000.00	\$172,250.00	\$747,250.00
2039	\$595,000.00	\$152,125.00	\$747,125.00
2040	\$615,000.00	\$132,787.50	\$747,787.50
2041	\$635,000.00	\$112,800.00	\$747,800.00
2042	\$655,000.00	\$92,162.50	\$747,162.50
2043	\$675,000.00	\$70,875.00	\$745,875.00
2044	\$700,000.00	\$48,093.76	\$748,093.76
2045	\$725,000.00	\$24,468.76	\$749,468.76
Total	\$12,980,000.00	\$7,542,208.08	\$20,522,208.08

SECURITY FOR THE 2017 BONDS

The Pledged Revenues

The 2017 Bonds are limited obligations of the Agency payable solely from and secured by an irrevocable lien on the Pledged Revenues which consist of the Pledged Tax Increment Revenues and amounts held in the funds and accounts established by the Bond Resolution, except for amounts held in the Rebate Account and, as to a particular Series of Bonds, the subaccounts in the Reserve Account and Construction Account, if any, shall secure only the Series of Bonds designated to be secured thereby. In addition, the City has covenanted in the Interlocal Agreement with the Agency, if Pledged Tax Increment Revenues are not sufficient (or are projected by the Agency to be insufficient) to satisfy debt service payments on the 2017 Bonds, to budget and appropriate in its annual budget, by amendment if necessary, solely from available Support Revenues, an amount sufficient to cure such deficiency and certain other deficiencies under the Bond Resolution. See "Interlocal Agreement" and "Other Interlocal Agreement Payments" below.

The lien of the holders of the 2017 Bonds on the Pledged Tax Increment Revenues will not attach until such revenues are deposited into the Redevelopment Trust Fund. The Holders of the 2017 Bonds have no right to require the imposition of any tax, the provision of any service, or the establishment of any rate of taxation in order to obtain the amounts necessary to pay and retire the 2017 Bonds.

The 2017 Bonds will not constitute general obligations or indebtedness of the Agency or the City, or a debt, liability, or obligation of the County, the State or any political subdivision thereof. Neither the general credit of the Agency, nor the faith and credit or taxing power of the City, the County, the State, or any political subdivision thereof is pledged to the payment of the 2017 Bonds or any interest or premiums thereon. The Agency has no taxing power. The owners of the 2017 Bonds will never have the right, directly or indirectly, to require or compel the exercise of the taxing power of the City, the County, the State or any political subdivision thereof, or taxation in any form on any real or personal property for the payment of the 2017 Bonds, or any interest or premium thereon, or for any other payments required pursuant to the Bond Resolution. The 2017 Bonds, the interest thereon, and the redemption price, if applicable, will not be secured by any proceeds from the sale, lease or other disposition, if any, of property of the City, the County, the Agency, the State of Florida or any political subdivision thereof.

Pledged Tax Increment Revenues

Pursuant to the Bond Resolution, Pledged Tax Increment Revenues shall be deposited immediately upon receipt into the Redevelopment Trust Fund and upon such deposit shall be subject to the pledge and lien of the Bond Resolution. The Bonds and Parity Obligations issued in accordance with the terms of the Bond Resolution shall be secured by a parity lien on the Pledged Tax Increment Revenues on deposit in the Redevelopment Trust Fund. As between the Bonds and Parity Obligations, available Pledged Tax Increment Revenues shall be allocated pro rata based upon the relative amounts required to be deposited in such Fiscal Year for the payment of debt service on the Bonds, and Parity Obligations and then to the funding of the Reserve Account and Restricted Surplus Account. Subject to the foregoing, in each Fiscal Year, Pledged Tax Increment Revenues shall be transferred from the Redevelopment Trust Fund and deposited to the credit of the Tax Increment Revenue Bond Fund upon receipt in an amount sufficient to make the deposits required as described under "FLOW OF FUNDS" and "TAX INCREMENT REVENUES" herein.

Limitation on Issuance by Agency of Additional Obligations Payable from Pledged Tax Increment Revenues

Pursuant to the Bond Resolution, the Agency has covenanted not to issue any obligations payable from the Pledged Revenues or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge upon the Pledged Revenues, except under the terms and conditions and in the manner provided below.

(a) Except as otherwise provided in the Bond Resolution, no Additional Bonds may be issued under the Bond Resolution and no Parity Obligations or Subordinate Obligations may be issued or incurred unless the Agency shall have first complied with the requirements of the Bond Resolution. Additional Bonds, Parity Obligations,

and Subordinate Obligations may be issued from time to time for the purpose of financing Projects, for the purpose of refunding or refinancing Bonds, and for the purpose of repaying, refunding or refinancing other obligations, as permitted by applicable law, including Parity Obligations and Subordinate Obligations, to pay the cost of or debt service on obligations of the Agency incurred to finance Projects, including in each case, costs and expenses incidental thereto.

(b) Specifically, Additional Bonds and Parity Obligations and Subordinate Obligations may be issued or incurred upon compliance with the following requirements:

(i) The Agency must be current in all deposits into the various funds, accounts and subaccounts and all payments theretofore required to have been deposited or made by it under the provisions of the Bond Resolution and must have complied with and not be in default under the covenants and provisions of the Bond Resolution and any supplemental resolution hereafter adopted for the issuance of Additional Bonds, Parity Obligations or Subordinate Obligations unless upon the issuance or incurrence of such Additional Bonds or Parity Obligations or Subordinate Obligations, the Agency will be in compliance with all such covenants and provisions.

(ii) A statement or report of the Agency's Financial Advisor or an independent certified public accountant filed with the Executive Director reciting the opinion that, based on necessary information, that the amount of Modified Pledged Tax Increment Revenues (as defined below), together with net investment earnings on the funds and accounts and available for the payment of debt service thereon, for the immediately preceding Fiscal Year, equaled at least one hundred twenty-five percent (125%) of the Maximum Annual Debt Service (including in such calculation the Bonds and Parity Obligations then Outstanding and the Additional Bonds and Parity Obligations proposed to be issued) and that the Modified Pledged Tax Increment Revenues less such Maximum Annual Debt Service equaled at least one hundred ten percent (110%) of the maximum annual debt service (determined as provided in the definition of Maximum Annual Debt Service as though such definition applied to Subordinate Obligations) for any Subordinate Obligations then Outstanding and any Subordinate Obligations proposed to be issued.

"Modified Pledged Tax Increment Revenues" means the Pledged Tax Increment Revenues received by the Agency in the immediately preceding Fiscal Year modified to reflect the Pledged Tax Increment Revenues which the Agency would have received in such Fiscal Year if (i) the total assessed valuation of the taxable real property in the Redevelopment Area used to determine the amount of Pledged Tax Increment Revenues to be received by the Agency in such Fiscal Year had been equal to the total assessed valuation of the taxable real property in the Redevelopment Area determined in the most recent Property Assessment Certification of the County Property Appraiser, or the total assessed valuation of such taxable real property after the final determination of all property assessment appeals to the property appraisal assessment board appointed under Florida law, whichever is most recent; and (ii) the millage rates of the taxing authorities contributing to the Redevelopment Trust Fund used to determine the amount of the Pledged Tax Increment Revenues to be received by the Agency in such Fiscal Year had reduced or rolled back, in accordance with applicable law then in effect, to reflect the increase in the assessed valuation of the taxable real property in the Redevelopment Area set forth in (i) above, or the actual millage rates adopted by such taxing authorities subsequent to the most recent Property Assessment Certification referred to above, if then available; provided, however, that such Pledged Tax Increment Revenues determined in accordance with (i) and (ii) above shall be pro rated for a partial year assessment, if applicable.

(c) In addition to the foregoing, the Agency may issue at any time and from time to time Additional Bonds or Parity Obligations or Subordinate Obligations for the purpose of refunding any Series of Bonds or Parity Obligations or Subordinate Obligations, or any maturity or any portion of a maturity thereof within a Series, without the necessity of complying with the requirements contained in paragraph (ii) above, provided that prior to the issuance of such Bonds or Parity Obligations or Subordinate Obligations there shall be filed with the Executive Director a certificate or report of an independent certified public accountant or a nationally recognized financial verification firm to the effect that (i) the net proceeds from such Additional Bonds or Parity Obligations or Subordinate Obligations will be sufficient to cause the pledge created by the Bond Resolution with respect to the Bonds to be refunded and defeased pursuant to Section 13.01 of the Bond Resolution or, as applicable, the pledge of the Parity Obligations or Subordinate Obligations to be refunded and defeased in accordance with the terms of the instruments under which

such Parity Obligations or Subordinate Obligations were issued, and (ii) the Debt Service Requirement with respect to the Additional Bonds, Parity Obligations, and Subordinate Obligations in each Bond Year following the issuance thereof for refunding purposes, through the Bond Year in which the latest maturing Bonds, Parity Obligations, or Subordinate Obligations then Outstanding mature, shall be equal to or less than the Debt Service Requirement for each such Bond Year with respect to the Bonds, Parity Obligations, and Subordinate Obligations which would have been Outstanding in each such Bond Year had the same not been refunded.

Unless consented to by all Bond Insurers, payments due on Subordinate Obligations shall not be accelerated.

Interlocal Agreement

The Agency and the City will enter into the Interlocal Agreement on the date of issuance of the 2017 Bonds pursuant to which the Agency will agree to deliver a certificate to the City by March 1 of each year stating whether Pledged Tax Increment Revenues are projected to be insufficient to make all payments required to be made on the 2017 Bonds on the immediately following May 1 and November 1 and deposits required to be made to the Restricted Surplus Account and/or the 2017 Reserve Subaccount. If such amounts are projected to be insufficient for such purpose, the certificate will indicate the amount of such insufficiency ("Deficiency").

The City has agreed to appropriate in its annual budget, no later than April 1 immediately following notice of any Deficiency, by amendment, if necessary, solely from legally available Support Revenues an amount equal to the Deficiency (the "Covenant"). The City must pay to the Agency from available Support Revenues so budgeted and appropriated the amount of the Deficiency attributed and to Pledged Tax Increment Revenues being insufficient to pay debt service on the 2017 Bonds by no later than the April 15 and any Deficiency due to a shortfall in the Restricted Surplus Account and/or the 2017 Reserve Subaccount by September 30 following the City's receipt of the notice of the Deficiency. Amounts received by the Agency from the City pursuant to the Interlocal Agreement shall promptly upon receipt be deposited first into the Debt Service Account to the extent required by the Bond Resolution and then to the Restricted Surplus Account and to the 2017 Reserve Subaccount including reimbursement of any amounts due in connection with draws on the 2017 Surety Policy as provided in the Bond Resolution, and then to acquire and construct community redevelopment projects. Such Covenant will be cumulative to the extent not paid, and will continue until such available Support Revenues to cure the Deficiency have been budgeted, appropriated, and actually paid to the Agency. No lien upon or pledge of such Support Revenues in favor of the Registered Owners of the 2017 Bonds will be created by the Interlocal Agreement until such moneys are budgeted and appropriated and paid to the Agency.

A failure of the Agency to deliver to the City by March 1 a certificate indicating a Deficiency will not relieve the City of its Covenant provided to appropriate available Support Revenues in an amount equal to the Deficiency; however, the City will not be in default under the Interlocal Agreement for failure to appropriate such amount by April 1, and to pay such amounts to the Agency no later than April 15 the amount of the Deficiency attributable to Pledged Tax Increment Revenues being insufficient to make all payments required to be made on the 2017 Bonds and to pay to the Agency by September 30 of such year any Deficiency attributable to a shortfall in the Restricted Surplus Account, in the Reserve Account, or in the 2017 Reserve Subaccount, provided that, following receipt of such Deficiency certificate, the City proceeds in a prompt manner to comply with the provisions of the immediately preceding paragraph. The Agency must reimburse the City the amount of any payment made by the City to cure any Deficiency from the first legally available money of the Agency, but only after the Agency has provided for all payments and deposits required in such year pursuant to the Bond Resolution.

The Covenant described above does not create any lien upon or pledge of such available Support Revenues, nor does it preclude the City from pledging in the future its available Support Revenues, nor does it require the City to levy and collect any particular available Support Revenues, nor does it give the Holders of the 2017 Bonds or the Agency a prior claim on the available Support Revenues as opposed to claims of general creditors of the City. The City's obligation under the Covenant is subject in all respects to the prior payment of obligations secured by a pledge of such available Support Revenues granted by the City before or after the effective date of the Interlocal Agreement (including the payment of debt service on bonds, notes and other debt instruments). The obligations of the City as described above will be payable solely from available Support Revenues budgeted and appropriated as provided for in the Interlocal Agreement and nothing therein will be deemed to pledge ad valorem tax revenues or to permit or constitute a mortgage or lien upon any assets owned by the City and no holder of the 2017 Bonds or the Agency nor

any other person, may compel the levy of ad valorem taxes on real or personal property within the boundaries of the City. The City will never be obligated to maintain or continue any of the activities of the City which generate user service charges, regulatory fees or any available Support Revenues. See "SUPPORT REVENUES" herein for a description of other debt of the City subject to a covenant to budget and appropriate legally available funds from non ad valorem revenues.

The Interlocal Agreement is not to be construed as a pledge of or a lien on all or any available Support Revenues of the City, but the City's obligations will be payable solely as provided in the Interlocal Agreement and is subject in all respects to the provisions of Florida law which make it unlawful for any municipality to expend moneys not appropriated and in excess of such municipality's current budgeted revenues, and is subject, further, to the payment of services and programs which are for costs of essential services. See "SUPPORT REVENUES" herein for a general discussion of the available Support Revenues, which may be available to make payments pursuant to the City's Covenant and for a description of all major sources of revenue for the General Fund and costs of essential services.

The Interlocal Agreement will terminate upon payment in full of the 2017 Bonds or the defeasance thereof in accordance with the provisions of the Bond Resolution and the performance of all other obligations under the Interlocal Agreement.

Other Interlocal Agreement Payments

In addition to the City's Covenant, the City has also covenanted to pay to the Agency by no later than January 1 of each year from legally available moneys two hundred and fifty thousand dollars \$250,000. Such obligation of the City shall terminate at such time as (1) the financial statements of the Agency for the two most recent fiscal years of the Agency indicate that the Pledged Tax Increment Revenues for both such fiscal years, adjusted, as recommended by the City's independent certified public accountant, to take into account any reduction in such Pledged Tax Increment Revenues had the final decision of the Cases (as defined below) regarding the calculation of Pledged Tax Increment Revenues been used in determining the amount of Pledged Tax Increment Revenues for such fiscal years, equal at least 1.1x of the sum of (a) the Maximum Annual Debt Service on the 2017 Bonds and (b) any other obligations of the Agency secured by the Pledged Tax Increment Revenues and (2) the City and the Agency receive an opinion of legal counsel reasonably acceptable to both the City and the Agency that Cases 2016-CA-000435A and 2017-CA-000239A have been concluded including all rights of appeal therefrom. See "LITIGATION AND OTHER MATTERS-Other Matters" for a description of the status of Cases 2016-CA-000435A and 2017-CA-000239A.

Limitation on City's Incurrence of Additional Obligations Payable from Support Revenues

As a condition precedent to the issuance of any debt or the incurrence of any other obligations for borrowed money by the City which are secured by and/or payable from the Support Revenues, the City has agreed to deliver a certificate executed by the City Manager setting forth the calculations of the financial ratios provided below and certifying that it is in compliance with the following:

(i) The average of the Support Revenues for the two most recent fiscal years for which audited financial statements of the City are available is equal to or greater than 1.50x of the sum of (a) any amounts paid by the City pursuant to the Interlocal Agreement which have not been reimbursed by the Agency or otherwise and (b) the maximum annual debt service on any debt of the City secured by or payable from any of the Support Revenues to be outstanding following the issuance of the proposed debt or incurrence and projected maximum annual debt service on the proposed debt or obligations. Such covenant shall not be applicable to any agreement similar to the Interlocal Agreement entered into by the City and the Agency.

(ii) For the purpose of calculating maximum annual debt service on any indebtedness which bears interest at a variable rate, such indebtedness shall be deemed to bear interest at the greater of (i) 1.25 times the most recently published Bond Buyer Revenue Bond 30 Year Index or (ii) 1.25 times the actual average interest rate during the prior Fiscal Year of the City.

TAX INCREMENT REVENUES

General

The 2017 Bonds are secured primarily by Pledged Tax Increment Revenues deposited into the Redevelopment Trust Fund. The applicable Taxing Authorities are required under the Redevelopment Act to make payments to the Redevelopment Trust Fund on or before January 1st of each year. The Taxing Authorities within the Redevelopment Area are the City and the County. Neither the tax increment revenues generated by any other community redevelopment agency of the City nor any areas other than the Redevelopment Area designated by the City to be a slum or blighted area within the meaning of the Redevelopment Act will constitute Pledged Tax Increment Revenues for purposes of the Bond Resolution and will not be subject to the pledge and lien created by the Bond Resolution securing the 2017 Bonds.

During Florida's November 2016 general election and during the 2017 Florida Legislative Session, constitutional amendments and laws were proposed, some of which passed, that could impact the amount of tax increment revenues the Agency can collect. See "TAX INCREMENT REVENUES - State Statutes and Constitutional Factors Affecting Tax Increment Revenues" herein.

Calculation of Tax Increment Revenues

Pursuant to the Redevelopment Act and the Redevelopment Trust Fund Ordinance, on or before each January 1, each Taxing Authority levying taxes in the Redevelopment Area must appropriate and pay to the Redevelopment Trust Fund an amount equal to 95% of the difference between:

- (a) The amount of ad valorem taxes levied in such year by such Taxing Authority, exclusive of any amount from any special debt service millage, on taxable real property contained within the Redevelopment Area; and
- (b) The amount of ad valorem taxes which would have been produced by the then current millage rate of such Taxing Authority (other than the Citrus County School Board), exclusive of any special debt service millage, had it been applied to the assessed valuation of the taxable real property, contained within the Redevelopment Area as shown upon the property tax assessment roll for Fiscal Year 1990 (the Base Year of the Agency's Original Redevelopment Area, the "1990 Base Year") and 2014 (the Base Year for the Agency's Expanded Redevelopment Area, the "2014 Base Year"), used in connection with the taxation of such property by such Taxing Authority.

The incremental increase in ad valorem taxes, if any, described above is used to measure the amount of the contribution which must be appropriated and contributed by each Taxing Authority required to make payments to the Redevelopment Trust Fund. The Taxing Authorities cannot be compelled to levy ad valorem taxes to make such payments. The statutory obligation of a Taxing Authority to make the required payments to the Redevelopment Trust Fund continues for so long as the Agency has indebtedness pledging tax increment revenues to the payment thereof outstanding, but not to exceed forty (40) years after the Fiscal Year in which the initial community redevelopment plan is approved or adopted. The Redevelopment Trust Fund of the City is effective for 30 years and will expire on September 30, 2045.

Current and future tax increment revenues accruing within the Redevelopment Area are predicated upon increases in assessed real property valuations in excess of assessed values recognized for the 1990 Base Year and 2014 Base Year, respectively.

Setting Millage

To understand the method of measuring and calculating the contribution required to be made by the Taxing Authorities, the general method of fixing millage must be considered.

Florida law currently mandates the following procedures in fixing millage rates:

(a) January 1 of each year is the statutory measurement date used by the County Property Appraiser for establishing just value of real property within the County. Improvements to real property or portions of improvements that are not substantially completed on January 1 are deemed to have no value placed thereon and substantially completed property as of January 1 is assessed by the County Property Appraiser based on its just value.

(b) On or before July 1 of each year, the County Property Appraiser is required to complete his assessment of the value of all property located within the County (unless extended for good cause by the Florida Department of Revenue). Upon completion of this assessment the County Property Appraiser is required to certify to each taxing authority the taxable value within the jurisdiction of the taxing authority. This certification includes the just value of new construction, additions to structures, deletions, and property added due to geographic boundary changes substantially complete as of January 1 of such year.

(c) Each taxing authority is required to compute the millage known as the "rolled back rate," which is the rate that, exclusive of (i) any increase in the assessed value of taxable real property by which a tax increment is measured for such taxing authority pursuant to Section 163.387, Florida Statutes, (ii) new construction, (iii) additions to structures, (iv) deletions, and (v) property added due to geographic boundary changes, will provide the same ad valorem tax revenue for each taxing authority as was levied during the prior year.

(d) Upon preparation of a tentative budget, but prior to adoption thereof, each taxing authority in addition to computing the "rolled back rate" is required to compute the proposed millage rate which would be necessary to fund the tentative budget, other than the portion of the budget to be funded from other than ad valorem taxes. In computing proposed millage rates, each taxing authority shall utilize not less than 95% of the taxable value certified by the County Property Appraiser. In establishing the tentative budget and proposed millage rate, the taxing authority is not bound by the "rolled back rate" and in accordance with Florida law may exceed the "rolled back rate" or may even adopt a tentative budget and proposed millage rate which would be less than the "rolled back rate."

(e) Within 30 days of the County Property Appraiser's certification, each taxing authority is required to advise the County Property Appraiser of its proposed millage rate and the date and time at which a public hearing will be held to consider the proposed millage rate and the tentative budget. The County Property Appraiser utilizes this information in preparing the notice of proposed property taxes required to be mailed to property owners. Additionally, if this information is not provided in a timely fashion as required by statute, the taxing authority is prohibited from levying a millage rate greater than the "rolled back rate" for the upcoming Fiscal Year.

(f) Each taxing authority is statutorily required to hold a minimum of two public hearings on the proposed millage rate and tentative budget prior to adopting a final millage rate and a final budget. At the first public hearing the taxing authority may amend the tentative budget and proposed millage rate as it sees fit and adopt a tentative budget and proposed millage rate. At the second public hearing the taxing authority may adopt the final budget and final millage rate. The final budget and final millage rate adopted at the second hearing cannot exceed the tentative budget and tentative millage rate adopted at the first public hearing, unless a separate hearing is held after due notice. Except as otherwise provided by statute, no millage rate (exclusive of ad valorem debt service millage) for the County and the City shall annually exceed 10 mills each without voter approval.

(g) Within 30 days of the County Property Appraiser's certification, each taxing authority is required to advise the County Property Appraiser of its proposed millage rate and the date and time at which a public hearing will be held to consider the proposed millage rate and the tentative budget. The County Property Appraiser utilizes this information in preparing the notice of proposed property taxes required to be mailed to property owners. Additionally, if this information is not provided in a timely fashion as required by statute, the taxing authority is prohibited from levying a millage rate greater than the "rolled back rate" for the upcoming Fiscal Year.

The final millage rate is that millage rate used to calculate the tax increment payments required to be made to the applicable community redevelopment trust fund on or before January 1 of the next year. Final millage rates generally should have been adopted by October 1 of each year to allow sufficient time for taxing authorities to calculate the required payment to the applicable community redevelopment trust fund and submit the same on or before January 1. Pursuant to statute, unless otherwise permitted by law, final budgets must be adopted by taxing authorities prior to the beginning of a taxing authority's Fiscal Year, which is October 1. Taxes are delinquent as of April 1. Pursuant to the Redevelopment Act, tax increment payments are to be made to the applicable community redevelopment trust fund on January 1 of each year based on the statutory calculation without regard to the actual collections or adjustments made by the taxing authority. Any taxing authority that does not pay the tax increment revenues to the applicable community redevelopment trust fund by January 1, must also pay to the community redevelopment trust fund an amount equal to 5% of the increment revenues and must pay interest on the amount of the unpaid increment revenues equal to 1% for each month the increment is outstanding, provided that such community redevelopment agency may waive such penalty payments in whole or in part.

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Historical Deposits to Redevelopment Trust Fund

The following tables show the amount of Tax Increment Revenues deposited by the Taxing Authorities to the Redevelopment Trust Fund for tax years 2007 through 2016:

Deposits to Redevelopment Trust Fund Original Redevelopment Area (1990 Base Year)

Tax Year	(a) Assessed Value	(b) Base Year (1990) Assessed Value	(a)-(b) Increment	95% of Increment	City Deposit⁽¹⁾	County Deposit⁽¹⁾	Total Deposit to Redevelopment Trust Fund
2007	\$16,361,400	\$4,943,361	\$11,418,039	\$10,847,137	\$48,281	\$72,133	\$120,414
2008	\$16,814,728	\$4,943,361	\$11,871,367	\$11,277,799	\$56,028	\$73,268	\$129,297
2009	\$16,052,697	\$4,943,361	\$11,109,336	\$10,553,869	\$56,887	\$68,565	\$125,453
2010	\$15,336,107	\$4,943,361	\$10,392,746	\$9,873,109	\$59,051	\$64,143	\$123,194
2011	\$14,867,375	\$4,943,361	\$9,924,014	\$9,427,813	\$58,602	\$64,187	\$122,790
2012	\$14,524,178	\$4,943,361	\$9,580,817	\$9,101,776	\$59,091	\$64,653	\$123,744
2013	\$15,002,795	\$4,943,361	\$10,059,434	\$9,556,462	\$62,074	\$74,876	\$136,950
2014	\$14,568,536	\$4,943,361	\$9,625,175	\$9,143,916	\$63,961	\$80,571	\$144,531
2015	\$16,034,247	\$4,989,361	\$11,044,886	\$10,492,642	\$74,213	\$81,724	\$155,937
2016	\$16,219,079	\$4,989,361	\$11,229,718	\$10,668,232	\$80,789	\$81,774	\$162,564

(1) City and County Deposits are based on millage applied to 95% of the increment shown.

Source: City of Inverness, Florida, Annual Financial Report for Fiscal Year Ended September 20, 2016

Deposits to Redevelopment Trust Fund Expanded Redevelopment Area (2014 Base Year)

Tax Year	(a) Assessed Value	(b) Base Year (2014) Assessed Value	(a)-(b) Increment	95% of Increment	City Deposit⁽¹⁾	County Deposit⁽¹⁾	Total Deposit to the Redevelopment Trust Fund
2015⁽²⁾	\$174,807,213 ⁽³⁾	\$105,458,084	\$69,349,129	\$65,881,673	\$465,974	\$465,974	\$931,949
2016⁽²⁾	\$178,158,181 ⁽³⁾	\$105,458,084	\$72,700,097	\$69,065,092	\$488,490	\$488,490	\$976,981

(1) City and County Deposits are based on millage applied to 95% of the increment shown.

(2) Approximately 23% of the assessed property values in the Expanded Redevelopment Area is attributed to the real property portion of the Hospital Property. See "THE REDEVELOPMENT AREA - Description of Major Business in the Redevelopment Area", "LITIGATION AND OTHER MATTERS - Other Matters", and "TAX INCREMENT REVENUES-Factors Impacting Pledged Tax Increment Revenues" herein.

(3) Assessed values of real property located in the Expanded Redevelopment Area stated here may be reduced as a result of challenges filed regarding the Hospital Property. See "LITIGATION AND OTHER MATTERS - Other Matters" herein. In the event that the Hospital Parties and/or CPM are successful in the litigation described under such subheading, and assessed values are reduced, increments would be adjusted for such years and rebates may be due to the Hospital Parties and/or CPM. The City and Agency have committed funds to make up for such potential reductions. See "LITIGATION AND OTHER MATTERS - Other Matters" and "TAX INCREMENT REVENUES-Factors Impacting Pledged Tax Increment Revenues" herein.

Source: City of Inverness, Florida, Annual Financial Report for Fiscal Year Ended September 20, 2016

**Deposits to Redevelopment Trust Fund
Original and Expanded Redevelopment Areas**

Tax Year	Deposit to Redevelopment Trust Fund (Original Area)	Deposit to Redevelopment Trust Fund (Expanded Area)	Combined Deposit to the Redevelopment Trust Fund
2015	\$155,937	\$931,949 ⁽¹⁾	\$1,087,886
2016	\$162,564	\$976,981 ⁽¹⁾	\$1,139,545

(1) Assessed values of real property located in the Expanded Redevelopment Area stated here may be reduced as a result of challenges filed regarding the Hospital Property. See "LITIGATION AND OTHER MATTERS - Other Matters" herein. In the event that the Hospital Parties and/or CPM are successful in the litigation described under such subheading, and assessed values are reduced, increments would be adjusted for such years and rebates may be due to the Hospital Parties and/or CPM. The City and Agency have committed funds to make up for such potential reductions. See "LITIGATION AND OTHER MATTERS - Other Matters" and "TAX INCREMENT REVENUES-Factors Impacting Pledged Tax Increment Revenues" herein.

Source: City of Inverness, Florida, Annual Financial Report for Fiscal Year Ended September 20, 2016

Millage Rates and Assessed Values

The following table shows the historical millage rates of the Taxing Authorities within the Original and Expanded Redevelopment Areas.

**Original Redevelopment Area
Historical Millage Rates**

Year	City Millage	County Millage	Combined Millage
2007	4.4510	6.6500	11.1010
2008	4.9680	6.4967	11.4647
2009	5.3902	6.4967	11.8869
2010	5.9810	6.4967	12.4777
2011	6.2158	6.8083	13.0241
2012	6.4923	7.1033	13.5956
2013	6.4955	7.8351	14.3306
2014	6.9949	8.8114	15.8063
2015	7.0729	7.7887	14.8616
2016	7.5729	7.6652	15.2381

Source: City of Inverness, Florida, Annual Financial Report for Fiscal Year Ended September 20, 2016

**Expanded Redevelopment Area
Historical Millage Rates**

Year	City Millage	County Millage	Combined Millage
2015	7.0729	7.0729	14.1458
2016	7.0729	7.0729	14.1458

Source: City of Inverness, Florida, Annual Financial Report for Fiscal Year Ended September 20, 2016

Historical Ad Valorem Taxes

The following table represents the City's collection of City-wide ad valorem taxes for fiscal years 2007-2016.

Ad Valorem Tax Collections City of Inverness, Florida

Collections within the Fiscal Year of the Levy					Total Collections	
Fiscal Year Ended 9/30	Total Tax Levy for Fiscal Year	Amount Collected in Fiscal Year	Percentage of Levy Collected in Fiscal Year	Delinquent Collections After Fiscal Year Levy	Total Amount Collected	Total Percentage of Levy Collected
2007	\$ 2,283,998	\$ 2,150,897	94.17%	\$ 85,328	\$ 2,236,225	97.91%
2008	\$ 2,244,732	\$ 2,105,687	93.81%	\$ 195,539	\$ 2,301,226	102.52%
2009	\$ 2,251,045	\$ 2,134,857	94.84%	\$ 105,056	\$ 2,239,913	99.51%
2010	\$ 2,212,776	\$ 2,088,827	94.40%	\$ 112,589	\$ 2,201,416	99.49%
2011	\$ 2,269,605	\$ 2,174,708	95.82%	\$ 91,495	\$ 2,266,203	99.85%
2012	\$ 2,270,318	\$ 2,171,794	95.66%	\$ 82,912	\$ 2,254,706	99.31%
2013	\$ 2,264,791	\$ 2,151,559	95.00%	\$ 98,990	\$ 2,250,549	99.37%
2014	\$ 2,244,403	\$ 2,152,294	95.90%	\$ 80,341	\$ 2,232,635	99.48%
2015	\$ 2,446,185	\$ 2,353,841	96.22%	\$ 78,401	\$ 2,432,242	99.43%
2016	\$ 3,328,078	\$ 3,308,206	99.40%	\$ 118,632	\$ 3,426,838	102.97%

Source: Citrus County Tax Collector; City of Inverness, Florida, Finance Department

Factors Impacting Pledged Tax Increment Revenues

The 2017 Bonds are payable from Pledged Tax Increment Revenues, which are tax increment revenues deposited into the Redevelopment Trust Fund. The lien of the 2017 Bonds does not attach until the tax increment revenues are deposited into the Redevelopment Trust Fund, and the holders of the 2017 Bonds have no right to require the imposition of any tax or the establishment of any rate of taxation in order to pay the principal and interest on the 2017 Bonds.

The following discussion provides information relating to certain risks that could affect payments of the principal of, redemption premium, if any, and interest on the 2017 Bonds from Pledged Tax Increment Revenues and could result in a greater reliance on the use of Support Revenues deposited by the City into the 2017 Bonds Debt Service Subaccount to cure any Deficiency. The order in which the following information is presented is not intended to reflect the relative importance of the risks discussed. The following information is not, and is not intended to be, exhaustive and should be read in conjunction with all of the other sections of this Official Statement, including its appendices. Prospective purchasers of the 2017 Bonds should carefully analyze the information contained in this Official Statement, including its appendices (and including the additional information contained in the form of the complete documents referenced or summarized herein), for a more complete description of the investment considerations relevant to purchasing the 2017 Bonds.

(1) Citrus Memorial Hospital Property Assessment Challenge. On May 20, 2016, Citrus Memorial Property Management, Inc., a Florida corporation ("CMPM") and Citrus Memorial Hospital, Inc., a Florida corporation (the "Hospital" and together with CMPM the "Hospital Parties") filed a complaint, Case 2016-CA-000435A in the Circuit Court of the Fifth Judicial Circuit Court in and for Citrus County, Florida (the "Court") to appeal the Citrus County Property Appraiser's (the "Property Appraiser") determination of the just value of the Hospital Parties' property located in the Expanded Redevelopment Area

(the "Hospital Property") for the 2015 tax year. The Property Appraiser assessed the just value of the real property of the Hospital Property (the "Hospital Real Property") as \$56,975,520 and the value of the tangible personal property of the Hospital Property (the "Hospital Tangible Property") as \$23,584,224. On March 29, 2016, prior to filing Case 2016-CA-000435A, the Hospital Parties appealed to the Citrus County Value Adjustment Board ("VAB"). The VAB lowered the tangible personal property assessment to \$19,140,650, a difference of \$4,443,574. The VAB, however, sustained the Property Appraiser's determination of the just value of the Hospital Real Property. Subsequent to the VAB's March 29, 2016 decision, the Hospital Parties filed Case 2016-CA-000435A. See "LITIGATION AND OTHER MATTERS - Other Matters" herein for additional information.

On March 20, 2017 the CMPM filed Case 2017-CA-000239A in the Court challenging the Property Appraiser's assessed the just value of the Hospital Property for the 2016 tax year. The Property Appraiser assessed the just value of the Hospital Real Property as \$63,499,800. Prior to filing Case 2017-CA-000239A, the Hospital Parties appealed the valuation to the special magistrate to the VAB (the "Special Magistrate"). The Special Magistrate recommended a just value of \$49,570,200 representing a reduction of \$13,929,600 in taxable value. CMPM, however, was not in agreement with the reduced value and filed Case 2017-CA-000239A. On May 2, 2017, the Property Appraiser filed Case 2017-CA-355 naming CMPM, the Tax Collector, and the Executive Director of the Department of Revenue as defendants and challenging the VAB's action. Case 2017-CA-355 and Case 2017-CA-000239A will likely be consolidated since they involve identical issues of fact and law.

Cases 2016-CA-000435A and 2017-CA-000239A are ongoing. If the Court decides Cases 2016-CA-000435A and 2017-CA-000239A in favor of the Hospital Parties and CMPM, respectively, and finds that the just value of the Hospital Real Property should be reduced the amount of tax increment revenues received by the Agency for the corresponding 2015 and 2016 tax years would be adjusted for each such year and rebates may be due to the Hospital Parties and CMPM in each of their respective cases. Therefore, in addition to restricting \$600,000 in available Agency Tax Increment Revenues for the Restricted Surplus Account on June 8, 2017, the Agency also voted unanimously to authorize the Agency Treasurer to designate \$500,000 of its available Tax Increment Revenue representing \$250,000 annually for Fiscal Years 2015 and 2016 to offset any potential reduction in Pledged Tax Increment Revenues related to these disputes. See "LITIGATION AND OTHER MATTERS - Other Matters" herein.

(2) Payment from Pledged Revenues Only. The 2017 Bonds are payable from and secured by a lien on and pledge of Pledged Revenues which consist primarily of Pledged Tax Increment Revenues deposited into the Redevelopment Trust Fund and to the extent described herein, Support Revenues of the City deposited into the 2017 Bonds Debt Service Subaccount to cure a Deficiency and other funds provided by the City per the Interlocal Agreement. The amount of Pledged Tax Increment Revenues collected by the Agency is based upon increases in the taxable value of real property in the Redevelopment Area above the applicable Base Years and the millage rates applied by each Taxing Authority. The 2017 Bonds are not general obligations supported by the full faith and credit of the Agency, the City, the County or the State or any political subdivision of the foregoing, but are payable solely from and secured by an irrevocable lien on the Pledged Revenues. Neither the Agency, the City, the County nor the State, nor any other political subdivision of the State, has any obligation, and the Agency does not have the power under the Bond Resolution or under Florida law, to levy any taxes in order to pay debt service on the 2017 Bonds or to cure any default in any such payments. The Agency does not have the power to levy taxes.

(3) Limited Replenishment of Deficiencies. Except for the 2017 Surety Policy and the Restricted Surplus Account, there is no fund or account under the Bond Resolution which is required to contain amounts to make up for any deficiencies in the amounts otherwise available for the payment of debt service on the 2017 Bonds in the event of one or more defaults by the Agency in making payments of debt service on the 2017 Bonds. There can be no representation or assurance that the Agency will realize sufficient Pledged Tax Increment Revenues to pay, when due, all required payments of debt service on the 2017 Bonds or that the City will have sufficient Support Revenues to deposit in the 2017 Bonds Debt Service Subaccount to cure any Deficiency pursuant to its Covenant.

(4) Adverse Legislative, Judicial or Administrative Action. The State legislature, the courts or an administrative agency with appropriate jurisdiction could enact new laws or regulations or interpret, amend, alter, change or modify the laws or regulations governing the collection, distribution, definition or accumulation of ad valorem tax revenues generally, or Pledged Tax Increment Revenues specifically, that would adversely affect the ability of the Agency to pay debt service on the 2017 Bonds from the Pledged Tax Increment Revenues. It is also possible that one or more governments exercising jurisdiction over the Redevelopment Area could reduce their respective millage rate, which could in turn materially reduce the amount of Pledged Tax Increment Revenues.

(5) Appeal of Assessments. State law allows taxpayers to dispute assessment valuations. Various State, local, national and international economic conditions may influence a taxpayer's willingness to make or forgo such an appeal. The statutory method for determining tax increment revenues uses a factor of up to 95%, due in part to an expectation of such appeals. Any volume of appeals which is successful in reducing the overall assessed value of the Redevelopment Area in excess of such a margin of error could result in reduced amounts of Pledged Tax Increment Revenues. If such appeals resulted in a significant reduction in the overall assessed value of the taxable property in the Redevelopment Area, they could have a material adverse impact on the collection of Pledged Tax Increment Revenues. See "LITIGATION AND OTHER MATTERS - Other Matters" herein.

(6) Effect of an Economic Downturn. If the Redevelopment Area experiences an economic downturn, this may result in decreased assessed property values, which could cause a corresponding decline in Pledged Tax Increment Revenues. The Redevelopment Area expanded in 2015 and total Agency Tax Increment Revenues increased by approximately 4.7% from 2015 to 2016. Due to a 34.6% increase in the City wide assessed values in 2016 to approximately \$470.73 million from \$349.7 million in 2015, and the City's increase in its millage rate from 6.9949 to 7.0729 mills in 2016, the City's ad valorem revenues increased by 40.8% from \$2,432,242 in 2015 to \$3,426,838 in 2016. The City's total assessed valuation for real and personal property of \$470.7 million for fiscal year ended 2016 was still below the values at fiscal year ended 2010 of \$504.3 million.

(7) State, National and International Economic and Political Factors. Certain economic or political developments, including, without limitation, downturns in the State, national or international economy, national and international terrorism, U.S. military engagements abroad, increased national or international barriers to tourism or trade, and international currency fluctuations could all adversely affect the continued development of the Redevelopment Area, its attraction to businesses, developers, builders, and investors and, as a result, the Agency's ability to produce sufficient Pledged Tax Increment Revenues.

(8) Failure to Achieve Increases in Property Values. The amount of future collections of Pledged Tax Increment Revenues to pay debt service on the 2017 Bonds is dependent, in part, upon the assessed value of taxable real property in the Redevelopment Area. Numerous events could occur that might reduce the value of real property within the Redevelopment Area, including, without limitation, natural disasters (such as hurricanes and other major tropical storms to which Central Florida generally is subject), public acquisition of property within the Redevelopment Area by the State or political subdivisions exercising their respective rights of eminent domain and social, economic or demographic factors (or adverse public perceptions thereof) beyond the control of the Agency, the City or the taxpayers in the Redevelopment Area. Any or all of such events could adversely affect the realization and collection of Pledged Tax Increment Revenues.

(9) Reduction in Millage Rates. One or more of the Taxing Authorities could determine in response to economic, political or other factors to reduce their millage rate. Any reduction in millage rates by the City or the County could reduce the amount of Pledged Tax Increment Revenues payable to the Agency which, in turn, could negatively impact the collection of Pledged Tax Increment Revenues.

(10) Concentration Risk. An estimated 18.9% of the total City wide assessed value as of September 30, 2016 is represented by the Hospital Real Property. While the Hospital continues to add improvements annually to its regional healthcare facility footprint per its long-term ground lease obligations, there is no guarantee that the Hospital will not relocate during the term of the 2017 Bonds or become a

501(c)(3) entity that would be exempt from ad valorem taxes. See " REDEVELOPMENT AREA - Description of Major Business in the Redevelopment Area" and " REDEVELOPMENT AREA —Top Ten Taxpayers in the Redevelopment Area" herein.

(11) Impact of Future Financing Plans by Agency or City. As described above under "SECURITY FOR THE BONDS - Limitation on Issuance by Agency of Additional Obligations Payable from Pledged Tax Increment Revenues," the Agency has reserved the right, upon satisfaction of certain conditions set forth in the Bond Resolution, including (except for certain refunding additional parity Bonds) demonstrated historical debt service coverage at certain established levels, to issue Additional Bonds and Parity Obligations payable out of and secured by the Pledged Tax Increment Revenues on a parity with the 2017 Bonds that may be then Outstanding.

The City has also reserved the right per the Interlocal Agreement to issue additional debt secured by the City's Support Revenues. The City may issue such debt based upon meeting the financial ratios described in the Interlocal Agreement See "SECURITY FOR THE 2017 BONDS - Limitation on City's Incurrence of Additional Obligations Payable from Support Revenues" herein.

(12) Hurricanes and Other Natural Disasters. The State of Florida is generally susceptible to hurricanes, severe weather disturbances and floods. The occurrence of such natural events or other natural disasters could damage the Redevelopment Area and/or local infrastructure that provides support and services to the Redevelopment Area, such as transportation and utility services, or otherwise impair the Redevelopment Area and the generation of Pledged Tax Increment Revenues. No assurance can be given as to whether future natural events will occur that could materially impair such Pledged Tax Increment Revenues.

State Statutory and Constitutional Factors Affecting Pledged Tax Increment Revenues

Neither the City nor any other Taxing Authority levying ad valorem taxes within the Redevelopment Area has covenanted or pledged to levy ad valorem taxes on taxable real property within the Redevelopment Area at a level sufficient to generate Pledged Tax Increment Revenues in any particular amount or at all. The pledge of the Pledged Tax Increment Revenues does not constitute a pledge of the ad valorem taxing power of the City or the County.

Consequently, the amount of Pledged Tax Increment Revenues to be deposited in the Redevelopment Trust Fund and pledged to the 2017 Bonds is dependent upon, among other things, (i) the millage rates established by each Taxing Authority, (ii) growth in the assessed valuation of taxable real property in the Redevelopment Area, which increase will be affected by the annual appraisal at one hundred percent (100%) of the "just value" of taxable real property, including new construction completed, within the Redevelopment Area, and (iii) Florida statutory and constitutional provisions which limit growth in assessed valuations and in millage rates.

Save Our Homes Amendment On November 3, 1992, the voters of the State passed an amendment to Article VII, Section 4 of the Florida Constitution establishing a limitation of the lesser of 3% or the increase in the Consumer Price Index during the relevant year, on the annual increase in assessed valuation of homestead (primary residence) property, except in the event of a sale thereof during such year, and except as to improvements thereto during such year. The amendment known as the "Save Our Homes Exemption" became effective January 1, 1995. The amendment did not alter any caps on millage rates otherwise set forth in the Florida Constitution. A majority of the taxable properties within the City that comprised the total Assessed Value of \$470.7 million are comprised primarily of commercial property that is not subject to the foregoing limitation on assessed valuations.

Senior Citizen Discount By Joint Resolution of the Florida Legislature in 1998, a State constitutional amendment was ratified, effective January 1, 1999, authorizing the Legislature to allow counties and municipalities to grant an additional homestead tax exemption to persons 65 years of age and older, with certain household income limitations. Section 196.075, Florida Statutes, gives the governing authority of any county or municipality the power to enact an ordinance to allow an additional homestead exemption of up to \$25,000 for any person who has the legal or equitable title to real estate and maintains thereon the permanent residence of the owner, who has attained age 65, and whose household income does not exceed \$20,000 (a "qualified resident"). The Redevelopment Area is comprised primarily of commercial property that is not subject to the foregoing limitation on assessed valuation.

In the November 7, 2006 general election, the voters of the State approved Amendments 6 and 7 to the State Constitution, which authorized cities and counties to provide for an increase in the homestead (ad valorem tax) exemption to \$50,000 from \$25,000 for certain low-income seniors effective January 1, 2007 and which provided a discount from the amount of ad valorem taxes for certain permanently disabled veterans effective December 7, 2007. The approved amendments allow cities and counties to revisit the issue each year. The Redevelopment Area is comprised primarily of commercial property that is not subject to the foregoing limitation on assessed valuation.

Active Duty and Military Discount. Florida provides various exemptions or discounts for its activity duty and veteran residents. These exemptions are discussed below.

Partial (at least 10%) Disability. An ex-service member who was honorably discharged, is a resident of Florida, and who is disabled to a degree of 10% or more because of misfortune or while serving during wartime may be entitled to a \$5,000 reduction in the property's assessed value. This exemption is not limited to homestead property. Under certain circumstances, the veteran's surviving spouse may be entitled to carry over the exemption.

Total and Permanent Disability. Veterans who are Florida residents and were honorably discharged with a service-related total and permanent disability may be eligible for a total exemption from taxes on property owned and use as a veteran's homestead. A similar exemption is available to disabled veterans confined to wheelchairs. Under certain circumstances, the veteran's surviving spouse may be entitled to carry over the exemption.

65 or Older and Disabled. Veterans 65 or older who are partially or totally permanently disabled may receive a discount on the assessed value of property that they own and use as homesteads. The discount is a percentage equal to the percentage of the veteran's permanent, service-connected disability as determined by the United States Department of Veteran's Affairs.

Deployed. A member or former member of any branch of the United States military or military reserves, the United States Coast Guard or its reserves, or the Florida National Guard may receive an exemption if he or she was deployed during the previous calendar year outside the continental United States, Alaska, and Hawaii in support of a designated operation (the Florida Legislature designates operations for this exemption). The percent of the taxable value that is exempt for the current year corresponds to the percent of time during the previous year when the service member was deployed on a designated operation.

Statutory Amendments. Exemptions from ad valorem taxation include the first \$25,000 of assessed value for a permanent residence; property owned by certain permanently and totally disabled persons; renewable energy source improvements; inventory; property used by not-for-profit hospitals, nursing homes, homes for special services and property used by homes for the aged; educational-use property; property owned and used by labor organizations for educational purposes; community centers; governmental property; property owned by not-for-profit water and sewer companies; the first \$500 of property of every widow, blind person or disabled person, and property held by a port authority and any leasehold interest in such property to the extent of immunity from taxation of County property.

During a special legislative session that ended on June 14, 2007, the Florida Legislature adopted Chapter 2007-321, Laws of Florida, which has had a significant impact on the amount and rate of ad valorem taxes levied by local governments in the State, including each Taxing Authority that contributes Pledged Tax Increment Revenues to the Redevelopment Trust Fund. Among other things, Chapter 2007-321 required each county, municipality and special district to roll back their millage rates for the 2007-08 Fiscal Year to a level that, with certain adjustments and exceptions, generated the same level of ad valorem tax revenue as in Fiscal Year 2006-07. Depending upon the relative growth of each local government's own ad valorem tax revenues from 2001 to 2006, such rolled back millage rates was determined after first reducing Fiscal Year 2006-07 ad valorem tax revenues by zero to nine percent (0% to 9%). Under the legislation the "dedicated increment value" is excluded from the calculation of the taxable value for determining the rolled back rate. "Dedicated increment value" means the proportion of the cumulative increase in taxable value within a defined geographic area used to determine a tax increment amount to be paid to a Redevelopment Trust Fund pursuant to the Redevelopment Act or to be paid or applied pursuant to an ordinance, resolution, or agreement to fund a project or to finance essential infrastructure. In addition, the legislation limits how much the aggregate amount of ad valorem tax revenues may increase in future Fiscal Years to the rate of change in the State's per capita income. School districts are not required to comply with these particular provisions of the legislation. A local government may override certain portions of these requirements by a supermajority, and for certain

requirements, a unanimous vote, or by referendum approval. Local governments who do not comply with the property tax reforms may not participate in the distribution of local government half-cent sales tax revenue during the 12 months following a determination of non-compliance by the State's Department of Revenue. See "TAX INCREMENT REVENUES - Millage Rates and Assessed Values" for a summary of the historical millage rates of each of the Taxing Authorities.

Constitutional Amendments. On November 8, 2016, Florida voters approved Florida Property Tax Exemptions for Senior Citizens Amendment, also known as "Amendment 5." This amendment to the State Constitution was originally approved by voters in 2012. The law currently allows cities and counties to grant a full exemption from property taxes to people with the same age and income limits if: 1) the homeowner is 65 or older, 2) annual household income didn't exceed \$28,448 in 2015 (income limits are adjusted annually for inflation), 3) the just (market) value of their property is less than \$250,000 and, 4) the homeowner has lived there for at least 25 years. The original intent was to ensure that long-time, low-income seniors did not lose their homes because of an inability to pay the tax bill. Amendment 5 changed the existing language regarding homestead tax exemption so that the value of property owned by eligible senior citizens, those with a household income of \$20,000 or less, could be assessed when senior citizens first apply for the exemption. The measure was designed to ensure eligible seniors' ability to be able to keep the tax exemption even if their respective home values exceed \$250,000 in the future. This amendment became effective on January 1, 2017, but is retroactive to 2013, which means a senior who qualified for the exemption in 2013, but lost it, would regain the exemption. The Redevelopment Area is comprised primarily of commercial property that is not subject to the foregoing limitation on assessed valuation.

Joint Resolution HJR 7105 passed in the 2017 legislative session and proposes an amendment to the State Constitution to increase the homestead exemption by exempting the assessed valuation of homestead property greater than \$100,000 and up to \$125,000 for all levies other than school district levies. Currently, homestead property is eligible for an exemption of \$25,000 of assessed value of a homestead property from all taxes and a second exemption from all taxes, other than school district taxes, that applies to homestead property valued between \$50,000 and \$75,000. The amendment, subject to the approval of 60% of voters during the November 2018 general election, will take effect January 1, 2019. The Citrus County Property Appraiser estimates that this amendment, once effective, could reduce the aggregate assessed values of homestead property by approximately \$3,260,000.

Senate Bill 90 (2017) implements Amendment 4, which passed with 73% support by the voters on the 2016 primary election. The bill exempts 100% of the just value of residential real property attributable to solar and renewable energy devices and 80% of the just value of nonresidential real property attributable to solar and renewable energy devices from real property taxes. Additionally, Senate Bill 90 exempts 80% of the assessed value of a renewable energy source device that is considered tangible personal property from ad valorem taxes if the personal property meets certain requirements of the bill. The Governor approved Senate Bill 90 on June 16, 2017.

In 2008, Florida voters approved an amendment that capped the increase in assessed value for non-homesteaded residential property at 10% a year, except for taxes to fund schools. This amendment is set to expire in 2019. During the 2017 legislative session, the Florida Legislature approved Joint Resolution HJR 21 ("HJR 21"). HJR 21 proposes to extend the cap on the increase in assessed values of non-homesteaded residential properties. The proposed amendment will go before the voters on the November 2018 ballot for approval.

These constitutional and statutory amendments may further impact the amount of ad valorem property taxes that can be collected by local governments in Florida. However, the extent of the effect on property values or on ad valorem tax collections of the Taxing Authorities in future years cannot be determined. Additional State statutory or constitutional amendments may be enacted in the future which could further limit the ad valorem tax revenues levied by the Taxing Authorities thereby reducing the amount of Pledged Tax Increment Revenues available to the Agency and limiting the amount of ad valorem tax revenue available to the City, which could result in more reliance by the City on its Support Revenues for funding essential governmental services of the City.

SUPPORT REVENUES

The City generally receives two primary sources of general fund revenue: ad valorem taxes and non-ad valorem revenues. The Support Revenues include four sources of non-ad valorem revenues: public service tax; communications service tax; franchise fees; and local government half-cent sales tax. Below is information regarding each of these non-ad valorem revenue sources that constitute the Support Revenues. Currently the City does not have any debt outstanding that is secured by a lien on any of the Support Revenues described herein. However, the City may issue debt in the future that has a lien on or is payable from the Support Revenues. See "SECURITY FOR THE BONDS - Limitation on City's Incurrence of Additional Obligations Payable from Support Revenues" herein.

Public Service Tax. Section 166.231, Florida Statutes, provides municipal authority to levy a public service tax on the purchase of electricity, metered natural gas, liquefied petroleum gas (either metered or bottled), manufactured gas (either metered or bottled), and water service. The tax is only on purchases within the municipal limits and the tax rate cannot exceed 10% of the payments received by the seller. Florida Statutes require municipalities provide a 120-day notice to the Department of Revenue of increases in the public service tax before the effective date of the tax increase and to provide advanced notice to impacted service providers.

City of Inverness Public Service Tax History. The City adopted a public service tax (the "Public Service Tax") on October 1, 1985 at the rate of 5% for electric, gas, telegraph, and telecommunications services for purchases made after October 31, 1985 and through September 30, 1987. Additionally two cents per gallon tax was levied on fuel oil. On June 2, 1987, City Council extended the tax period through September 30, 1992. On September 20, 1988, the City increased the Public Service Tax rate from 5% to 8%, but maintained the two cents per gallon on fuel oil. The City reduced the Telecommunications and Telegraph public service tax to 7% on October 18, 1988. On July 19, 1994, the City increased the tax on electric and gas from 8% to 9% and maintained the Telecommunications and Telegraph tax at 7%, and the fuel oil tax at 2 cents per gallon. On the same date, The City Council also extended the sunset date of the tax to September 30, 1995. On August 1, 1995, the City repealed the sunset provision of the utility tax, making the tax a permanent revenue source for the City. On January 1, 2012, the City increased the public service tax rate from 9% to 10% on the purchase of electricity, metered natural gas, liquefied petroleum gas (either metered or bottled), and manufactured gas (either metered or bottled).

On July 3, 2001, the City eliminated its telecommunications and telegraph public service tax and adopted a Communications Services Tax at the rate of 5.6% for the period beginning October 1, 2001 and ending September 30, 2002, and adopted a rate of 5.32% effective October 1, 2002. The rates were established pursuant to, and in conjunction with, the State legislation noted below and the amounts represented a conversion rate to ensure stable revenues from the tax.

Communications Services Tax. The CST Law enacted by Chapter 2000-260, Laws of Florida, and codified in part as Chapter 202, Florida Statutes, effective October 1, 2001, established a communications services tax on the sale of "communications services" as defined below. Section 202.19, Florida Statutes, authorizes counties and municipalities to levy a discretionary communications services tax (the "Communications Services Tax") on communications services, the revenue from which may be pledged as security for the payment of principal and interest on revenue bonds.

"Communications services" are defined in the CST Law to include the transmission, conveyance, or routing of voice, data, audio, video or any other information or signals, including cable services, to a point, or between or among points, by or through any electronic, radio, satellite, cable, optical, microwave, or other medium or method now in existence or hereafter devised, regardless of the protocol used for such transmission or conveyance. The term includes such transmission, conveyance, or routing in which computer processing applications are used to act on the form, code, or protocol of the content for purposes of transmission, conveyance, or routing without regard to whether such service is referred to as voice-over-internet-protocol services or is classified by the Federal Communications Commission as enhanced or value-added. The term does not include: (a) information services; (b) installation or maintenance of wiring or equipment on a customer's premises; (c) the sale or rental of tangible personal property; (d) the sale of advertising, including, but not limited to, directory advertising; (e) bad check charges; (f) late payment charges; (g) billing and collection services; or (h) internet access service, electronic mail service, electronic bulletin board service or similar on-line services.

The sale of communications services to (i) the federal government, or any instrumentality or agency thereof, or any entity that is exempt from state taxes under federal law, (ii) the State or any county, municipality or political subdivision of the State when payment is made directly to the dealer by the governmental entity, and (iii) home for the aged, any educational institution (which includes state tax-supported and nonprofit private schools, colleges and universities and nonprofit libraries, art galleries and museums, among others) or religious institutions (which includes, but is not limited to, organizations having an established physical place for worship at which nonprofit religious services and activities are regularly conducted) that are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, are exempt from the Communications Services Tax.

The CST Law provides that, to the extent that a provider of communications services is required to pay to a local taxing jurisdiction a tax, charge or other fee under any franchise agreement or ordinance with respect to the services or revenues that are also subject to the Communications Services Tax, such provider is entitled to a credit against the amount of such Communications Services Tax payable to the State in the amount of such tax, charge or fee with respect to such service or revenue. The amount of such credit is deducted from the amount that the local taxing jurisdiction is entitled to receive.

To prevent actual multistate taxation of communications services, any taxpayer, upon proof that such taxpayer has paid a tax legally imposed by another state or local jurisdiction in such other state with respect to such services, will be allowed a credit against the Communications Services Tax to the extent of the amount of tax paid in the other state or local jurisdiction.

Under the CST Law, local governments must work with the Florida Department of Revenue (the "FDOR") to properly identify service addresses to each municipality and county. If a municipality fails to provide the FDOR with accurate service address information, it risks losing tax proceeds that it should properly receive. The City believes it has provided the FDOR with all information that the FDOR has requested as of the date hereof and that such information is accurate.

Providers of communications services collect the local Communications Services Tax Revenues and may deduct 0.75% of the tax due and accounted for and remitted to the FDOR as a collection fee (or 0.25% in the case of providers who do not employ an enhanced zip code database or a database that is either supplied or certified by the FDOR). The communications providers remit the remaining proceeds to the FDOR for deposit into the Local Communications Tax Clearing Trust Fund. The FDOR then makes monthly contributions from the Local Communications Tax Clearing Trust Fund to local governments after deducting up to 1% of the total revenues generated as an administrative fee.

Franchise Fees. The City currently collects a franchise fee on electric, gas, and solid waste service providers.

Electric

The City enacted Ordinance #2012-690 on September 18, 2012, approving a non-exclusive right-of-way utilization franchise agreement with Florida Power Corporation d/b/a Progress Energy Florida, Inc. The franchise agreement has a term of 30 years and may be renewed. The City collects 6% of Progress Energy's revenues collected from the sale of electricity to residential, commercial, and industrial customers within the City's corporate limits.

The City also entered into a non-exclusive franchise fee agreement with Sumter Electric Cooperative, Inc., a Florida rural electric cooperative, on October 17, 1995. This agreement has a term of 30 years and may be renewed. The City collects 6% of the revenues collected by Sumter Electric Cooperative within its municipal boundaries. This agreement, if not renewed, will expire prior to the maturity of the 2017 Bonds.

Gas

On May 3, 1994, the City entered into a gas franchise fee agreement with City Gas Company of Florida a division of NUI Corporation, a New Jersey Corporation ("City Gas"). The agreement is for a 30-year term and may be renewed. The City receives 6% of the gross revenues collected on a monthly basis from consumers within the City's

boundaries. The City may terminate the agreement in the event of a final adjudication of bankruptcy of City Gas. This agreement, if not renewed, will expire prior to the maturity of the 2017 Bonds.

The City also entered into a gas franchise fee agreement with Central Florida Gas Company ("Central Florida Gas"), a division of Chesapeake Utilities Corporation, a Delaware corporation, on June 1, 1999. The agreement expires 30 years from June 1, 1999, and may be renewed. The City receives 6% of the gross revenues collected on a monthly basis from consumers within the City's boundaries. The City may terminate the agreement in the event of a final adjudication of bankruptcy of Central Florida Gas. This agreement, if not renewed, will expire prior to the maturity of the 2017 Bonds.

Solid Waste

The City entered into a Fourth Amendment to Solid Waste Collection Agreement on April 4, 2017 with Waste Management Inc of Florida, a Florida corporation further amending the Solid Waste Collection Agreement entered into on September 16, 1997 (the "Fourth Amendment"). The Fourth Amendment extended the term of the agreement to September 30, 2028, and may be further extended by amendment. The City receives a 10% fee on the revenues collected within its corporate limits. This agreement, if not extended, will expire prior to maturity of the 2017 Bonds.

Local Government Half-Cent Sales Tax. Chapter 212, Part I, Florida Statutes (the "Sales Tax Act"), authorizes the levy and collection by the State of a sales tax of 6% (the "State Sales Tax") upon, among other things, the sales price of each item or article of tangible personal property sold at retail in the State, subject to certain exceptions and dealer allowances as set forth in the Sales Tax Act.

The sales tax is collected on behalf of the State by businesses at the time of sale at retail, use, consumption, or storage for use or consumption, of taxable property and remitted to the State on a monthly basis. The Sales Tax Act provides for penalties and fines, including criminal prosecution, for non-compliance with the provisions thereof.

All funds received and collected by the State are required to be deposited in the General Revenue Fund of the State and then distributed to various funds as enumerated in the Sales Tax Act. After various enumerated distributions, pursuant to Chapter 218, Part VI, Florida Statutes (the "Half-Cent Sales Tax Act"), a portion (8.714%) of the amount remitted by a sales tax dealer within a participating county (the "Local Government Half-Cent Sales Tax") is required to be transferred into the Local Government Half-Cent Sales Tax Clearing Redevelopment Trust Fund (the "Sales Tax Trust Fund") and earmarked for distribution to the governing body of that participating county and of each participating municipality within that county pursuant to formulas set forth in the Half-Cent Sales Tax Act. The State Legislature has on occasion reduced the amount of Local Government Half-Cent Sales Tax allocated to counties and municipalities and there is no assurance that the State will not further reduce such allocation.

The Local Government Half-Cent Sales Tax collected within a county and distributed to local government units is distributed among the county and the municipalities therein in accordance with the following formula:

$$\begin{array}{lcl}
 \text{County Share} & & \\
 \text{(percentage of total Half-Cent Sales Tax receipts)} & = & \frac{\text{unincorporated area population}}{\text{total county population} + \frac{2}{3} \text{ incorporated area population}} + \frac{2}{3} \text{ incorporated area population} \\
 \\
 \text{Municipality Share} & & \\
 \text{(percentage of total Half-Cent Sales Tax receipts)} & = & \frac{\text{municipality population}}{\text{total county population} + \frac{2}{3} \text{ incorporated area population}}
 \end{array}$$

For purposes of the foregoing formula, "population" is based upon the latest official State estimate of population certified prior to the beginning of the local government Fiscal Year. Should any unincorporated area of the County become incorporated as a municipality, the share of the Local Government Half-Cent Sales Tax received by the County and any other city would be reduced. Should the City annex any area or should any area of the City de-

annex from the City, the share of the Local Government Half-Cent Sales Tax received by the City would be respectively increased or decreased according to the foregoing formula.

As of October 1, 2001, the Sales Tax Trust Fund began receiving a portion of certain taxes imposed by the State on the sales of communication services (the "CST Revenues") pursuant to the CST Law. Pursuant to the CST Law, the State is authorized to levy and collect a sales tax on every person who engages in the business of selling communications services at retail in the State, subject to certain exceptions and dealer allowances as set forth in Chapter 202, Florida Statutes. Accordingly, moneys distributed from the Sales Tax Trust Fund now consist of funds derived from both State Sales Tax proceeds and CST Revenues required to be deposited into the Sales Tax Trust Fund.

The Local Government Half-Cent Sales Tax is distributed from the Sales Tax Trust Fund on a monthly basis to participating units of local government. The Half-Cent Sales Tax Act permits the City to pledge its share of the Local Government Half-Cent Sales Tax for the payment of principal of and interest on revenue bonds.

Although the Half-Cent Sales Tax Act does not impose any limitation upon the number of years during which the City can receive distribution of the Local Government Half-Cent Sales Tax from the Sales Tax Trust Fund, there may be future amendments to the Half-Cent Sales Tax Act. To be eligible to receive distributions from the Sales Tax Trust Fund in future years, the City must comply with certain eligibility and reporting requirements of the Half-Cent Sales Tax Act, otherwise, the City will not be entitled to any Sales Tax Trust Fund distributions for twelve (12) months following a "determination of noncompliance" by FDOR. These requirements include those concerning the reporting and auditing of its finances, the levying of ad valorem taxes or receipt of other revenue sources, and certifying certain requirements pertaining to the employment and compensation of law enforcement officers, the employment of fire fighters, the auditing of certain dependent special districts, and the method of fixing millage rates for the levying of ad valorem taxes.

The City has continuously maintained eligibility to receive the Local Government Half-Cent Sales Tax since the enactment of the Half-Cent Sales Tax Act in 1982.

The amount of Local Government Half-Cent Sales Tax received by the City is subject to increase or decrease due to (i) increases or decreases in the dollar volume of taxable sales within the County, (ii) legislative changes relating to the overall sales tax, which may include changes in the scope of taxable sales, changes in the tax rate and changes in the amount of sales tax revenue deposited into the Sales Tax Trust Fund, (iii) changes in the relative population of the City, which affect the percentage of Local Government Half-Cent Sales Tax received by the City, and (iv) other factors which may be beyond the control of the City, including but not limited to the potential for increased use of electronic commerce and other internet-related sales activity that could have a material adverse impact upon the amount of sales tax collected by the State and then distributed to the City.

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Historical Support Revenues

The following table represents the City's collection of available Support Revenues for the City's Fiscal Years ending September 30, 2012 through September 30, 2016.

City Of Inverness, Florida Support Revenues

Support Revenues	2012	2013	2014	2015	2016
Utility Tax/Electric	\$639,648	\$684,324	\$720,312	\$697,344	\$710,151
Utility Tax/Propane	\$20,225	\$16,616	\$23,602	\$14,104	\$22,352
Communications Service Tax	\$368,810	\$356,833	\$310,903	\$288,239	\$293,337
Franchise Fee/Electric	\$604,242	\$635,238	\$673,481	\$675,374	\$636,388
Franchise Fee/Gas	\$15,599	\$16,498	\$16,610	\$17,829	\$17,253
Franchise Fee/Solid Waste	\$48,354	\$43,247	\$54,430	\$55,227	\$54,946
Half Cent Sales Tax	\$326,717	\$335,829	\$361,166	\$390,470	\$426,651
Total Support Revenues	\$2,023,596	\$2,088,585	\$2,160,504	\$2,138,588	\$2,161,078

Source: City of Inverness, Florida, Finance Department

Non Ad Valorem Revenues Legally Available as Support Revenues

The following table represents the percentage of ad valorem and non-ad valorem revenues for the City's Fiscal Years ending September 30, 2012 through September 30, 2016 that are available to pay for the costs of essential services.

City Of Inverness, Florida Revenues Available for Cost of Essential Services ("COE")

Fiscal Year Ended	COE ⁽¹⁾	General Fund Revenues ⁽²⁾	Ad Valorem Revenues ⁽³⁾	% of Ad Valorem Revenues Available for COE	Non-Ad Valorem Revenues ⁽⁴⁾	% of Non-Ad Valorem Revenues Available for COE
2012	\$1,834,765	\$5,213,112	\$2,190,520	119%	\$3,022,592	165%
2013	\$2,310,862	\$5,691,166	\$2,185,897	94%	\$3,505,269	152%
2014	\$2,324,864	\$6,114,639	\$2,232,635	96%	\$3,882,004	167%
2015	\$2,316,341	\$6,348,340	\$2,432,242	105%	\$3,916,098	169%
2016	\$2,919,567	\$6,982,280	\$3,426,838	117%	\$3,555,442	122%

(1) Cost of Essential Services includes General Fund General Governance and Public Safety, excludes Special Revenue Funds, City of Inverness audited annual financial reports for fiscal years ended 2012-2016 "Statement of Revenues, Expenditures, and Changes in Fund Balances-Government Funds".

(2) Excludes Special Revenue Funds for City including Whispering Pines Park, Community Redevelopment Fund, and Capital Projects.

(3) City of Inverness audited annual financial reports for fiscal years ended 2012-2016, "Statement of Activities."

(4) The Support Revenues as defined in the Interlocal Agreement are a portion of the City's total non-ad valorem revenues. The non-ad valorem revenues presented above represent total General Fund revenues less the ad valorem revenues noted above, and include impact fees and other non-ad valorem revenues.

Source: City of Inverness, Florida, Finance Department

Debt Payable from Non Ad Valorem Revenues

In 2005, the City entered into a State Revolving Fund Loan Agreement ("SRF Loan") for various water and wastewater system upgrades with the State of Florida (the "State"), which contains a covenant to budget and appropriate from non-ad valorem revenues in the event the pledged water and wastewater revenues are not sufficient to pay debt service. The SRF Loan provided total funding of \$16,052,561 including grant funding of \$10,000,000 that has been funded by the State through a Small Community Wastewater Grant. The SRF Loan is for a period of 26 years at a fixed rate of 2.3%, and secured primarily by the gross revenues of the water and wastewater utility net of operations and maintenance costs. During 2017, after the fiscal year ended September 30, 2016, the State transferred \$6,024,340 representing the balance of the \$10,000,000 in grants to reduce the SRF Loan balance to approximately \$3,254,938 from \$9,279,278 at fiscal year ended 2016. See Note 8 "APPENDIX D – Annual Financial Report for Fiscal Year ended September 30, 2016" attached hereto for additional information regarding the SRF Loan.

MUNICIPAL BOND INSURANCE

The following information has been furnished by the Bond Insurer for use in this Official Statement.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, BAM will issue the Policy for the 2017 Bonds. The Policy guarantees the scheduled payment of principal of and interest on the 2017 Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Build America Mutual Insurance Company

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), which rating was affirmed on June 26, 2017. An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the 2017 Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the 2017 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the 2017 Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the 2017 Bonds, nor does it guarantee that the rating on the 2017 Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2017 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$504.2 million, \$71.5 million and \$432.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the 2017 Bonds or the advisability of investing in the 2017 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditisights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the 2017 Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the 2017 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the 2017 Bonds, whether at the initial offering or otherwise.

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the 2017 Bonds when all or some becomes due, any owner of the 2017 Bonds shall have a claim under the Bond Insurance Policy for such

payments. The Bond Insurance Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the 2017 Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier date. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Bond Insurance Policy, the 2017 Bonds are payable solely from Pledged Revenues. In the event the Bond Insurer becomes obligated to make payments with respect to the 2017 Bonds, no assurance is given that such event will not adversely affect the market price of the 2017 Bonds or the marketability (liquidity) for the 2017 Bonds.

The long-term ratings on the 2017 Bonds are dependent on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the 2017 Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the 2017 Bonds or the marketability (liquidity) for the 2017 Bonds. For a description of the ratings see "RATINGS" herein.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the Issuer nor the Underwriters have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Agency to pay principal and interest on the 2017 Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

The Policy is not a guarantee of the market price or investment value of the 2017 Bonds, nor a guarantee that the ratings on the 2017 Bonds will not be revised or withdrawn.

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FLOW OF FUNDS

Funds and Accounts

The Bond Resolution creates and establishes the "Construction Fund" and a 2017 Construction Account within the Construction Fund. The Bond Resolution also creates and establishes the "Tax Increment Revenue Bond Fund" and the following accounts within the Tax Increment Revenue Bond Fund to be known as: the "Debt Service Account," the "Reserve Account" and the "Restricted Surplus Account." The "Series 2017 Subaccount" (referred to herein as the 2017 Reserve Subaccount) was created and established in the Reserve Account for the benefit of the 2017 Bonds. Separate subaccounts with respect to and securing one or more separate Series of Bonds may be created and established in the Debt Service Account and the Reserve Account. Within the Construction Fund, a separate Construction Account in connection with the issuance of each Series of Bonds may be created. The Tax Increment Revenue Bond Fund and all accounts and subaccounts therein shall constitute trust funds for the purposes herein provided, shall be delivered to and held by the Treasurer of the Agency (or an Authorized Depository designated by the Treasurer), in each case who shall act as trustee of such funds for the purposes hereof, and such trust funds shall be subject to a pledge and charge in favor of the Bondholders, shall at all times be kept separate and distinct from all other funds of the Agency, and used only as provided in the Bond Resolution.

The cash required to be accounted for in each of the funds and accounts may, except as expressly provided by supplemental resolution, be deposited in a single bank or investment account or otherwise comingled with other funds of the Agency and the City for investment purposes, provided that adequate accounting records are maintained to reflect and control the restricted allocation of cash on deposit therein for the various purposes of such funds as provided in the Bond Resolution. The designation and establishment of the various funds and accounts in and by the Bond 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 and assets of the Agency for certain purposes and to establish certain priorities for application of such revenues and assets as provided in the Bond Resolution.

Tax Increment Revenue Bond Fund

Funds in the Tax Increment Revenue Bond Fund shall be applied in each Bond Year only in the following order and priority:

(i) First, by deposit into the Debt Service Account and any subaccounts therein an amount which, together with other amounts deposited therein will be equal to (i) the interest becoming due on the Bonds in such Bond Year; (ii) all principal and, with respect to Bonds that pay interest only upon maturity or redemption, principal and interest, maturing or becoming due during the current Bond Year on the various series of Serial Bonds of the Bonds that mature annually; and (iii) the annual Amortization Installments and unamortized principal balances of Term Bonds coming due during the then current Bonds Year with respect to Bonds, until there are sufficient funds then on deposit equal to the sum of the interest, principal and redemption payments due, respectively, on the Bonds, on the interest and principal payment dates and redemption dates in such Bond Year.

Deposits shall be increased or decreased to the extent required to pay principal, interest, and redemption premiums next becoming due, after making allowance for any accrued and capitalized interest, and to make up any deficiency or loss that may otherwise arise in such fund or accounts. Additionally, if Bonds issued as Variable Rate Debt are Outstanding, unless the Agency shall establish a different procedure for the deposit of interest on Bonds constituting Variable Rate Bonds, the Agency shall deposit into the Debt Service Account an amount equal to the interest that would be payable on such Bonds in such Bond Year assuming they bear interest at the maximum rate such Bonds are permitted to bear in accordance with their terms.

If principal, interest or premium payments have been made on behalf of the Agency by a Bond Insurer or the issuer of a liquidity facility or Credit Facility or other entity insuring, guarantying or providing for the payment of Bonds or any Series thereof, moneys on deposit in the Debt Service Account and allocable to such Bonds shall be paid

to such Bond Insurer or issuer of the liquidity facility or Credit Facility having theretofore made a corresponding payment on the Bonds.

(ii) Then, by deposit into the appropriate subaccounts in the Reserve Account, amounts which, after taking into account other funds then on deposit therein, will be sufficient to make the funds on deposit therein equal to the Reserve Requirement for each such subaccount; provided, however, that if the funds on deposit in the Reserve Account or subaccount therein are less than the Reserve Requirement as a result of a withdrawal therefrom for deposit to the Debt Service Account, the amount of any deficiency due to a draw on a Reserve Product shall be repaid prior to replenishment of a cash draw and any deficiency due to other than a draw on a Reserve Product shall be replenished no later than 12 months after such withdrawal from the Reserve Account. If there are not sufficient funds in the Tax Increment Revenue Bond Fund available to make the amounts on deposit in each subaccount in the Reserve Account equal to the Reserve Requirement for the applicable Series of Bonds, there shall be deposited in each such subaccount an amount equal to the lesser of the Reserve Requirement for such subaccount or the total amount available to be deposited into the Reserve Account multiplied by a fraction, the numerator of which is the Bond Obligation of all Bonds of the applicable Series then Outstanding, and the denominator of which is the total aggregate amount of the Bond Obligation of all Bonds of every Series then Outstanding under the Bond Resolution.

The Agency shall not be required to fully fund a subaccount in the Reserve Account at the time of issuance of any Series of Bonds, if it provides on the date of issuance of any Series of Bonds in lieu of such funds, a Reserve Product issued by a Reserve Product Provider in an amount equal to the difference between the Reserve Requirement and the sums then on deposit in the applicable subaccount in the Reserve Account. Such Reserve Product must provide for payment on any interest or principal payment date (provided adequate notice is given) on which a deficiency exists (or is expected to exist) in moneys held for a payment with respect to the applicable Series of Bonds which cannot be cured by funds in any other account held pursuant to the Bond Resolution, including amounts received from the City pursuant to the Interlocal Agreement, and available for such purpose, and which shall name the Paying Agent or an Authorized Depository who has agreed to serve as trustee for the benefit of the Bondholders of such Series as the beneficiary thereof. In no event shall the use of such Reserve Product be permitted if it would cause any existing rating on the Bonds or any Series thereof to be lowered, suspended or withdrawn. If a disbursement is made from a Reserve Product, the Agency is obligated to reinstate the maximum limits of the Reserve Product or replace the Reserve Product by depositing into the applicable subaccount in the Reserve Account from the first Pledged Revenues available for deposit. After the required deposits, funds in the maximum amount originally payable under such Reserve Product, plus amounts necessary to reimburse the Reserve Product Provider for previous disbursements made pursuant to such Reserve Product, or a combination of such alternatives, and for amounts necessary to satisfy the reimbursement and other obligations of the Agency to the respective Reserve Product Provider shall be deemed required deposits into the applicable subaccount in the Reserve Account, but shall be used by the Agency to satisfy its obligations to the Reserve Product Provider.

If one or more subaccounts in the Reserve Fund have been funded with cash or Investment Obligations and no event of default shall have occurred and be continuing, the Agency may, at any time in its discretion, substitute a Reserve Product that meets the requirements of the Bond Resolution for the cash and Investment Obligations in any such subaccount, and the Agency may then withdraw cash and Investment Obligations from such account and apply them to any lawful purpose, so long as (i) the same does not adversely affect any rating by a Rating Agency then in effect for the applicable Series of Outstanding Bonds and (ii) the Agency obtains an opinion of Bond Counsel that such actions will not, in and of themselves, adversely affect the exclusion from gross income of interest on the applicable Series of Bonds (if other than Taxable Bonds) for federal income tax purposes.

Cash on deposit in the applicable subaccount in the Reserve Account shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Reserve Product. If and to the extent that more than one Reserve Product is deposited in the applicable subaccount in the Reserve Account, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

(iii) Then, by deposit to the Restricted Surplus Account amounts which, after taking into account other funds on deposit therein, will be sufficient to make the funds on deposit therein equal to the Restricted Surplus Requirement; provided, however, that deficiencies therein arising from a withdrawal to pay debt service shall be restored no later than twelve (12) months after the date of the withdrawal creating said deficiency.

Notwithstanding the immediately preceding paragraph no deposits shall be required to be made to the Restricted Surplus Account at any time after September 30, 2022, provided the Treasurer has delivered to the Executive Director a certificate, reviewed by the Financial Advisor, that the Pledged Tax Increment Revenues for the two most recent Fiscal Years of the Issuer for which audited financial statements are available is in both such Fiscal Years equal to at least 1.5X of Maximum Annual Debt Service on all Bonds and Parity Obligations secured by amounts in the Restricted Surplus Account. Any amounts on deposit in the Restricted Surplus Account at the time of delivery of such certificate may be released from the Restricted Surplus Account, and used for any lawful purposes of the Issuer.

(iv) Then, to the issuer of any liquidity facility or Credit Facility or any Registrar, Paying Agent, remarketing agent or similar agent with respect to any Bonds, or to any party providing services in connection with Outstanding Bonds an amount equal to the fees and expenses of such persons accruing in such Bond Year.

Deposits required pursuant to the Bond Resolution shall be cumulative and the amount of any deficiency in any Bond Year shall be added to the amount otherwise required to be deposited in the Bond Years thereafter until such time as all such deficiencies have been cured.

The foregoing notwithstanding, to the extent amounts on deposit in the Rebate Account are insufficient to pay when due the Rebate Amount in accordance with the requirements of the Bond Resolution, the Agency shall use Pledged Revenues to fund such deficiency prior to making deposits required above.

The Agency shall not be required to make any further payments into the Tax Increment Revenue Bond Fund, including the accounts therein, when the aggregate amount of funds in the Debt Service Account and Reserve Account, including the subaccounts therein, available for the payment thereof, is at least equal to the aggregate principal amount of Bonds issued pursuant to the Bond Resolution and then Outstanding, plus the amount of interest then due or thereafter to become due on said Bonds then Outstanding, or if all Bonds then Outstanding have otherwise been defeased pursuant to the Bond Resolution.

After the deposits required as outlined above and the deposits required to be made with respect to Parity Obligations have been made, remaining Pledged Tax Increment Revenues in the Redevelopment Trust Fund shall be applied to make deposits to such other funds or accounts as shall be specified by the instrument providing for the issuance of Subordinated Obligations of such amounts as shall be necessary to pay debt service and other requirements with respect to Subordinated Obligations, as provided in the instrument providing for the issuance of such Subordinated Obligations.

After making the required deposits pursuant to the Bond Resolution, amounts available in the Redevelopment Trust Fund shall be used to pay the City any amounts due the City under the Interlocal Agreement and then may be used and applied by the Agency for any lawful purpose of the Agency in accordance with the Redevelopment Act.

Debt Service Account

Moneys on deposit in the Debt Service Account shall be used solely for the payment of the interest on and the principal of and any redemption premiums required with respect to the Bonds and for the other purposes provided by the terms of the Bond Resolution.

At the maturity date of each Bond and at the due date of each Amortization Installment and installment of interest on each Bond, the Agency shall transfer from the Debt Service Account to the Paying Agents for such Bonds sufficient moneys to pay all principal of, premiums, if any, and interest then due and payable with respect to each such Bond. Interest accruing with respect to any fully-registered Bond (other than a Capital Appreciation Bond) shall be paid by check or draft of the Paying Agent, or by such other means as provided with respect to a Series of Bonds, to the Registered Owner thereof.

Moneys deposited in the Debt Service Account representing Amortization Installments shall be applied solely (i) to purchase Term Bonds subject to redemption from such Amortization Installments at the most advantageous price obtainable, but in no event to exceed the principal amount thereof plus accrued interest or the Compounded Amount,

as the case may be, but no such purchase shall be made by the Agency within a period of thirty days next preceding any interest payment date on which such Bonds are subject to call for redemption under the provisions of the Bond Resolution, or (ii) redemption of Term Bonds subject to redemption from such Amortization Installments; all other moneys deposited in the Debt Service Account for the redemption of Bonds may be applied to the retirement of Bonds issued under the provisions of the Bond Resolution and then Outstanding in the following manner:

(i) The Agency may endeavor to purchase one or more Outstanding Bonds of any one or more Series but only to the extent moneys are available therefor, at the most advantageous price obtainable, such price not to exceed the principal of such Bonds plus accrued interest, or the Compounded Amount, as the case may be, but no such purchase shall be made by the Agency within a period of thirty days next preceding any interest payment date on which such Bonds are subject to call for redemption under the provisions of the Bond Resolution; or

(ii) The Agency may call any remaining Term Bonds or Serial Bonds then subject to redemption, in such order and by such selection method as provided for the redemption of such Bonds.

The Agency will apply funds deposited for the redemption of Bonds in the foregoing manner as will exhaust the money then held for the redemption of such Bonds as nearly as may be possible.

If Term Bonds are purchased or redeemed in excess of the Amortization Installments for such Bond Year, such excess principal amount of such Term Bonds so purchased or redeemed shall be credited against subsequent Amortization Installments for Bonds in such Series in such Bond Year or Years as the Agency may determine and as may be reflected in the Agency's permanent accounting records.

Restricted Surplus Account

Funds on deposit in the Restricted Surplus Account will be used to pay debt service on the Bonds to the extent amounts on deposit in the Debt Service Account, including any subaccount therein, are insufficient therefor. Pursuant to Section 7.06 of the Bond Resolution, amounts in the Restricted Surplus Account will be used only for such purpose, and amounts shall be withdrawn from the Restricted Surplus Account to pay debt service on the Bonds prior to seeking payments from the City in accordance with the Interlocal Agreement, and prior to the use of any funds or Reserve Product on deposit in the 2017 Reserve Subaccount for such purpose.

Reserve Account; 2017 Reserve Subaccount

The Agency may by resolution or supplemental resolution adopted prior to the issuance of a Series of Bonds designate, or provide for the designation of a separate subaccount in the Reserve Account, and if such Series of Bonds is to be secured by a separate subaccount, the Reserve Requirement with respect thereto. Upon the issuance of a Series of Bonds under the Bond Resolution, the Agency will, on the delivery date of such Series of Bonds, deposit into any applicable subaccount in the Reserve Account an amount at least equal to the Reserve Requirement applicable to such Series which amount may be provided in full or in part through a Reserve Product.

Funds on deposit in the Reserve Account shall be used only for the purpose of curing deficiencies in the Debt Service Account. Amounts on deposit in the Reserve Account shall be used to cure deficiencies in the Series 2017 Subaccount of the Debt Service Account only to the extent the City does not fully fund the "Deficiency" under the Interlocal Agreement. Funds on deposit in a separate subaccount in the Reserve Account may be used only for the purpose of curing deficiencies in the Debt Service Account related to the Series of Bonds with respect to which such subaccount in the Reserve Account was created and for no other purpose. If funds on deposit in the Reserve Account or subaccount in the Reserve Account exceed the applicable Reserve Requirement, the excess will be paid into the Debt Service Account; provided, however, that excess funds in the Reserve Account attributable to the refunding of Bonds of a Series secured thereby and amounts in a subaccount allocable to the Bonds being refunded may be applied in the manner provided in the proceedings of the Agency with respect to such refunding. Any proceeds received from a Reserve Product must be applied immediately to cure deficiencies in the Debt Service Account with respect to the Series of Bonds for which such Reserve Product was provided and for no other purpose.

"Reserve Requirement" means, with respect to the 2017 Bonds, the least of (i) the Maximum Annual Debt Service, (ii) 125% of the average annual Debt Service Requirement, or (iii) 10% of the aggregate stated original principal amount of such 2017 Bonds; provided, however, that in determining the aggregate stated original principal amount of the 2017 Bonds for the purposes of this clause, the issue price of the 2017 Bonds (net of pre-issuance accrued interest) shall be substituted for the original stated principal amount of the 2017 Bonds if such Bonds were sold at either an original issue discount or premium exceeding 2% of the stated redemption price at maturity, and with respect to each other Series of Bonds issued under the Bond Resolution, the amount of money, if any, or available amount of a Reserve Product, if any, or a combination thereof, which amount may be \$0, required by supplemental resolution adopted or otherwise designated by the Agency prior to the issuance of such Series of Bonds to be maintained in the subaccount in the Reserve Account with respect to such Series of Bonds, provided that the amount so designated by the Agency shall not cause any existing rating on any Bonds or Series of Bonds Outstanding to be lowered, suspended or withdrawn with respect to each Series of Bonds issued under the Bond Resolution.

The Agency will initially satisfy the Reserve Requirement by purchasing the 2017 Surety Policy, which 2017 Surety Policy will be held in the 2017 Reserve Subaccount. The following information regarding the 2017 Surety Policy has been furnished by the Bond Insurer for use in this Official Statement.

Under the terms of the 2017 Surety Policy, BAM will unconditionally and irrevocably guarantee to pay the Paying Agent for the 2017 Bonds in accordance with the terms of the 2017 Surety Policy. BAM will make payment as provided under the 2017 Surety Policy to the Paying Agent on the later of (i) the business day on which such principal and interest becomes due for payment and (ii) the first Business Day following the Business Day on which BAM shall have received a completed notice of nonpayment in a form reasonably satisfactory to it. A notice of nonpayment will be deemed received on a given business day if it is received prior to 1:00 p.m. (New York time) on such business day; otherwise, it will be deemed received on the next business day. If any notice of nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of notice, and BAM will advise the Paying Agent accordingly.

Payment by BAM to the Paying Agent for the benefit of the owners of the 2017 Bonds shall, to the extent thereof, discharge the obligation of BAM under the 2017 Surety Policy. Upon disbursement under the 2017 Surety Policy in respect of any 2017 Bonds and to the extent of such payment, (a) BAM shall become the owner of such 2017 Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such 2017 Bond and shall be fully subrogated to the rights of the owner of the such 2017 Bond, including the owner's right to receive payments under the bond and (b) BAM shall become entitled to reimbursement of the amount (together with interest and expenses).

The amount available under the 2017 Surety Policy for payment shall not exceed the Reserve Requirement for the 2017 Bonds. The amount available at any particular time to be paid to the Paying Agent under the terms of the 2017 Surety Policy shall automatically be reduced by and to the extent of any payment under the 2017 Surety Policy. However, after such payment, the amount available under the 2017 Surety Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (after taking into account the payment of interest and expenses) to BAM by or on behalf of the Agency.

The 2017 Surety Policy is being issued under and pursuant to and shall be construed under and governed by the laws of the State of New York, without regard to conflict of law provisions. A specimen of the 2017 Surety Policy is attached hereto as Appendix H.

Construction Account

The Agency shall deposit to the Construction Account such amounts as may be directed from time to time by supplemental resolution. Moneys in the 2017 Construction Account and other accounts created within the Construction Fund shall be kept separate and apart from all other accounts and subaccounts of the Agency, and funds on deposit therein shall be withdrawn, used and applied by the Agency solely for the payment of the Cost of the Projects. Amounts in the 2017 Construction Account shall be applied to pay costs of the 2017 Project. Capitalized interest, if any, deposited in a Construction Account shall be transferred, to the extent necessary, to the Debt Service Account to pay interest on the applicable Series of Bonds. Any moneys remaining in the 2017 Construction Account

upon completion of the 2017 Project that is not reserved for payment of cost of the 2017 Project will be transferred to the Debt Service Account.

Investment of Moneys

Moneys held for the credit of the funds and accounts established under the Bond Resolution shall be invested and reinvested by the Agency in the Investment Obligations. Such investments or reinvestments shall mature or become available not later than the respective dates, as estimated by the Agency, that the moneys held for the credit of said funds and accounts and subaccounts will be needed for the purposes of such funds or accounts or subaccounts. Obligations so purchased as an investment of moneys in any such fund or account or subaccount shall be deemed at all times to be a part of such fund or account or subaccount, and shall at all times, for the purposes of the Bond Resolution, be valued at the market value thereof as determined by the Agency no less frequently than as of each semiannual interest payment date. Any deficiencies in the amounts required to be maintained on deposit in any of the established funds and accounts resulting from a decline in the market value of the investments held therein shall be restored by no later than the second semiannual valuation date occurring after the valuation resulting in such deficiency.

Except as otherwise expressly provided in the Bond Resolution, including specifically, the obligations of the Agency with respect to the funding of the Rebate Account set forth in Sections 9.06 and 9.07 of the Bond Resolution, all income and profits derived from the investment of moneys in a Construction Account, shall be retained in such Construction Account and used for the purposes specified for such Construction Account. Similarly, all income and profits derived from the investment of moneys in the Reserve Account, Restricted Surplus Account, and the Debt Service Account, if any, shall be deposited into a Construction Account until the amount on deposit is sufficient for the purposes of the Construction Account. All remaining income and profits will be deposited into the Tax Increment Revenue Bond Fund. All income and profits derived from the investment of moneys in the Rebate Account shall be retained in the Rebate Account.

Any and all such investments must be made in compliance with the Bond Resolution, specifically the Tax Covenants in the Bond Resolution.

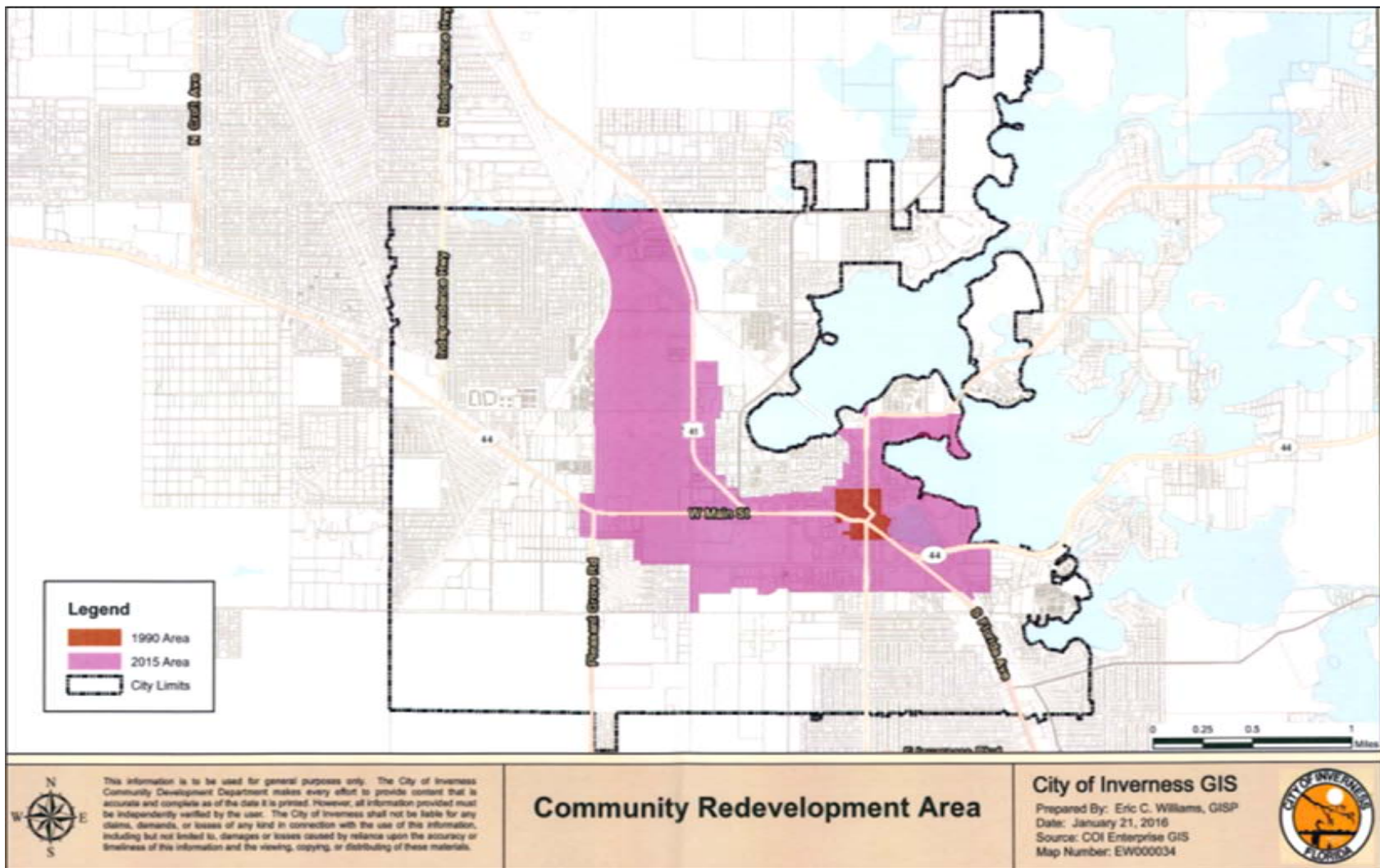
REDEVELOPMENT AREA

Redevelopment Area

The Original Redevelopment Area consisted of approximately thirty-seven (37) acres. The Expanded Redevelopment Area significantly increased the acreage and the redevelopment area now consists of approximately 1,203 acres. The Expanded Redevelopment Area added 528 parcels accounting for a taxable value of \$262,225,961. Approximately 293 acres are included in the City's Whispering Pines Park, which is not taxable. Residential uses including mobile homes and multi-family uses account for seventeen percent (17%) of total land use in the study area. Institutional property including schools and public hospitals accounts for about twenty-eight percent (28%) of the study-area land use. Shopping centers and stores comprise approximately fourteen percent (14%) of the land use. Office or professional buildings in the study area constitute eight percent (8%) of the land use.

In 2015 of the total number of parcels in the Expanded Redevelopment Area, there were approximately sixty-eight (68) vacant parcels (residential, commercial, institutional), or about thirteen percent (13%), which encompassed slightly under forty-seven (47) acres or 7.5% of land area. The majority of the taxable contributing values in the Expanded Redevelopment Area stem primarily from commercial structures, while residential units are the next greatest contributors. The Expanded Redevelopment Area includes White Lake Industrial Park and what is referred to as the Medical Arts District. The Agency's inclusion of White Lake Industrial Park increased the incremental revenue available to the Agency from non-residential uses, and the Agency and the City anticipate that development in the Medical Arts District will increase as the Hospital continues to grow and expand.

The map appearing below depicts the location of the Original Redevelopment Area and the Expanded Redevelopment Area within the City.



Top Ten Taxpayers in the Redevelopment Area

Top Ten Taxpayers Original and Expanded Redevelopment Areas

Tax Payer	Number of Parcels Owned	Assessed Value	Taxable Value	Non-School Taxable	Tax Levied	CRA Valuation	% of CRA Valuation
Citrus Memorial Hospital ⁽¹⁾	17	\$64,563,630	\$64,563,630	\$64,563,630	\$1,800,839	\$281,519,204	22.93%
95 FLRPT LLC	1	\$7,609,630	\$7,609,630	\$7,609,630	\$174,585	\$281,519,204	2.70%
Gregory S. Sembler	2	\$6,017,110	\$6,017,110	\$6,017,110	\$138,048	\$281,519,204	2.14%
Wells Fargo Bank	3	\$4,883,000	\$4,883,000	\$4,883,000	\$189,970	\$281,519,204	1.73%
701 Medical Court	1	\$4,525,990	\$4,525,990	\$4,525,990	\$103,838	\$281,519,204	1.61%
White Cap of Florida	1	\$2,780,010	\$2,780,010	\$2,780,010	\$63,781	\$281,519,204	0.99%
Citrus Plaza Commo	3	\$2,611,050	\$2,611,050	\$2,611,050	\$59,904	\$281,519,204	0.93%
AEM ANFANG LLC	1	\$2,270,150	\$2,270,150	\$2,270,150	\$52,083	\$281,519,204	0.81%
Highland Terrace A	1	\$2,219,850	\$2,219,850	\$2,219,850	\$50,929	\$281,519,204	0.79%
Brannen Bank	1	\$2,016,990	\$2,016,990	\$2,016,990	\$46,275	\$281,519,204	0.72%

(1) This taxpayer is contesting the assessed value of its property for tax years 2015 and 2016. See "LITIGATION AND OTHER MATTERS - Other Matters" herein.

Source: City of Inverness, Florida, Finance Department

Description of Major Business in the Redevelopment Area

According to the Top Ten Taxpayers Original and Expanded Redevelopment Areas chart herein above, as of January 1, 2017, the Hospital Property accounted for approximately 23% of the assessed valuations in the Redevelopment Area. Citrus Memorial Hospital opened in 1957 and was included in the Redevelopment Area as part of the 2015 Expanded Redevelopment Area. The *HCA West Florida 2017 Community Report* notes that in 2016, the 204-bed Hospital employed 1,053 workers including 359 physicians and treated 99,900 patients. Some of the key services available at the Hospital include the services offered by Orthopedic and Spine Center of Excellence, Cardiopulmonary Rehabilitation, and Primary Stroke Center. In 2017, Healthgrades recognized the Hospital as one of America's 100 Best for Orthopedic Surgery and named the Hospital as one of America's 100 Best for Spine Surgery. See "LITIGATION AND OTHER MATTERS – Other Matters" for a description of the Hospital Parties' challenge to the assessed just value of the Hospital Property.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the validity of the 2017 Bonds including their authorization, issuance and sale by the Agency, and the Interlocal Agreement between the Agency and City, are subject to the unqualified

approving legal opinion of Akerman LLP, Orlando, Florida, in its capacity as Bond Counsel. Certain legal matters will be passed upon for the Agency and the City by Haag, Friedrich & Williams, Inverness, Florida, in its capacity as Agency Counsel and City Counsel, respectively, and by Burr & Forman LLP Orlando, Florida, in its capacity as Disclosure Counsel. The form of Bond Counsel's opinion appears as APPENDIX C to this Official Statement. The Underwriters are being represented by Bryant Miller Olive P.A., Tampa, Florida.

The opinions delivered by counsel are based on existing law, which is subject to change. Such opinions are further based on factual representations made to such counsel as of the date thereof. Counsel assumes no 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 2017 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. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Akerman LLP and Burr & Forman LLP may from time to time serve as counsel to Stifel, Nicolaus & Company, Incorporated and Raymond James & Associates, Inc. on matters unrelated to the issuance of the Series 2017 Bonds.

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the 2017 Bonds upon an event of default under the Bond Resolution or any policy of insurance referred to herein 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 provided in the Bond Resolution, the 2017 Bonds, the Interlocal Agreement and any policy of insurance referred to herein may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2017 Bonds (including the Bond Counsel's approving opinion) will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally enacted before or after such delivery.

LITIGATION AND OTHER MATTERS

Litigation

There is no pending or, to the knowledge of the Agency or the City, any threatened litigation against the Agency or the City which in any way questions or affects the validity of the 2017 Bonds, or any proceedings or transactions relating to their issuance, sale or delivery, or the adoption of the Bond Resolution, or, except as provided below, which may materially adversely affect the imposition, collection and pledge of the revenues pledged for the payment of the 2017 Bonds.

Other Matters

Case No. 2016-CA-000435A

On May 20, 2016, the Hospital Parties challenged the assessed value of the Hospital Property. The Hospital Parties named the Property Appraiser, the Citrus County Tax Collector (the "Tax Collector"), and the executive director of the Florida Department of Revenue in its complaint, contesting ad valorem tax assessments for the tax year 2015.

The Hospital Parties alleged that the Property Appraiser's assessment of the Hospital Real Property's just value in the amount of \$56,975,520 failed to comply with section 193.011, Florida Statutes and professionally accepted appraisal practices in assessing the property. The Hospital Parties' claim contends that the assessment did not represent the just value of the Hospital Real Property because the assessed value exceeded the market value. The Hospital Parties also alleged that the Property Appraiser's assessment of the Hospital Tangible Property in the amount of \$23,584,224 was excessive. The VAB reduced the assessment value of the Hospital Tangible Property to \$19,140,650, but sustained the Property Appraiser's assessment of the Hospital Real Property. The Hospital Parties filed Case 2016-CA-000435A, in which the Hospital Parties claimed that the VAB's reduced assessment of \$19,140,650 was excessive and challenged VAB's decision upholding the Property Appraiser's just value of the Hospital Real Property. In the complaint filed for 2016-CA-000435A, the Hospital Parties requested that the court enter an order setting aside the Property Appraiser's assessment as excessive, establish a proper just and assessed value of the Hospital Property, and direct the Tax Collector to cancel the original bill and issue a new tax bill in the reassessed amount.

On March 2, 2017, the Court approved the parties' Joint Stipulation for Partial Settlement and Incorporated Partial Order of Dismissal (the "Stipulation") in which the parties agreed that the just value of the Hospital Tangible Property for the 2015 tax year should be revised from \$19,140,650 to \$15,000,000. The parties also stipulated to the just value of the Hospital Tangible Property for the 2016 tax year and agreed to reduce the just value of the tangible property from \$17,094,040 to \$16,000,000, to withdraw any pending VAB petitions, and to not file any lawsuits challenging the assessment of the Hospital Tangible Property for the 2016 tax year. The Stipulation does not establish the just value of the Hospital Tangible Property for any year subsequent to the 2016 tax year and does not settle the 2015 tax year valuation of the Hospital Real Property. As a result, Case No. 2016-CA-000435A is ongoing with respect to the Hospital Real Property.

Case No. 2017-CA-000239A

The Property Appraiser assessed the just value for the Hospital Real Property for tax year 2016 as \$63,499,800. On January 11, 2017, CMPM appealed the valuation of said real property to the Special Magistrate to the VAB who recommended a just value of \$49,570,200, a reduction of \$13,929,600 in just value. The VAB approved the Special Magistrate's recommendation on February 28, 2017. On March 20, 2017, subsequent to the VAB's recommendation, CMPM filed Case 2017-CA-000239A challenging the decision of the Special Magistrate and VAB. On May 2, 2017, the Property Appraiser filed Case 2017-CA-355 naming CMPM, the Tax Collector, and the Executive Director of the Department of Revenue as defendants and challenging the VAB's action. Case 2017-CA-355 and Case 2017-CA-000239A will likely be consolidated since they involve identical issues of fact and law.

The Agency cannot predict the outcome of Case 2016-CA-000435A or Case 2017-CA-000239A, the final determination of the just value of the Hospital Property, or whether the Hospital Parties and/or CMPM will challenge the assessed value of the Hospital Property in future tax years. The Hospital Property constitutes a significant portion of the taxable property within the Redevelopment Area (See "REDEVELOPMENT AREA - Top Ten Taxpayers in the Redevelopment Area" herein.) and therefore, any reduction in the just value of the property will impact the Pledged Tax Increment Revenues.

If the Court finds that the just value of the Hospital Real Property should be reduced, the amount of tax increment revenues received by the Agency for the corresponding 2015 and 2016 tax years would be adjusted for each such year and rebates may be due to the Hospital Parties in Case 2016-CA-000435A and CMPM in Case 2017-CA-000239A. Therefore, in addition to restricting \$600,000 in available Agency Tax Increment Revenues for the Restricted Surplus Account on June 8, 2017, the Agency also voted unanimously to authorize the Agency Treasurer to designate \$500,000 of its available Tax Increment Revenue representing \$250,000 annually for Fiscal Years 2015 and 2016 to offset any potential reduction in Pledged Tax Increment Revenues related to these disputes. The City has agreed within the Interlocal Agreement to pay the Agency the \$250,000 by no later than January 1 of each year from legally available funds. Such obligation of the City will terminate when (1) the financial statements of the Agency for the two most recent fiscal years of the Agency indicate that the Pledged Tax Increment Revenues for both such fiscal years, adjusted, as recommended by the City's independent certified public accountant, to take into account any reduction in such Pledged Tax Increment Revenues had the final decision of the Cases # 2016-CA-000435A and 2017-CA-000239A been used in determining the amount of Pledged Tax Increment Revenues for such fiscal years, equal at least 1.1x of the sum of (a) the Maximum Annual Debt Service on the 2017 Bonds and (b) any other obligations of

the Agency secured by the Pledged Tax Increment Revenues and (2) the City and the Agency receive an opinion of legal counsel reasonably acceptable to both the City and the Agency that Cases 2016-CA-000435A and 2017-CA-000239A have been concluded including all rights of appeal therefrom.

TAX MATTERS

General

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements which must be met subsequent to the issuance and delivery of the 2017 Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2017 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the 2017 Bonds. The Agency has covenanted in the Bond Resolution to comply with each such requirement. The City has covenanted in the Interlocal Agreement to comply with such requirements.

In the opinion of Bond Counsel, assuming continuous compliance by the Agency and the City with the Code and the tax covenants of the Agency and the City and the accuracy of certain representations included in the closing transcript for the 2017 Bonds, under existing statutes, regulations, published rulings, and judicial decisions, and subject to the conditions described below, interest on the 2017 Bonds under Section 103 of the Code is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax on corporations.

Prospective purchasers of the 2017 Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax-exempt obligations, such as the 2017 Bonds, may have additional federal income tax consequences for certain taxpayers.

Bond Counsel expresses no opinion regarding any federal tax consequences other than its opinion with regard to the exclusion of interest on the 2017 Bonds from gross income pursuant to Section 103 of the Code and the treatment of interest for purposes of the federal alternative minimum tax. Prospective purchasers of the 2017 Bonds should consult their tax advisors with respect to all other tax consequences (including, but not limited to, those listed above) of holding the 2017 Bonds. Prospective purchasers of the 2017 Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

The opinion on federal tax matters will be based on and will assume the accuracy of certain representations and certifications and compliance with certain covenants of the Agency and the City to be contained in the transcript of proceedings for the 2017 Bonds and that are intended to evidence and assure the foregoing, including that the 2017 Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of these certifications and representations,

Bond Counsel's opinions are based on existing law, which is subject to change. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service ("IRS") or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions.

The IRS has established an on-going program to audit tax-exempt obligations to determine whether interest on such obligations is includible in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the 2017 Bonds. Owners of the 2017 Bonds are advised that, if the IRS does audit the 2017 Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the Agency as the taxpayer, and the owners of the 2017 Bonds may have limited rights to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the 2017 Bonds until the audit is concluded, regardless of the ultimate outcome.

In the opinion of Bond Counsel, interest on the 2017 Bonds is exempt from taxation under the existing laws of the State of Florida, except as to estate taxes and taxes imposed under Chapter 220, *Florida Statutes*, on interest, income or profits on debt obligations owned by corporations, as defined in said Chapter 220, *Florida Statutes*.

Interest on the 2017 Bonds may be subject to state or local income taxation under applicable state or local laws in other jurisdictions. Purchasers of the 2017 Bonds should consult their tax advisors as to the income tax status of interest on the 2017 Bonds, in their particular state or local jurisdictions.

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the 2017 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 in nature to the 2017 Bonds. From time to time, legislative proposals may be introduced which could have an effect on both the federal tax consequences resulting from the ownership of the 2017 Bonds and their market value. No assurance can be given that any such legislative proposals, if enacted, would not apply to, or would not have an adverse effect upon, the 2017 Bonds. Prospective purchasers of the 2017 Bonds should consult their tax advisors as to the impact of any pending or proposed legislation. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the 2017 Bonds may affect the tax status of interest on the 2017 Bonds.

Original Issue Discount

Bond Counsel is further of the opinion that the difference between the principal amount of the 2017 Bonds maturing May 1, 2030 through and including May 1, 2036, May 1, 2042 and May 1, 2045 (collectively, the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the 2017 Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of the Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to the rules which differ from those above. Bondholders of the Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of the Discount Bonds and with respect to the state and local tax consequences of owning and disposing of the Discount Bonds.

Original Issue Premium

The difference between the principal amount of the 2017 Bonds maturing on May 1, 2019 through and including May 1, 2029 and May 1, 2038 (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 underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for Federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond, or in the case of certain of the Premium Bonds that are 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 such Premium Bond. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering to the public at the initial offering price is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of 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.

CONTINUING DISCLOSURE

The Agency and the City will each agree, pursuant to the terms of a Disclosure Dissemination Agreement, a proposed form of which is included as Exhibit E ("Disclosure Dissemination Agreement") 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 2017 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 June 30 of each year for the Fiscal Year ending September 30 of the preceding calendar year, beginning June 30, 2018 for the fiscal year end September 30, 2017, certain financial information and operating data relating to the Agency and the City and to provide notices of the occurrence of certain enumerated events. With respect to the 2017 Bonds, no party other than the Agency and the City is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the Rule. This will be the Agency's and the City's first undertakings pursuant to the Rule. The Agency and the City have retained Digital Assurance Corporation ("DAC"), Orlando, Florida as the Dissemination Agent.

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 the forms of the Disclosure Dissemination Agreement. The Disclosure Dissemination Agreement will be executed by the Agency and the City simultaneously with the issuance of the 2017 Bonds. The covenants in the Disclosure Dissemination Agreement have been made in order to assist the Underwriters in complying with the continuing disclosure requirements of the Rule.

The Agency and the City each agree that its undertaking, pursuant to the Rule described in the Disclosure Dissemination Agreement, is intended to be for the benefit of the holders and beneficial owners of the 2017 Bonds and will be enforceable by such holders and beneficial owners; provided that the right to enforce the provisions of such undertaking will be limited to a right to seek mandamus or specific performance to cause the Agency or the City, as appropriate, to comply with its obligations. Any failure by the Agency or the City to comply with the provisions of its undertaking will not be an event of default with respect to the 2017 Bonds under the Bond Resolution. With respect to the 2017 Bonds, no party other than the Agency and the City is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the Rule.

The undertakings described above may be amended or modified from time to time in accordance with the terms of the Disclosure Dissemination Agreement.

RATINGS

The 2017 Bonds have received a rating of "AA" (stable outlook) by S&P Global Ratings based upon the understanding that the Policy will be issued by the Bond Insurer upon the delivery of the 2017 Bonds. The Agency has received underlying ratings on the 2017 Bonds without regard to the Policy of "A+" (stable outlook) from Fitch Ratings and "A" (stable outlook) from S&P Global Ratings. Such ratings reflect only the views of such organizations at the time such ratings are given and the Agency makes no representation as to the appropriateness of the ratings. An explanation of the significance of such ratings may be obtained only from such organizations. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such organizations if, in the judgment of said organizations, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the 2017 Bonds.

FINANCIAL ADVISOR

The Agency and the City have retained Larson Consulting Services, LLC, Orlando, Florida, as Financial Advisor (the "Financial Advisor") in connection with preparation of the Agency's plan of financing, the authorization and issuance of the 2017 Bonds, and the City's Interlocal Agreement with the Agency. 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 the Official Statement. Larson Consulting Services, LLC is an independent SEC and MSRB registered financial advisory and consulting organization and is not engaged in the business of underwriting, marketing or trading of municipal securities or any other negotiable instruments.

CONTINGENT FEES

The City has retained Bond Counsel, Disclosure Counsel and the Financial Advisor, and selected the Underwriters, with respect to the authorization, sale, execution and delivery of the Bonds. Payment of the fees of such professionals and an underwriting discount to the Underwriters are contingent upon the issuance of the Bonds.

INVESTMENT POLICY

Funds of the Agency are invested by the Agency's Treasurer and City's Finance Director on behalf of the Agency in accordance with the City's Investment Policy which follows Florida Statutes including F.S. § 218.415.

INDEPENDENT AUDITORS

The annual financial report of the City as of September 30, 2016, for the Fiscal Year then ended, which contains the Agency's financial statements, is included as APPENDIX D to this Official Statement and has been audited by McDermitt Davis and Company, LLC, Orlando, Florida (the "Independent Auditors"), independent auditors, as stated in their report appearing therein. The Independent Auditors have not participated in the preparation of this Official Statement and neither the City nor the Agency has requested the consent of the Independent Auditors to include the financial statements herein and such financial statements have been included as publicly available information.

UNDERWRITING

The 2017 Bonds are being purchased by the Underwriters listed on the cover page hereof (the "Underwriters"), subject to certain terms and conditions. The aggregate purchase price payable to the Agency is \$13,292,434.71 (\$12,980,000 principal amount plus the net original issue premium of \$398,604.10 and less Underwriters' discount of \$86,169.39). The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all the 2017 Bonds if any are purchased. The 2017 Bonds are offered for sale to the public at the prices derived from the yields set forth on the inside cover page of this Official Statement. The 2017 Bonds may be offered and sold to certain dealers (including dealers depositing 2017 Bonds into investment trusts) at prices lower than such offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Florida law requires the Agency and the City 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"). The Department has required that such disclosure include information concerning the dates, amounts and types of defaults, any legal proceedings resulting from such, whether a trustee or receiver has been appointed over the assets of the Agency or the City, and certain additional defaults and financial information, unless the Agency and the City believe in good faith that such information would not be considered material by a reasonable investor. Neither the Agency nor the City is and have 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 Agency or the City are pledged.

Although the City is not aware of any payment defaults with respect to bonds or other debt obligations as to which it has served only as a conduit issuer and for which City revenues were or are not pledged as a source of payment, it has not undertaken an independent review or investigation of such bonds or other obligations. The City does not believe that any information about any default would be considered material by a reasonable investor in the 2017 Bonds because the City was and is not liable to pay the principal of, premium, if any, or interest on any such bonds except from payments made to it by the private companies on whose behalf such bonds were issued and no funds of the City were or are pledged to pay such bonds or the interest thereon.

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 2017 Bonds, the security for the payment of the 2017 Bonds and the rights and obligations of the holders thereof. Copies of such documents may be obtained from the Agency at the office located at City of Inverness, Florida, 212 West Main Street, Inverness, Florida 34450, Attn: Secretary of the Inverness Community Redevelopment Agency.

Any statements made in this Official Statement involving matters of opinion or of 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. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Agency or the City since the date hereof.

Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the 2017 Bonds. This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. The appendices attached 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 AND CERTIFICATION
CONCERNING OFFICIAL STATEMENT**

This Official Statement has been authorized by the Agency. Concurrently with the delivery of the 2017 Bonds, the undersigned will furnish their certificate to the effect that, to the best of their knowledge, this Official Statement (other than information related to the Bond Insurer, Insurance Policy, DTC or its book-entry only system of registration as to which no certification shall be expressed) did not as of its date and does not as of the delivery of the 2017 Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which this Official Statement is to be used, or which is necessary in order to make the statements contained herein, in the light of the circumstances in which they were made, not misleading.

**INVERNESS COMMUNITY
REDEVELOPMENT AGENCY**

By: /s/ Bruce Day
Name: Bruce Day
Title: Executive Director

By: /s/ Susan Jackson
Name: Susan Jackson
Title: Secretary

APPENDIX A

GENERAL INFORMATION - THE CITY OF INVERNESS, FLORIDA

About Inverness:

The City of Inverness, Florida is located in northwest Central Florida, and is approximately seventy miles northwest of downtown Orlando, Florida. The City was incorporated in 1917 and is one of two incorporated municipalities located in Citrus County. The City is bordered on the east by the Tsala Apopka Chain of Lakes and encompasses seven square miles. The City has an estimated population of 7,200 residents.

Through the years, Inverness has become a haven for those seeking a simpler lifestyle, a friendly community to enjoy their retirement, or a safe home to raise their family.

The City continues to grow; however, growth is managed and supports the natural habitat. As new areas are identified for development, the City government ensures that services are available to support growth and to improve the quality of life for its citizens. The assurance of City leaders is to promote the historical significance of the City, the downtown, the business district, and surrounding city and beyond as the vibrant "beating heart" of Citrus County. The place where residents and visitors can come to shop, dine, enjoy outstanding cultural, recreational and leisure activities, and to interface with other local government entities in a well-planned community.

While few would consider Inverness metropolitan, the downtown is distinguished by buildings of character, stature, and significance to the residents of Citrus County. The most prominent, the 1912 Historic Court House, now stands center stage as a focal point in the re-invigorated downtown. Visitors who walk the halls, climb its steps, or experience the view of the courtroom cannot help but feel the weight of history and pride that is so evident in the rich wood and majestic granite that make this building special. A museum depicting the history of Citrus County may be enjoyed on the first floor of the building.

Government:

The City is governed by the provisions of its Charter (the "Charter"). Under its Charter, the City has all governmental, corporate, and proprietary powers to enable it to conduct municipal government, perform municipal functions, and render municipal services, and may exercise any power for municipal purposes except as expressly prohibited by law or by its Charter. The City's powers are limited only by the Florida constitution, general and special law, and specific limitations pursuant to the Charter. Pursuant to its Charter, the City operates under a council/manager form of government. The City Council acts as the governing board, with the power to enact ordinances and adopt resolutions, and consists of five City Council members and a mayor. The Council President presides over the council meetings and is recognized as the head of the City government for service of process, execution of contracts, deeds, and other documents. The City Council members are elected for a term of four-year, and the election for the Mayor is held on those years in which three Council members are elected. The City Council members must be qualified electors of the City who have been residents of the City for a year.

City of Inverness Demographics (Fiscal Year 2015-2016)

Fiscal Year	City Population	Personal Income	Per Capita Personal Income	Median Age	Public School Enrollment	County Unemployment Rate	City Unemployment Rate	County Population
2015-2016	7,233	\$136,667,535	\$18,895	51.0	14,881	6.8%	6.9%	141,058

Source: City of Inverness, Florida, Annual Financial Report for Fiscal Year Ended September 20, 2016

CITY PENSION AND OTHER POST EMPLOYMENT BENEFITS PENSION

Florida Retirement System:

City employees, except for participants in the separate general employees' defined contribution pension plan and the City Manager, participate in the State of Florida Retirement System (FRS), a cost-sharing multiple-employer public employee retirement plan administered by the State of Florida Department of Management Services, Division of Retirement, to provide retirement and survivor benefits to participating public employees. The City elected to opt out of the System beginning with employees hired after January 1, 1996, then elected to re-enter with employees hired on or after January 1, 2005. All employees, other than those described above participate in FRS. Employees who retire at or after are 62 with 10 years of credited service, or 30 years of credited service regardless of age, are entitled to a retirement benefit equal to 1.6% to 1.68% (dependent upon age and years of service) of their average final compensation. The average final compensation is the average of the five highest fiscal years of earnings. Benefits are adjusted annually for a cost of living increase in the Consumer Price Index up to a maximum of 3%. At the end of Fiscal Year September 30, 2016, City had forty-five (45) employees that were members of the FRS Retirement plans. Benefits are payable monthly under one of four options elected by the participant upon retirement. The options range from a full benefit during life of the member to reduced benefits paid to survivors upon the death of the member. Benefits fully vest on reaching 6 years of service. Vested employees may retire at any time after vesting and receive a 5% benefit reduction for each year prior to normal retirement age or date. FRS also provides death and disability benefits.

Other Post Employment Benefits:

In accordance with Florida Statutes Section 112.0801, the City makes continued group health insurance through the City's current provider available to retirees and eligible dependents provided certain service requirements and normal age retirement requirements have been met. This benefit has no cost to the City, other than the implicit cost of including retirees in the group calculation. All premiums are paid by the retiree. The City has no retirees currently receiving benefits. The City has chosen pay-as-you-go funding, but is recording the liability in the government wide financial statements. This plan does not issue stand-alone financial statements.

As of October 1, 2015, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) and unfunded actuarial accrued liability (UAAL) for benefits was \$27,379, and the plan has a funded ratio of 0%.

The annual required contribution and Net OPEB Obligation for the fiscal year ended September 30, 2016 is as follows:

Annual Required Contribution	\$6,625
Interest on Net OPEB Obligation	892
Adjustment to Annual Required Contribution	(1,392)
Annual OPEB Cost	6,125
Employer Contributions	(3,184)
Increase in Net OPEB Obligation	2,941
Net OPEB Obligation (Beginning of Year)	22,299
Net OPEB Obligation (End of Year)	\$25,240

Three Year Trend Information:

Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
09/30/2016	\$6,125	52.0%	\$25,240
09/30/2015	\$7,749	70.5%	\$22,299
09/30/2014	\$7,249	56.8%	\$20,013

Summary of Actuarial Methods & Assumptions:

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 multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The City qualifies to use the alternative measurement method, and has elected to do so. The following are the significant assumptions used:

Actuarial Cost Method - the Entry Age Normal (level % of pay) actuarial cost method was used.

Amortization Method - Level percentage of payroll (Closed amortization over 30 years).

Mortality Rates - RP 2000 Combined Health Mortality Table.

Interest Rate - 4% per year compounded annually, net of investment related expenses.

Health Care Inflation - Pre-Medicare: 8% in fiscal 2015; trending to 5% in 2019; with an ultimate rate of 4.5% in 2020. Post-Medicare: 8% in fiscal 2015; trending to 5% in 2019; with an ultimate rate of 4.5% in 2020.

Retiree Contributions - Retirees participating in the group insurance plans offered by the City are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums. Note that the projected employee contributions for the Dental and Vision benefits are assumed to cover the entire cost of the program.

Retirement Rate - 100% at age 62.

Termination Rates - Selected rates for various ages listed below:

Age	% Remaining Employed Until Assumed Retirement Age
20	29.60%
30	59.30%
40	84.10%
50	100.00%

Participation Rates - 20% of active employees are assumed to maintain benefit coverage after retirement.

Spousal Coverage - 50% of active employees who have elected benefit coverage are assumed to cover their spouse.

APPENDIX B

THE BOND RESOLUTION

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INVERNESS COMMUNITY REDEVELOPMENT AGENCY

TAX INCREMENT REVENUE AND REVENUE REFUNDING BONDS BOND RESOLUTION

RESOLUTION NO. 2017 - 03

A RESOLUTION OF THE INVERNESS COMMUNITY REDEVELOPMENT AGENCY PROVIDING FOR THE ISSUANCE OF TAX INCREMENT REVENUE BONDS AND OTHER PARITY OBLIGATIONS OF THE AGENCY TO FINANCE THE ACQUISITION AND CONSTRUCTION OF COMMUNITY REDEVELOPMENT PROJECTS IN THE REDEVELOPMENT AREA OF SUCH AGENCY; PROVIDING FOR THE PAYMENT AND SECURITY THEREOF; MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH PROVIDING FOR AND AUTHORIZING THE ISSUANCE OF ITS TAX INCREMENT REVENUE REFUNDING BONDS, SERIES 2017 IN THE ORIGINAL AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$17,000,000 AS THE INITIAL SERIES OF BONDS HEREUNDER FOR THE PRINCIPAL PURPOSE OF FINANCING AND REFINANCING THE COSTS OF COMMUNITY REDEVELOPMENT PROJECTS WITHIN THE REDEVELOPMENT AREA OF THE AGENCY; PROVIDING CERTAIN OTHER DETAILS WITH RESPECT THERETO; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, pursuant to Part III, Chapter 163, Florida Statutes (the "Redevelopment Act"), the City of Inverness, Florida (the "City") created and established the Inverness Community Redevelopment Agency (the "Agency" or the "Issuer") by Resolution 90-07 adopted by the City Council of the City on October 16, 1990; and

WHEREAS, pursuant to City Ordinances 434 and 2015-710, the City Council approved and adopted redevelopment plans for the community redevelopment area of the Agency (as modified from time to time, the "Redevelopment Plan") in accordance with the Redevelopment Act; and

WHEREAS, the City Council of the City adopted Resolution 90-06 and Ordinance No. 2015-710, creating and establishing a Redevelopment Trust Fund for the Agency pursuant to Section 163.587, Florida Statutes (the "Redevelopment Trust Fund") and providing for the deposit into the Redevelopment Trust Fund of certain tax increment revenues in order to implement the Redevelopment Plan and finance redevelopment projects (the "Redevelopment Projects") in accordance therewith; and

WHEREAS, the Agency intends to construct the 2017 Redevelopment Project, as hereinafter described and to retire all of the Agency's Outstanding Tax Increment Revenue Note, Series 2017 (the "Prior Note"); and

WHEREAS, the Agency desires to issue its Tax Increment Revenue Refunding Bonds, Series 2017 (the "Series 2017 Bonds") to finance the acquisition and construction of the 2017 Redevelopment Project, to provide for the retirement of the Prior Note, to fund the Reserve Requirement and pay the costs of issuance of the Series 2017 Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE INVERNESS COMMUNITY REDEVELOPMENT AGENCY, that:

ARTICLE I AUTHORITY FOR THIS RESOLUTION

This Resolution is adopted pursuant to the Constitution of the State of Florida, the Redevelopment Act and other applicable provisions of law.

ARTICLE II DEFINITIONS

Section 2.01 **Definitions.** Capitalized terms in the WHEREAS clauses shall have the meanings used therein, and unless the context otherwise requires, terms used herein shall have the meanings specified below:

"Additional Bonds" means additional obligations issued in compliance with the terms, conditions and limitations contained herein which will have a parity lien on the Pledged Revenues with the Series 2017 Bonds, to the extent provided herein.

"Agency" means the Inverness Community Redevelopment Agency.

"Amortization Installment" means the funds to be deposited in the Debt Service Account in a given Bond Year for the payment at maturity or redemption of a portion of Term Bonds of a designated series, as established pursuant to a resolution of the Agency adopted at or before the delivery of such series of Term Bonds.

"Authorized Depository" means any bank, trust company, national banking association, savings and loan association, savings bank or other banking association selected by the Agency as a depository hereunder.

"Beneficial Owners" shall mean the Person treated as the owner of Bonds for federal income tax purposes while the Bonds are registered in the name of Code & Co., as the nominee of DTC.

"Bond Counsel" means Akerman LLP or any other counsel designated by the Agency and experienced in matters relating to the validity of and exclusion from federal income taxation of interest on obligations of states and their political subdivisions.

"Bondholder," "Registered Owner," "Holder" and "Owner" mean the registered owner (or its authorized representative) of a Bond.

"Bond Insurer" means, with respect to any Bonds, the issuer of an insurance policy insuring the payment, when due, of the principal of and interest on such Bonds.

"Bond Obligation" means, as of the date of computation, the sum of (i) the principal amount of all Current Interest Bonds then Outstanding and (ii) the Compounded Amount of all Capital Appreciation Bonds then Outstanding.

rights-of-way, franchises, easements or interests therein and all of the properties tangible or intangible, deemed necessary or convenient for the maintenance and operation of the Project; (v) all engineering, legal and financial costs and expenses; (vi) all expenses for estimates of costs and of revenues; (vii) costs of obtaining governmental and regulatory permits, licenses and approvals; (viii) all fees of special advisors and consultants associated with one or more aspects of the Project or the financing thereof; (ix) interest on Bonds prior to and during acquisition or construction of such Project for which such Bonds were issued, and for such additional periods as the Agency may reasonably determine to be necessary for the placing of such Project in operation; (x) the reimbursement to the Agency or the City of all such Costs of such Project that have been advanced by the Agency or the City from its available funds before the delivery of a Series of Bonds issued to finance such costs to the extent such reimbursements do not, in the opinion of Bond Counsel, adversely affect the exclusion of interest on the Bonds other than Taxable Bonds from gross income for federal income tax purposes; (xi) these amounts required to be rebated to the United States of America in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds issued with the intent that such interest be so excluded to the extent the Agency elects to pay such amounts from the Construction Account; and (xii) such other costs and expenses which shall be necessary or incidental to the financing herein authorized and the construction and acquisition or undertaking of the Project and the placing of same in operation or other implementation of the undertaking to be financed with proceeds of Bonds issued hereunder.

"County Property Appraiser" means the county officer, and his duly appointed deputies, then charged with determining the value of all property within Citrus County, Florida, of maintaining certain records connected therewith, and of determining the tax on taxable property after taxes have been levied, in accordance with Article 8, Section 1(d) of the Florida Constitution and other applicable laws, as amended or supplemented.

"Credit Facility" shall mean as to any particular Series of Bonds, or portion thereof, a letter of credit, a line of credit or another credit or liquidity enhancement facility or municipal bond insurance policy, as authorized by the Agency with respect to such Series of Bonds.

"Credit Facility Provider" shall mean as to any particular Series of Bonds, or portion thereof, the Person (other than a Bond Insurer) providing a Credit Facility, if any, as designated by the Agency.

"Current Interest Bonds" means Bonds that bear interest which is payable annually or more frequently.

"Debt Service Account" means the account established by that name pursuant to Section 7.02 of this Resolution.

"Debt Service Requirement" means for a given Bond Year the remainder, after subtracting any accrued and capitalized interest for that Bond Year that has been deposited into the Debt Service Account or a Construction Account for that purpose with respect to Bonds Outstanding hereunder or that has been deposited in a similar account established with respect to Parity Obligations not issued as Bonds hereunder, from the sum of:

"Bond Year" means the annual period beginning on the second day of November of each year and ending on the first day of November of the following year.

"Bonds" means the Series 2017 Bonds and any Additional Bonds issued pursuant to Article X hereof.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Agency, Paying Agent, Bond Insurer or Registrar are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York, or the State of Florida.

"Capital Appreciation Bonds" means Bonds that bear interest which is payable only at maturity or upon redemption prior to maturity in amounts determined by reference to the Compounded Amounts.

"Chairman" means the Chairman of the Agency, or in his absence or unavailability or inability to perform, the Vice Chairman of the Agency.

"City" means the City of Inverness, Florida.

"Code" means the Internal Revenue Code of 1986, as amended, or any applicable corresponding provisions of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided herein or required by the context hereof, includes interpretations thereof contained or set forth in the applicable regulations of the Department of Treasury (including applicable final regulations and temporary regulations), the applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings) and applicable court decisions.

"Compounded Amounts" means the principal amount of Capital Appreciation Bonds, plus the amount of interest that has accreted on Capital Appreciation Bonds to the date of calculation.

"Construction Account" means the accounts created pursuant to Section 7.03 hereof.

"Cost" or "Cost of the Project," with respect to each Project, shall include, without limiting the items of cost permitted under the Redevelopment Act, including the following items to the extent they relate to a Project: (i) all direct costs of the Project items described in the plans and specifications for the Project; (ii) all costs of planning, designing, acquiring, constructing, equipping, financing and start-up costs of the Project, including demolition of existing structures and improvements necessary in connection with the construction and development of the Project; (iii) all costs of issuance of Bonds issued to finance such Project or to refund indebtedness issued for such purposes, including the cost of any municipal bond insurance policy and Reserve Product, fees and expenses of Bond Counsel, disclosure counsel, underwriters and underwriters' counsel, special tax counsel, counsel to the Agency, and financial advisors, printing costs, rating agency fees, initial acceptance fees of paying agents, remarketing agents, trustees, depositories and all fees and costs of any Credit Facility Provider providing a Credit Facility and of other financial institutions providing special credit or liquidity facilities with respect to the Bonds; (iv) the cost of acquisition, by purchase or condemnation, of any lands, structures, improvements,

(a) The amount required to pay the interest coming due on Bonds and Parity Obligations during that Bond Year, including the accreted interest component of the Compounded Amount of Capital Appreciation Bonds maturing in the Bond Year.

(b) The amount required to pay the principal of Bonds and Parity Obligations, including the principal of Serial Bonds and the principal of Term Bonds, maturing in that Bond Year that are not included in the Amortization Installments for such Term Bonds or in mandatory sinking fund redemption requirements with respect to Parity Obligations.

(c) The Amortization Installments for all Series of Term Bonds for that Bond Year and the mandatory sinking fund redemption requirements with respect to Parity Obligations, and

(d) The premium, if any, payable on all Bonds and Parity Obligations required to be redeemed in that Bond Year in satisfaction of the Amortization Installment or mandatory sinking fund redemption requirements with respect to Parity Obligations.

For purpose of determining the Debt Service Requirement, unless the interest rate is fixed for the duration of the applicable Bond Year(s), in which case the actual interest rate shall be used, the interest rate on Variable Rate Debt Outstanding or proposed to be issued shall be calculated at the maximum rate that such Variable Rate Debt may bear in accordance with its terms.

If a series of Variable Rate Debt is subject to purchase by the Agency pursuant to a mandatory or optional tender by the holder, the "tender" date or dates shall be ignored and the stated maturity dates thereof shall be used for purposes of this calculation, and, in the case of Bonds or Parity Obligations secured by a Credit Facility, the repayment terms of such Credit Facility (whether or not as evidenced by provisions included in the Bonds or Parity Obligations, such as interest rate adjustments to apply if an unreimbursed drawing on the Credit Facility shall occur) shall be ignored unless the issuer of the Credit Facility has advanced funds thereunder and such amount has not been repaid, in which case, the Debt Service Requirement shall include the repayment schedule and interest rate or rates specified in the documents relating to such Credit Facility, if the repayment obligation is secured on a parity with the Bonds or Parity Obligations. The interest rate for Bonds issued as Variable Rate Debt for purposes of determining the amount, if any, to be deposited into or maintained in a subaccount in the Reserve Account for such Variable Rate Debt shall be as required by the supplemental resolution authorizing the issuance of such Variable Rate Debt.

"Executive Director" means any officer of the Agency who is performing the duties of the Executive Director of the Agency.

"Federal Securities" means direct obligations of the United States of America or obligations the payment of the principal of and interest on which when due is unconditionally guaranteed by the United States of America.

"Financial Advisor" means Larson Consulting Services, LLC, Orlando, Florida or any other SEC and MSRB licensed Municipal Advisor designated by the Agency.

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"Fiscal Year" means the period commencing on October 1 of each year and ending on the succeeding September 30, or such other consecutive 12-month period as may be hereafter designated as the fiscal year of the Agency.

"Fitch" means Fitch Ratings, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns and, if such corporation shall no longer perform the functions of a security rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency.

"Interlocal Agreement" means that interlocal agreement by and between the City and the Agency pursuant to which, among other matters but subject to the terms set forth therein, the City covenants to budget and appropriate Support Revenues (as defined therein) to make certain payments in regard to the Series 2017 Bonds.

"Investment Obligations" means, to the extent permitted by law:

- (i) Federal Securities, or
- (ii) obligations of any of the following agencies: Government National Mortgage Association (including participation certificates issued by such association); Fannie Mae (including participation certificates issued by such entity); Federal Home Loan Banks; Federal Farm Credit Banks; Tennessee Valley Authority; Farmers Home Administration; Student Loan Marketing Association; Federal Home Loan Mortgage Corporation;
- (iii) commercial paper rated in the top two rating category by both Moody's and S&P at the time of purchase;
- (iv) municipal securities issued by any state or commonwealth of the United States or political subdivision thereof or constituted authority thereof including, but not limited to, municipal corporations, school districts and other special districts, the interest on which is excluded from gross income under Section 103 of the Code and rated A- or higher by Moody's, Fitch or S&P at the time of purchase; both (A) shares of a diversified open-end management investment company (as defined in the Investment Company Act of 1940) or a regulated investment company (as defined in Section 851(a) of the Code) that is a money market fund that is rated in the highest rating category for such fund by both Moody's and S&P, and (B) shares of money market mutual funds that invest only in Federal Securities and obligations of any of the following agencies: Government National Mortgage Association (including participation certificates issued by such association); Fannie Mae (including participation certificates issued by such entity); Federal Home Loan Banks; Federal Farm Credit Banks; Tennessee Valley Authority; Farmers Home Administration; Student Loan Marketing Association; Federal Home Loan Mortgage Corporation and repurchase agreements secured by such obligations, which funds are rated in the highest categories for such funds by both Moody's and S&P at the time of purchase;
- (vi) repurchase agreements, which will be collateralized at the onset of the repurchase agreement of at least 103% marked to market weekly by the provider with

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6) The Issuer or its designee shall represent that it has no knowledge of any fraud involved in the repurchase transaction;

7) The Issuer shall receive the opinion of counsel (which opinion shall be addressed to the Issuer shall be in form and substance satisfactory to the Issuer) that such repurchase agreement complies with the terms of this section and is legal, valid, binding and enforceable upon the provider in accordance with its terms;

8) The term of the repurchase agreement shall be no longer than ten years;

9) The interest with respect to the repurchase transaction shall be payable at the times and in the amounts necessary in order to make funds available when required under this resolution.

10) The repurchase agreement shall provide that the Issuer may withdraw funds without penalty at any time, or from time to time, for any purpose permitted or required under this resolution;

11) Any repurchase agreement shall provide that a perfected security interest in such investments is created for the benefit of the Beneficial Owners under the Uniform Commercial Code of Florida, or book-entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. are created for the benefit of the Beneficial Owners; and

12) The collateral delivered or transferred to the Issuer, the Issuer, or a third-party acceptable to, and acting solely as agent for, the Issuer (the "Holder of the Collateral") shall be delivered and transferred in compliance with applicable state and federal laws (other than by means of entries on provider's books) free and clear of any third-party liens or claims pursuant to a custodial agreement subject to the prior written approval of the majority of the Holders. The custodial agreement shall provide that the Issuer must have disposition or control over the collateral of the repurchase agreement, irrespective of an event of default by the provider of such repurchase agreement.

If such investments are held by a third-party, they shall be held as agent for the benefit of the Issuer as fiduciary for the Beneficial Owners and shall be segregated from securities owned generally by such third party or bank;

(vii) investment agreements with a bank, insurance company or other financial institution, or the subsidiary of a bank, insurance company or other financial institution if the parent guarantees the investment agreement, which bank, insurance company, financial institution or parent has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated in the highest short-term rating category by Moody's or S&P (if the term of such agreement does not exceed 365 days), or has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated by Aa2 or better by Moody's and AA or better by S&P or Fitch, respectively (if the term of such

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collateral with a domestic or foreign bank or corporation (other than life or property casualty insurance company) the long-term debt of which, or, in the case of a financial guaranty insurance company, claims-paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's provided that the repurchase agreement shall provide that if during its term the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3," respectively, the provider shall immediately notify the Issuer and the provider shall at its option, within ten days of receipt of publication of such downgrade, either (A) maintain collateral at levels, sufficient to maintain an "AA" rated investment from S&P and an "Aa" rated investment from Moody's, or (B) repurchase all collateral and terminate the repurchase agreement. Further, if the provider's rating by either S&P or Moody's falls below "A-" or "A3," respectively, the provider must immediately notify the Issuer of and must at the direction of the Issuer to the provider, within ten (10) calendar days, either (1) maintain collateral at levels sufficient to maintain an "AA" rated investment from S&P and an "Aa" rated investment from Moody's, or (2) repurchase all Collateral and terminate the repurchase agreement without penalty. In the event the repurchase agreement provider has not satisfied the above conditions within ten (10) days of the date such conditions apply, then the repurchase agreement shall provide that the Issuer shall be entitled to, and in such event, the Issuer shall withdraw the entire amount invested plus accrued interest within ten (10) Business Days following the Issuer knowing of such failure. Any such repurchase agreement shall contain the following additional provisions:

1) Failure to maintain the requisite collateral percentage will require the Issuer to liquidate the collateral as provided above;

2) The Holder of the Collateral, as hereinafter defined, shall have possession of the collateral or the collateral shall have been transferred to the Holder of the Collateral, in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

3) The repurchase agreement shall state and an opinion of counsel in form and in substance satisfactory to the Issuer shall be rendered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

4) The repurchase agreement shall be a "repurchase agreement" as defined in the United States Bankruptcy Code and, if the provider is a domestic bank, a "qualified financial contract" as defined in the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") and such bank is subject to FIRREA;

5) The repurchase transaction shall be in the form of a written agreement, and such agreement shall require the provider to give written notice to the Issuer of any change in its long-term debt rating;

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agreement is more than 365 days) or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation of the aforesaid ratings, provided:

1) interest is paid on any date interest is due on the Bonds (not more frequently than quarterly) at a fixed rate (subject to adjustments for yield restrictions required by the Code) during the entire term of the agreement;

2) moneys invested thereunder may be withdrawn without penalty, premium, or charge upon not more than two days' notice;

3) the same guaranteed interest rate will be paid on any future deposits made to restore the account to its required amount; and

4) the Issuer receives an opinion of counsel that such agreement is an enforceable obligation of such insurance company, bank, financial institution or parent;

5) in the event of a suspension, withdrawal, or downgrade below Aa3, AA- or AA- by Moody's, S&P or Fitch, respectively, the provider shall notify the Issuer within five (5) days of such downgrade event and the provider shall at its option, within ten (10) business days after notice is given to the Issuer take any one of the following actions:

(a) collateralize the agreement at levels, sufficient to maintain an "AA" rated investment from S&P or Fitch and an "Aa2" from Moody's with a marked to market approach, or

(b) assign the agreement to another provider, as long as the minimum rating criteria of "AA" rated investment from S&P or Fitch and an "Aa2" from Moody's with a marked to market approach; or

(c) have the agreement guaranteed by a provider which results in a minimum rating criteria of an "AA" rated investment from S&P or Fitch and an "Aa2" from Moody's with a marked to market approach; or

(d) repay all amounts due and owing under the agreement.

In the event the provider has not satisfied any one of the above conditions within three (3) days of the date such conditions apply, then the agreement shall provide that the Issuer shall be entitled to withdraw the entire amount invested plus accrued interest without penalty or premium.

(viii) bonds, notes and other debt obligations of any corporation organized under the laws of the United States, any state or organized territory of the United States or the District of Columbia, if such obligations are, at the time of purchase,

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rated A- or better by at least two (2) of the following rating agencies: Moody's, S&P or Fitch or AA- or better by either S&P or Fitch or Aa- by Moody's;

(ix) the Local Government Surplus Funds Trust Fund as described in Florida Statutes, Section 218.405 or the corresponding provisions of subsequent laws provided that such fund, at the time of purchase, is rated at least "AA" by S&P (without regard to gradation) or at least "Aa" by Moody's (without regard to gradation);

(x) time deposits, demand deposits or certificate of deposit of any depository institution or trust company incorporated under the law of the United States of America or any State (or any domestic branch of a foreign bank) and subject to supervision and examination by Federal or State depository institution authority (including the Trustee); provided, however, that at the time of the investment, short-term unsecured debt obligations hereof shall have a credit rating in the highest rating category by S&P or Moody's; or

(xi) other investments permitted by Florida law and Florida Statute, 218.415, and directed by the Agency including but not limited to intergovernmental investment pools authorized pursuant to the Florida Interlocal Cooperation Act as provided in Section 163.01, Florida Statutes provided that such investments at the time of purchase are rated at least "AA", or "Aa" by S & P, Moody's, or Fitch (without regard to gradation).

"Maximum Annual Debt Service" means as of any particular date of calculation, the largest Debt Service Requirement for any remaining Bond Year except that the amount of principal coming due on the final maturity date with respect to Bonds or Parity Obligations shall be reduced by the aggregate principal amount or Compounded Amounts of such Bonds or Parity Obligations to be redeemed from Amortization Installments or sinking fund redemption requirements with respect to other Parity Obligations to be made in prior Bond Years and, for purposes of Section 10.02 hereof, amounts available in the subaccounts in the Reserve Account shall be credited against the debt service payable in the Bond Year in which the final maturity of the Series of Bonds secured by such subaccounts occurs.

"Modified Pledged Tax Increment Revenues" means the Pledged Tax Increment Revenues received by the Agency in the immediately preceding Fiscal Year modified to reflect the Pledged Tax Increment Revenues which the Agency would have received in such Fiscal Year if (i) the total assessed valuation of the taxable real property in the Redevelopment Area used to determine the amount of Pledged Tax Increment Revenues to be received by the Agency in such Fiscal Year had been equal to the total assessed valuation of the taxable real property in the Redevelopment Area determined in the most recent Property Assessment Certification of the County Property Appraiser, or the total assessed valuation of such taxable real property after the final determination of all property assessment appeals to the property appraisal assessment board appointed under Florida law, whichever is most recent; and (ii) the millage rates of the taxing authorities contributing to the Redevelopment Trust Fund used to determine the amount of the Pledged Tax Increment Revenues to be received by the Agency in such Fiscal Year had reduced or rolled-back, in accordance with applicable law then in effect, to reflect the increase in the assessed valuation of the taxable real property in the Redevelopment Area set forth in (i) above.

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"Parity Obligations" means obligations of the Agency, other than Bonds, issued or incurred as permitted hereunder and secured by a lien on the Pledged Tax Increment Revenues on a parity with the lien thereon securing the Bonds as provided herein. Parity Obligations may include (without limiting the types of obligations that may otherwise constitute Parity Obligations) interest on bond anticipation notes, the principal of which is not secured by a lien on Pledged Tax Increment Revenues on a parity with the lien thereon of Bonds and Parity Obligations. Anything provided herein to the contrary notwithstanding, Parity Obligations shall not be secured by a pledge of or lien on and shall not be payable from amounts on deposit in the funds and accounts created hereunder.

"Paying Agent" means the Agency, the City or an Authorized Depository designated by the Agency to serve as paying agent or place of payment for the Bonds issued hereunder, or any Series thereof, which shall have agreed to arrange for the timely payment of the principal of, interest on and redemption premiums, if any, with respect to such Bonds to the Registered Owners thereof, from funds made available therefor by the Agency, and any successors designated pursuant to this Resolution.

"Person" means an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or governmental entity.

"Pledged Revenues" means Pledged Tax Increment Revenues and amounts held in the funds and accounts established by this Resolution, except for amounts held in the Rebate Account and, as to particular Series of Bonds, the subaccounts in the Reserve Account and amounts in Construction Account(s) shall secure only the Series of Bonds designated to be secured thereby.

"Pledged Tax Increment Revenues" means the moneys deposited into the Redevelopment Trust Fund (including all amounts on deposit therein on the date of delivery of the Series 2017 Bonds) as required by Section 163.387, Florida Statutes, by taxing authorities levying ad valorem taxes in the Redevelopment Area, except those specifically excluded in the Redevelopment Act or in accordance with the provisions thereof, all as more particularly set forth in Section 7.01 hereof; provided, however, that the tax increment revenues generated within any additional areas hereafter designated by the City to be slum or blighted areas within the meaning of the Redevelopment Act shall not constitute Pledged Tax Increment Revenues hereunder and shall not be subject to the pledge and lien created by this Resolution, unless all required actions are taken to require the tax increment revenues generated within such additional areas to be deposited in the Redevelopment Trust Fund and this Resolution is supplemented to expressly pledge the tax increment revenues generated within such additional areas to the payment of Bonds and Parity Obligations.

"Project" means the acquisition and construction of redevelopment projects, including demolition of existing structures and improvements required in connection therewith, undertaken pursuant to the Redevelopment Plans and designated by resolution of the Agency to be financed or refinanced with proceeds from the issuance of Bonds hereunder or Parity Obligations or Subordinate Obligations, including with respect to the Series 2017 Bonds, the 2017 Redevelopment Project.

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or the actual millage rates adopted by such taxing authorities subsequent to the most recent Property Assessment Certification referred to above, if then available; provided, however, that such Pledged Tax Increment Revenues determined in accordance with (i) and (ii) above shall be pro-rated for a partial year assessment, if applicable.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and, if such corporation shall no longer perform the function of a securities rating agency, "Moody's" shall be deemed to refer to such other nationally recognized rating agency as the Agency shall designate.

"Municipal 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 which at the time of purchase are rated "AA" by S&P and/or Fitch and/or "Aa" by Moody's.

"Outstanding Bonds" or "Bonds Outstanding" or "Outstanding" in reference to Bonds means all Bonds which have been issued pursuant to this Resolution except:

(1) Bonds cancelled after purchase in the open market or because of payment at or redemption prior to maturity;

(2) Bonds for the payment or redemption of which cash funds or Refunding Securities or any combination thereof shall have been theretofore irrevocably set aside in a special account with the Paying Agent or other Authorized Depository (whether upon or prior to the maturity or redemption date of any such Bonds) in an amount which, together with earnings on such Refunding Securities, will be sufficient to pay the principal of, any redemption premium and interest on such Bonds at maturity or upon their earlier redemption; provided that, if such Bonds are to be redeemed before the maturity thereof, notice of such redemption shall have been given according to the requirements of this Resolution or irrevocable instructions directing the timely publication of such notice and directing the payment of the principal of and interest on all Bonds at such redemption dates shall have been given to the Paying Agent; and

(3) Bonds which are deemed paid pursuant to Section 5.08 hereof or in lieu of which other Bonds have been issued under Section 5.04 hereof.

With respect to Parity Obligations, "Outstanding" or "Outstanding" means all such Parity Obligations issued by the Agency except:

(1) Parity Obligations cancelled after purchase in the open market or because of payment at or redemption prior to maturity;

(2) Parity Obligations that have been defeased in accordance with the terms thereof, and

(3) Parity Obligations that are deemed to no longer be Outstanding under and for purposes of the resolution or other authorizing instrument under which such Parity Obligations are issued.

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"Property Assessment Certification" means the certification of taxable value of property which includes all or part of the Redevelopment Area prepared and submitted by the County Property Appraiser to each taxing authority having jurisdiction over all or any part of the Redevelopment Area in accordance with Section 200.065, Florida Statutes, as supplemented and amended from time to time.

"Rating Agency" means Moody's, Fitch and S&P and any other nationally recognized rating agency, to the extent they have in effect a rating on any of the Bonds Outstanding hereunder at the request of the Agency.

"Rebate Account" means the Rebate Account created and established pursuant to Section 9.06 of this Resolution.

"Rebate Amount" means, with respect to each Series of Bonds issued hereunder that are not Taxable Bonds, the excess of the amount earned on all non-purpose investments (as defined in Section 148(f)(6) of the Code, as amended) over the amount which would have been earned if such non-purpose investments were invested at a rate equal to the yield on such Series of Bonds, plus any income attributable to such excess, but shall not include any amount exempted by Section 148(f) of the Code from payment to the United States.

"Redevelopment Act" means the Community Redevelopment Act of 1969, Chapter 163, Part III, Florida Statutes, as amended.

"Redevelopment Area" means the area within the City found by the City Council of the City to be a slum or blighted area within the meaning of the Redevelopment Act, and described in the Redevelopment Plan, as amended from time to time, from which Pledged Tax Increment Revenues are derived.

"Redevelopment Plans" means the plan approved by the City by City Resolution No. 90-06 and City Ordinance No. 2015-710 and as hereafter amended and modified by the City from time to time.

"Redevelopment Trust Fund" means the fund created and amended by City Ordinances No. 434 and 2015-710.

"Refunding Securities" means Federal Securities and Municipal Obligations.

"Registrar" means the Agency or any agent designated from time to time by the Agency to maintain the registration books for Bonds issued hereunder or to perform other duties with respect to registering the transfer of Bonds.

"Reserve Account" means the account by that name established pursuant to Section 7.02 of this Resolution.

"Reserve Product" means bond insurance, a surety bond or a letter of credit or other Credit Facility used in lieu of a cash deposit in the Reserve Account and meeting the terms and conditions of Section 7.04 of this Resolution.

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"Reserve Product Provider" means a nationally recognized bond insurance provider or a bank or other financial institution providing a Reserve Product, and meeting any other requirements imposed pursuant to the supplemental resolution pursuant to which the Series of Bonds to be insured by such Reserve Product is authorized.

"Reserve Requirement" means, with respect to the Series 2017 Bonds, the least of (i) the Maximum Annual Debt Service, (ii) 125% of the average annual Debt Service Requirement, or (iii) 10% of the aggregate stated original principal amount of such Series 2017 Bonds; provided, however, that in determining the aggregate stated original principal amount of the Series 2017 Bonds for the purposes of this clause (iii), the issue price of the Series 2017 Bonds (net of pre-issuance accrued interest) shall be substituted for the original stated principal amount of the Series 2017 Bonds if such Bonds were sold at either an original issue discount or premium exceeding two percent (2%) of the stated redemption price at maturity; and with respect to each other Series of Bonds issued hereunder, the amount of money, if any, or available amount of a Reserve Product, if any, or a combination thereof, which amount may be \$0 required by supplemental resolution adopted or otherwise designated by the Agency prior to the issuance of such Series of Bonds to be maintained in the subaccount in the Reserve Account with respect to such Series of Bonds pursuant to Section 7.07 hereof; provided that the amount so designated by the Agency shall not cause any existing rating on any Bonds or Series of Bonds Outstanding hereunder to be lowered, suspended or withdrawn with respect to each Series of Bonds issued hereunder.

"Restricted Surplus Account" means the account of that name established pursuant to Section 7.02 of this Resolution.

"Restricted Surplus Requirement" means an amount equal to the greater of \$600,000.00 or sixty-five percent (65%) of Maximum Annual Debt Service.

"Secretary" means any officer of the Agency who is performing the duties of the Secretary of the Agency.

"S&P" means S & P Global Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns and, if such corporation shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Agency.

"Serial Bonds" means all Bonds of a Series other than Term Bonds.

"Series" means any portion of the Bonds of an issue authenticated and delivered in a single transaction, payable from an identical source of revenue and identified pursuant to the supplemental resolution authorizing such Bonds as a separate Series of Bonds regardless of variations in maturity, interest rate, Amortization Installments or other provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution of a Series of Bonds.

"Subordinate Obligations" means obligations issued or incurred by the Agency that are secured by a pledge of or lien on or are otherwise payable from the Pledged Tax Increment Revenues junior and subordinate in all respects to the pledge of and lien on the Pledged Tax Increment Revenues securing the Bonds and Parity Obligations.

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ARTICLE IV INSTRUMENT TO CONSTITUTE A CONTRACT

In consideration of the acceptance of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Agency and the Bondholders. The covenants and agreements herein set forth to be performed by the Agency shall be for the equal benefit, protection and security of the Bondholders and all Bonds shall be of equal rank and without preference, priority or distinction over any other thereof, except as expressly provided herein.

ARTICLE V AUTHORIZATION OF 2017 REDEVELOPMENT PROJECT; AUTHORIZATION, DESCRIPTION, TERMS AND FORM OF BONDS

Section 5.01 Authorization of 2017 Redevelopment Project and Retirement of Prior Note; and Issuance of Bonds.

(i) The 2017 Redevelopment Project and the providing of proceeds of the Series 2017 Bonds to pay the Cost thereof and to retire the Prior Note, is hereby authorized.

(ii) Subject and pursuant to the provisions hereof, the Series 2017 Bonds to be known as the "Inverness Community Redevelopment Agency Tax Increment Revenue Refunding Bonds, Series 2017" (or if such Series 2017 Bonds are issued in more than one series, such other name and series designation as the Chairman shall direct) are hereby authorized to be issued in one or more series in the aggregate original principal amount (including only the original discounted principal value of any Series 2017 Bonds issued as Capital Appreciation Bonds) of not to exceed \$17,000,000 or such lesser amount as may be approved by the Chairman for the purpose of financing a portion of the Costs of the 2017 Redevelopment Project, providing funds to retire the Prior Note, funding the Reserve Requirement and paying the costs of issuance and expenses associated therewith.

(iii) Additional Bonds and Parity Obligations may be issued from time to time pursuant to the terms of Article X hereof.

Section 5.02 Description of Obligations. The Bonds authorized hereunder may be issued in one or more Series that may be delivered from time to time. The Agency shall by resolution authorize such Series and shall specify the following or provide for the manner in which the following shall be specified or determined: the authorized principal amount of such Series; the Projects to be financed and/or the indebtedness to be refunded with the proceeds thereof; the date and terms of maturity or maturities of the Bonds of such Series; and provided further that except as otherwise provided by subsequent resolution with respect to a Series of Bonds, each maturity date shall be May 1 or November 1; whether such Bonds are Taxable Bonds, Variable Rate Debt, fixed rate bonds, Current Interest Bonds and/or Capital Appreciation Bonds; the interest rate or rates of the Bonds of such Series or the method or manner for determining such rate or rates, which may include variable, adjustable, auction reset, convertible

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"Taxable Bonds" means Bonds, the interest on which is not intended at the time of issuance thereof to be excluded from the gross income of the owners thereof for federal income tax purposes.

"Term Bonds" means, Bonds of a Series for which Amortization Installments are established, and such other Bonds of a Series so designated by supplemental resolution of the Agency adopted or otherwise designated by the Agency on or before the date of delivery of such Bonds.

"Treasurer" means any officer of the Agency who is performing the duties of the Treasurer of the Agency.

"2017 Redevelopment Project" means the Project described on Exhibit A hereto within the Redevelopment Area as such may be amended and supplemented by official action of the Agency.

"Variable Rate Debt" means Bonds or Parity Obligations issued with a variable, auction reset, adjustable, convertible or other similar interest rate which is not fixed in percentage for the remaining term thereof.

Section 2.02 Singular/Plural. Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms, corporations or other entities including governments or governmental bodies and words importing the masculine gender shall include every other gender.

ARTICLE III FINDINGS

It is hereby ascertained, determined and declared that:

(i) The findings, declaration and determinations made by the City Council of the City pursuant to the City ordinances and the resolutions defining the Redevelopment Area and approving the Redevelopment Plan are hereby adopted as findings, declarations and determinations of the Agency and are incorporated herein by reference.

(ii) Upon the issuance of the Series 2017 Bonds, the Pledged Tax Increment Revenues will not be pledged or encumbered in any manner except in accordance with the terms hereto to the Series 2017 Bonds.

(iii) It is necessary and in the best interests of the Agency and the City to undertake the 2017 Redevelopment Project and to provide for the refunding or retirement of the Prior Note and to issue the Series 2017 Bonds to accomplish such purposes.

(iv) The Agency is authorized under the Redevelopment Act to issue the Series 2017 Bonds to finance the 2017 Redevelopment Project and to provide for payment of the Prior Note and to accomplish the other purposes provided for herein.

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or other rates, and original issue discounts and premiums; provided that the average net interest cost rate on such Series shall never exceed for such Series the maximum interest rate permitted by applicable law in effect at the time such Series are issued, and provided further that the interest payment dates for Bonds bearing interest payable semiannually shall be May 1 and November 1 of each Bond Year unless expressly provided otherwise by or pursuant to supplemental resolution authorizing such Bonds; with respect to Variable Rate Debt, the maximum interest rate such Bonds may bear; the mandatory and optional tender rights and obligations, if any, the authorized denominations of each Series of Bonds; the numbering, lettering and Series designation of such Series of Bonds; the Paying Agent and place or places of payment of such Bonds; the redemption prices for such Series of Bonds and any terms of redemption not inconsistent with the provisions of this Resolution; the amount and date of each Amortization Installment, if any, for such Series of Bonds; provided that each Amortization Installment shall fall due on May 1 or November 1 of a Bond Year unless expressly provided otherwise by or pursuant to supplemental resolution; the use of proceeds of such Series of Bonds, including deposits required to be made into the Construction Account and Reserve Account with respect to each such Series of Bonds; the Reserve Requirement, if any, with respect to such Series of Bonds; and any other terms or provisions applicable to the Series of Bonds, not inconsistent with the provisions of this Resolution or the Redevelopment Act. All of the foregoing may be added or provided for by supplemental resolution or resolutions adopted at any time and from time to time prior to the issuance of such Series of Bonds.

Unless coupon bonds, the interest on which is excludable from gross income for federal income tax purposes, may again be issued under the Code, all Bonds hereunder other than Taxable Bonds shall, to the extent required to preserve the exclusion from gross income for federal income tax purpose of interest thereon, be in registered form, contain substantially the same terms and conditions as set forth in Section 5.09 below, shall be payable in lawful money of the United States of America and, unless otherwise provided pursuant to supplemental resolution, shall bear interest from their date payable to the Registered Owner thereof. To the extent the Agency under then applicable law may issue any Series of Bonds in coupon or bearer form, the interest on which, in the opinion of Bond Counsel, is excludable from gross income for federal income tax purposes, or if the Agency desires to issue Taxable Bonds in the form of coupon or bearer Bonds, the Agency may supplement and amend this Resolution without the consent of the Bondholders of Bonds then Outstanding, including the form of the Bonds, to authorize and provide for the issuance and payment of such coupon or bearer Bonds. In addition, notwithstanding the foregoing, if and to the extent permitted by applicable law, the Agency shall establish a system of registration with respect to any Series or all Series of Bonds issued hereunder and may issue hereunder certificated registered public obligations (represented by instruments) or uncertificated registered public obligations (not represented by instruments) commonly known as book-entry obligations, combinations thereof, or such other obligations as may then be permitted by law. The Agency shall appoint such registrars, transfer agents, depositaries or other agents as may be necessary to cause the registration, registration of transfer and reissuance of the Bonds within a commercially reasonable time according to the then current industry standards and to cause the timely payment of interest, principal and premium, if any, payable with respect to the Bonds. A list of the names and addresses of the Registered Owners of the Bonds shall be maintained at all times by the Registrar and shall be made available to any Bondholder requesting same during normal business hours.

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Section 5.03 **Execution of Bonds.** The Bonds shall be executed in the name of the Agency by the Chairman, or such other member or officer of the Agency as may be authorized by supplemental resolution, and attested by the Secretary of the Agency or such other member or officer of the Agency as is authorized by supplemental resolution. The signatures of the Chairman and the Secretary or such other member or officer on the Bonds may be by facsimile, but one such officer shall sign his manual signature on the Bonds unless the Agency appoints an authenticating agent, Registrar, transfer agent or trustee who shall be authorized and directed to cause one of its duly authorized officers to manually execute the Bonds. If any officer whose signature appears on the Bonds ceases to hold office after such execution, but before the delivery of the Bonds, his signature shall nevertheless be valid and sufficient for all purposes. In addition, any Bond may bear the signature of, or may be signed by, such persons as at the actual time of execution of such Bond shall be the proper officers to sign such Bond although at the date of such Bond or the date of delivery thereof such persons may not have been such officers.

Section 5.04 **Bonds Mutilated; Destroyed; Stolen or Lost.** If any Bond is mutilated, destroyed, stolen or lost, the Agency or its agent may, in its discretion (i) deliver a duplicate replacement Bond, or (ii) pay a Bond that has matured or is about to mature. A mutilated Bond shall be surrendered to and cancelled by the Registrar with respect to the applicable Series of Bonds. The Bondholder must furnish the Agency or its agent proof of ownership of any destroyed, stolen or lost Bond; post satisfactory indemnity; comply with any reasonable conditions the Agency or its agent may prescribe; and pay the Agency's or its agent's reasonable expenses.

Any such duplicate Bond shall constitute an original contractual obligation on the part of the Agency whether or not the destroyed, stolen, or lost 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, and source of and security for payment from, the funds pledged to the payment of the Bond so mutilated, destroyed, stolen or lost.

Section 5.05 **Provisions for Redemption.** Each Series of Bonds shall be subject to redemption prior to their maturity at the option of the Agency at such times and in such manner as shall be established by or pursuant to resolutions of the Agency adopted with respect to such Series of Bonds on or before the time of delivery of those Bonds. Unless otherwise provided by or pursuant to supplemental resolution with respect to a Series of Bonds, notice of redemption shall be given by the deposit in the U.S. mails of a copy of said redemption notice, postage prepaid, at least thirty and not more than sixty days before the redemption date (or such other method or time period established with respect to a Series of Bonds by or pursuant to resolution of the Agency adopted with respect to such Series of Bonds prior to the issuance thereof) to all Registered Owners of the Bonds or portions of Bonds to be redeemed at their addresses as they appear on the registration books to be maintained in accordance with provisions hereof. Failure to mail any such notice to a Registered Owner of a Bond, or any defect therein, shall not affect the validity of the proceedings for redemption of any Bond or portion thereof with respect to which no failure or defect occurred.

Unless otherwise provided by or pursuant to supplemental resolution with respect to a Series of Bonds, each notice shall set forth the date fixed for redemption of the Bond being redeemed, the redemption price to be paid, the date of such notice, the original issue date of such

Bonds, the maturity date and rate of interest borne by each Bond being redeemed, any conditions to such redemption or the reservation of the Agency of the right to rescind such notice of redemption, the name, address and telephone number of the person designated by the Registrar and Paying Agent to be responsible for such redemption and, if less than all of the Bonds then Outstanding shall be called for redemption, the distinctive numbers and letters, including CUSIP Numbers, if any, of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any Bond is to be redeemed in part only, the notice of redemption which relates to such Bond shall also state that on or after the redemption date, upon surrender of such Bond, new Bond or Bonds in a principal amount equal to the unredeemed portion of such Bond will be issued.

Any notice mailed as provided in this section shall be conclusively presumed to have been duly given, whether or not the owner of such Bond receives such notice.

Notwithstanding the foregoing or any other provision hereof, notice of optional redemption pursuant to this Section 5.05 may be conditioned upon the occurrence or non-occurrence of such event or events as shall be specified in such notice of optional redemption and may also be subject to rescission by the Agency if expressly set forth in such notice.

Section 5.06 **Effect of Notice of Redemption.** Except as provided in Section 5.05 above, notice having been given in the manner and under the conditions hereinabove provided and upon the satisfaction of any conditions to such redemption specified in such notice, the Bonds or portions of Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date. On the date so designated for redemption, moneys for payment of the redemption price being held in separate accounts by the Paying Agents in trust for the Registered Owners of the Bonds or portions thereof to be redeemed, all as provided in this Resolution, interest and, if applicable, principal, on the Bonds or portions of Bonds so called for redemption shall cease to accrue, such Bonds and portions of Bonds shall cease to be entitled to any lien, benefit or security under this Resolution, and the Registered Owners of such Bonds or portions of Bonds shall have no right in respect thereof except to receive payment of the redemption price thereof and, to the extent provided in Section 5.07 of this Article, to receive Bonds for any unredeemed portions of the Bonds.

Section 5.07 **Redemption of Portion of Bonds.** In case part but not all of an Outstanding fully registered Bond shall be selected for redemption, the Owners thereof shall present and surrender such Bond to the Agency or its designated Paying Agent for payment of the principal amount thereof so called for redemption, and the Agency shall execute and deliver to or upon the order of such Owner, without charge therefor, for the unredeemed balance of the principal amount of the Bond so surrendered, a fully registered Bond or Bonds.

Section 5.08 **Bonds Called for Redemption Not Deemed Outstanding.** Bonds or portions of Bonds that have been duly called for redemption under the provisions of this Article V, and with respect to which amounts sufficient to pay the principal of, premium, if any, and interest to the date fixed for redemption shall be delivered to and held in separate accounts by an escrow agent, any Authorized Depository or any Paying Agent in trust for the Registered Owners

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thereof, as provided in this Resolution and as to which any conditions to such redemption have been satisfied, shall not be deemed to be Outstanding under the provisions of this Resolution and shall cease to be entitled to any lien, benefit or security under this Resolution, except to receive the payment of the redemption price on or after the designated date of redemption from moneys deposited with or held by the escrow agent, Authorized Depository or Paying Agent, as the case may be, for such redemption of the Bonds and, to the extent provided in Section 5.07 of this Article, to receive Bonds for any unredeemed portions of the Bonds.

Section 5.09 **Form of Bonds.** The text of the Bonds and the form of assignment for such Bonds, provisions for variable interest rates and the payment of Bonds on the demand of the Owners thereof shall be in substantially the following form, with such omissions, insertions and variations as may be necessary or desirable and authorized or permitted by this Resolution or by any supplemental resolution adopted prior to the issuance thereof, including, without limitation, such changes as may be required for the issuance of Bonds as uncertificated public obligations or coupon Bonds to the extent herein authorized and for the execution of the Bonds by an authenticating agent:

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[FORM OF BOND]

No. R-

\$

UNITED STATES OF AMERICA

STATE OF FLORIDA

INVERNESS COMMUNITY REDEVELOPMENT AGENCY

TAX INCREMENT REVENUE AND [REVENUE REFUNDING] BONDS,
SERIES _____

Interest Rate	Maturity Date	Original Dated Date	CUSIP
---------------	---------------	---------------------	-------

%

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

The Inverness Community Redevelopment Agency (hereinafter called the "Agency"), for value received, hereby promises to pay to the Registered Owner identified above, or to registered assigns or legal representatives, but solely from the Pledged Revenues as hereinafter described, on the Maturity Date identified above (or earlier as hereinafter provided), the Principal Amount identified above, upon presentation and surrender hereof at the designated office of _____ or its successors, as Bond Registrar and Paying Agent (the "Registrar"), and to pay, solely from such Pledged Revenues, interest on the principal sum from the date hereof, or from the most recent interest payment date to which interest has been paid, at the Interest Rate per annum identified above, until payment of the principal sum, or until provision for the payment thereof has been duly provided for, such interest being payable semiannually on the first day of May and the first day of November of each year, or on the first Business Day following such interest payment date if such interest payment date is not a Business Day commencing on _____, 1, _____. Interest will be paid by check or draft mailed to the Registered Owner hereof at his address as it appears on the registration books of the Agency maintained by the Registrar at the close of business on the 15th day (whether or not a business day) of the month next preceding the interest payment date (the "Record Date") or by wire transfer to Registered Owners of \$1,000,000 or more in principal amount of Bonds, irrespective of any transfer or exchange of such Bond subsequent to such Record Date and prior to such interest payment date, unless the Agency shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date for the payment of such defaulted interest as established by notice by deposit in the U.S. mail, postage prepaid, by the Agency to the Registered Holders of Bonds not less than fifteen days preceding such special record date. Such notice shall be mailed to the persons in whose names the Bonds are registered at the close of business on the fifth (5th) day (whether or not a business day) preceding the date of mailing. As

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long as this Bond is held in a book-entry system payments of principal and interest hereon shall be made in accordance with the applicable standard practices. Interest on this Bonds shall be computed on the basis of a 360-day year of twelve 30 day months.

This Bond and the interest hereon is payable solely from and secured by a lien upon and pledge of the Pledged Tax Increment Revenues and amounts held in certain funds and accounts established under the Bond Resolution (collectively, the "Pledged Revenues"), all in the manner and to the extent provided in the Resolution adopted by the Agency on May 4, 2017 (as the same may be supplemented and amended from time to time, the "Bond Resolution"). All terms used herein in capitalized form and not otherwise defined shall have the meanings ascribed thereto in the Bond Resolution.

Reference is hereby made to the Bond Resolution for the provisions, among others, relating to the terms, lien and security of the Bonds, the custody and application of the proceeds of the Bonds, the rights and remedies of the Registered Owners of the Bonds, the extent of and limitations, on the Agency's rights, duties and obligations, and the provisions permitting the issuance of additional parity indebtedness, to all of which provisions the Registered Owner hereof for himself and his successors in interest assents by acceptance of this Bond.

This Bond and the indebtedness represented hereby are limited obligations of the Agency secured solely by the Pledged Revenues in the manner and to the extent provided in the Bond Resolution and shall not be deemed to constitute a general or moral indebtedness or a pledge of the faith and credit of the Agency, the City, the State of Florida or any other political subdivision thereof within the meaning of any constitutional, legislative or charter provision or limitation. It is expressly agreed by the Registered Owner of this Bond that such Registered Owner shall never have the right, directly or indirectly, to require or compel the exercise of the ad valorem taxing power of the City, the State of Florida or any political subdivision thereof for the payment of the principal of, premium, if any, and interest on this Bond or for the payment of any other amounts provided for in the Bond Resolution. It is further agreed as between the Agency and the Registered Owner of this Bond that this Bond and the indebtedness evidenced hereby shall not constitute a lien upon any other funds or property of or in the Agency, but shall constitute a lien only on the Pledged Revenues. The Agency has no taxing power.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of \$ _____, of like date, tenor and effect, except as to number, maturity and interest rate, designated as " _____ " issued to finance community redevelopment within the meaning of the Act pursuant to the authority of and in full compliance with the Constitution and laws of the State of Florida, including particularly the Community Redevelopment Act of 1969, Part III, Chapter 163, Florida Statutes, as amended (the "Act") and other applicable provisions of law. This Bond is also subject to all of the terms and conditions of the Bond Resolution.

The Bonds of this issue are subject to redemption prior to their maturity [Insert Term Bond amortization provisions].

The Bonds of this issue shall be further subject to redemption prior to their maturity at the option of the Agency [Insert optional redemption provisions].

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This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication endorsed hereon shall have been signed by the Registrar.

IN WITNESS WHEREOF, the Inverness Community Redevelopment Agency has issued this Bond and has caused the same to be signed by the Chairman of the Agency and attested by its Secretary, either manually or with their facsimile signatures, all as of the _____ day of _____, _____.

INVERNESS COMMUNITY REDEVELOPMENT

By: 
Chairman

ATTESTED:

By: 
Secretary

Approved as to form and correctness:


Agency Counsel

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds designated in and executed under the provisions of the within mentioned Bond Resolution.

_____ as Registrar

By _____
Authorized Officer

Date of Authentication:

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Notice of such redemption shall be given in the manner required by the Bond Resolution.

The registration of this Bond may be transferred upon the registration books upon delivery to the designated office of the Registrar accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Registrar, duly executed by the owner of this Bond or by his attorney-in-fact or legal representative, containing written instructions as to the details of transfer of this Bond, along with the social security number or federal employer identification number of such transferee. In all cases of a transfer of a Bond, the Registrar shall at the earliest practical time in accordance with the provisions of the Bond Resolution enter the transfer of ownership in the registration books and shall deliver in the name of the new transferee or transferees a new fully registered Bond or Bonds of the same maturity and of authorized denomination or denominations, for the same aggregate principal amount and payable from the same source of funds. The Agency and the Registrar may charge the owner of such Bond for the registration of every such transfer of a Bond an amount sufficient to reimburse them for any tax, fee or any other governmental charge required (other than by the Agency) to be paid with respect to the registration of such transfer, and may require that such amounts be paid before any such new Bond shall be delivered.

If the date for payment of the principal of, premium, if any, or interest on this Bond shall be other than a Business Day, then the date for such payment shall be the next succeeding Business Day, and payment on such day shall have the same force and effect as if made on the nominal date of payment.

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 hereto, and that the issuance of the Bonds of this Series does not violate any constitutional or statutory limitation or provision.

[PROVISION FOR VARIABLE RATE BONDS]

The form of the Bonds may be modified as appropriate to provide for a variable interest rate calculated initially and from time to time by reference to an index or indices or formula or formulas to be subsequently designated by the Agency by or pursuant to supplemental resolution pertaining to each Series of Bonds, provided that in no event shall the interest rate calculated in accordance with such index or formula exceed the maximum interest rate such Bonds are permitted to bear in accordance with the supplemental resolution authorizing such Series of Bonds and applicable law.

[FORM OF PROVISION FOR DEMAND BONDS]

The form of the Bonds may be modified as appropriate by or pursuant to supplemental resolution of the Agency for each Series of Bonds prior to the sale thereof, to provide that the Bonds are subject to mandatory or optional tender for purchase by the registered owner thereof.

Neither the members of the governing body of the Agency nor any person executing the Bonds shall be liable personally on the Bonds by reason of their issuance.

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ASSIGNMENT

FOR VALUE RECEIVED, the undersigned _____ (the "Transferor"), hereby sells, assigns and transfers unto _____ (the "Transferee")

PLEASE INSERT SOCIAL SECURITY OR
OTHER IDENTIFYING NUMBER OF TRANSFERREE

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ as attorney to register the transfer of the within Bond on the books kept for registration and registration of transfer thereof, with full power of substitution in the premises.

Date:

Signature Guaranteed:

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

NOTICE: No transfer will be registered and no new Bond will be issued in the name of the Transferee, unless the signature(s) to this assignment correspond(s) with the name 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 Federal Employer Identification Number of the Transferee is supplied.

[END OF FORM OF BOND]

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Section 5.10 **Application of Bond Proceeds.** Except as otherwise provided hereby, the proceeds, including accrued interest and premium, if any, received from the sale of the Bonds of any Series shall be applied by the Agency simultaneously with the delivery of such Bonds in accordance with the provisions of a supplemental resolution of the Agency in conformity with this Resolution to be adopted at or before the delivery of such Series of Bonds.

Section 5.11 **Temporary Bonds.** Pending the preparation of definitive Bonds, the Agency may execute and the authenticating agent, if any, shall authenticate and deliver temporary Bonds. Temporary Bonds shall be issuable as registered Bonds without coupons, of any authorized denomination, and shall be substantially in the form of the definitive Bonds but with such omissions, insertions, and variations as may be appropriate for temporary Bonds, all as may be determined by the Agency. Temporary Bonds may contain such reference to any provisions of this Resolution as may be appropriate. Every temporary Bond shall be executed by the Agency and be authenticated by the authenticating agent, if any, upon the same conditions and in substantially the same manner, and with like effect, as the definitive Bonds. As promptly as practicable the Agency shall execute and shall furnish definitive Bonds and thereupon temporary bonds may be surrendered in exchange therefor without charge at the principal office of the Registrar, and the Registrar shall deliver in exchange for such temporary Bonds a like aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Resolution as definitive Bonds.

ARTICLE VI SOURCE OF PAYMENT OF BONDS; SPECIAL OBLIGATIONS OF AGENCY

Section 6.01 **Bonds Not to be Indebtedness of the Agency.** The Bonds shall not be or constitute general or moral obligations or indebtedness or a pledge of the faith and credit of the Agency, the City, the State of Florida or any other political subdivision thereof within the meaning of any constitutional, legislative or charter provision or limitation, but shall be limited obligations of the Agency, payable solely from and secured by a lien upon and a pledge of the Pledged Revenues, in the manner and to the extent herein provided. No Bondholder shall ever have the right directly or indirectly, to compel the exercise of the ad valorem taxing power of the City, the State of Florida or any political subdivision thereof for the payment of any other amounts provided herein. The Agency has no taxing power. The Bonds and the indebtedness evidenced thereby shall not constitute a lien upon any other funds or property of the Agency, and no Bondholder shall be entitled to payment of such principal, interest and premium, if any, from any other funds of the Agency other than the Pledged Revenues, in the manner and to the extent herein provided.

Section 6.02 **Pledge of Revenues.** The payment of the principal of, premium, if any, and interest on the Bonds shall be secured forthwith equally and ratably by an irrevocable lien on the Pledged Revenues, all in the manner and to the extent provided herein, and, as provided herein, the Agency does hereby irrevocably pledge such Pledged Revenues, all to the payment of the principal of, premium, if any, and interest on the Bonds, the funding and maintaining of the reserves therefor as required herein and for all other payments as provided herein. The pledge and lien on Pledged Revenues securing the Bonds shall be prior and superior to all other liens or

encumbrances on the Pledged Revenues; provided, however, that the pledge of and lien on the Pledged Tax Increment Revenues shall be on a parity with the pledge thereof and lien thereon securing Parity Obligations issued or incurred as provided in Section 10.02 hereof. Notwithstanding the foregoing, however, nothing herein provided shall be deemed to grant or create a lien on any amounts in a Construction Account or subaccount in the Reserve Account created with respect to a particular Series of Bonds in favor of the owners of Bonds of any other Series. Each Construction Account shall secure only the Series of Bonds with respect to which such account was created. Each subaccount in the Reserve Account shall secure only the Series of Bonds expressly designated to be secured thereby. In addition, nothing herein shall be deemed to grant or create a lien on any funds in the Rebate Account, including investment earnings thereon.

ARTICLE VII REDEVELOPMENT TRUST FUND; ALLOCATION OF PLEDGED TAX INCREMENT REVENUES; CREATION OF FUNDS AND ACCOUNTS, DISPOSITION OF REVENUES

Section 7.01 **Redevelopment Trust Fund.** Pursuant to Section 163.387, Florida Statutes, and Ordinances No. 434 and 2015-710 of the City, the Redevelopment Trust Fund has been created and established and the funds to be allocated and deposited into the Redevelopment Trust Fund have been appropriated to the Agency to finance projects within the Redevelopment Area pursuant to the Redevelopment Plan.

The lien securing the Bonds created pursuant to Section 6.02 hereof upon the revenues described in this Section 7.01 shall not attach until such revenues shall have been deposited in the Redevelopment Trust Fund.

Section 7.02 **Creation of Funds and Accounts.** There are hereby created and established the "Construction Fund" and a 2017 Construction Account therein, the "Tax Increment Revenue Bond Fund" and the following accounts therein to be known as: the "Debt Service Account," the "Reserve Account" and the "Restricted Surplus Account." There is hereby created and established in the Reserve Account for the benefit of the Series 2017 Bonds a separate subaccount designated the "Series 2017 Subaccount." There may be created and established in the Debt Service Account and the Reserve Account separate subaccounts with respect to and securing one or more separate Series of Bonds. There may be created within the Construction Fund a separate Construction Account in connection with the issuance of each Series of Bonds. The Tax Increment Revenue Bond Fund and all accounts and subaccounts therein shall constitute trust funds for the purposes herein provided, shall be delivered to and held by the Treasurer of the Agency (or an Authorized Depository designated by the Treasurer), in each case who shall act as trustee of such funds for the purposes hereof, shall, be subject to a pledge and charge in favor of the Bondholders and shall at all times be kept separate and distinct from all other funds of the Agency and used only as herein provided.

The cash required to be accounted for in each of the funds and accounts created hereunder may, except as expressly provided by supplemental resolution, be deposited in a single bank or investment account or otherwise commingled with other funds of the Agency and the City for investment purposes, provided that adequate accounting records are maintained to reflect and

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control the restricted allocation of cash on deposit therein for the various purposes of such funds as provided herein. The designation and establishment of the various funds and accounts in and by this Resolution shall not be construed to require the establishment of any completely independent-self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues and assets of the Agency for certain purposes and to establish certain priorities for application of such revenues and assets as herein provided.

Section 7.03 **Construction Account.** The Agency shall deposit to a Construction Account such amounts as may be directed from time to time by supplemental resolution. Moneys in the 2017 Construction Account and other accounts created within the Construction Fund shall be kept separate and apart from all other accounts and subaccounts of the Agency, and funds on deposit therein shall be withdrawn, used and applied by the Agency solely for the payment of the Cost of the Projects. Amounts in the 2017 Construction Account shall be applied to pay costs of the 2017 Redevelopment Project. Capitalized interest, if any, deposited in a Construction Account shall be transferred, to the extent necessary, to the Debt Service Account to pay interest on the applicable Series of Bonds. Funds on deposit in a Construction Account shall be withdrawn, used and applied by the Agency solely for the payment of the Costs of such Project or Projects and purposes incidental thereto; provided, however, that moneys in a Construction Account may be removed and deposited as necessary into a related subaccount or applied to pay costs of a different Project so long as the Agency shall have received an opinion of Bond Counsel that such action will not cause interest on any Bonds that are not Taxable Bonds to become includable in gross income for federal income tax purposes.

All such funds shall be and constitute trust funds for such purposes, and shall be delivered to and held by the Treasurer of the Agency (or his or her designated Authorized Depository) who shall act as trustee of such funds for the purposes of this Resolution. There is hereby created a lien in favor of the Holders of the Bonds of the Series to which such separate subaccounts are related, the funds therein, until applied as herein provided.

Any funds on deposit in a Construction Account that, in the opinion of the Agency, are not immediately necessary for expenditure, as hereinabove provided, shall be held and may be invested in the manner provided by law, in Investment Obligations, provided that such investments shall be payable at such times and in such manner as shall provide sufficient funds as are estimated to be needed for the purposes hereof. All income derived from investment of funds in a Construction Account shall be deposited into the Construction Account to which such investment income is attributable.

Upon completion of a Project, any amounts then remaining in corresponding Construction Account and not reserved by the Agency for the payment of the Cost of such Project or for any other Project, shall be used to redeem Bonds of the Series from which funds were derived, or upon receipt of an opinion from Bond Counsel that the interest on the Bonds that are not Taxable Bonds will not become includable in gross income for federal income tax purposes as a result of such action, (i) to the payment of the Costs of additional Projects authorized by the Agency, or (ii) if needed, shall be deposited in the applicable subaccount in the Reserve Account, or (iii) for such other purpose as may be permitted by the Redevelopment Act. Notwithstanding the foregoing, any moneys remaining in the 2017 Construction Account upon

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completion of the 2017 Redevelopment Project and not reserved for payment of Cost of such Project shall be transferred to the Debt Service Account.

Section 7.04 **Disposition of Pledged Tax Increment Revenues.** All Pledged Tax Increment Revenues shall be deposited immediately upon receipt into the Redevelopment Trust Fund and upon such deposit shall be subject to the pledge and lien of this Resolution pursuant to Section 6.02 hereof. The Bonds and Parity Obligations issued in accordance with the terms hereof shall be secured by a parity lien on the Pledged Tax Increment Revenues on deposit in the Redevelopment Trust Fund. As between the Bonds and Parity Obligations, available Pledged Tax Increment Revenues shall be allocated pro rata based upon the relative amounts required to be deposited in such Fiscal Year hereunder for the payment of debt service on the Bonds, and Parity Obligations and then to the funding of the Reserve Account and Surplus Reserve Account created pursuant to Section 7.06 hereof and other amounts payable with respect thereto. Subject to the foregoing, in each Fiscal Year, Pledged Tax Increment Revenues shall be transferred from the Redevelopment Trust Fund and deposited to the credit of the Tax Increment Revenue Bond Fund upon receipt in an amount sufficient to make the deposits required by subsection (1) below.

(1) **DISPOSITION OF FUNDS IN THE TAX INCREMENT REVENUE BOND FUND.** Funds in the Tax Increment Revenue Bond Fund shall be applied in each Bond Year only in the following order and priority:

(i) First, by deposit into the Debt Service Account and any subaccounts therein an amount which, together with other amounts deposited therein will be equal to (i) the interest becoming due on the Bonds in such Bond Year; (ii) all principal and, with respect to Bonds that pay interest only upon maturity or redemption, principal and interest, maturing or becoming due during the current Bond Year on the various series of Serial Bonds of the Bonds that mature annually; and (iii) the annual Amortization Installments and unamortized principal balances of Term Bonds coming due during the then current Bonds Year with respect to Bonds, until there are sufficient funds then on deposit equal to the sum of the interest, principal and redemption payments due, respectively, on the Bonds, on the interest and principal payment dates and redemption dates in such Bond Year.

Deposits shall be increased or decreased to the extent required to pay principal, interest and redemption premiums next becoming due, after making allowance for any accrued and capitalized interest, and to make up any deficiency or loss that may otherwise arise in such fund or accounts. Additionally, if Bonds issued as Variable Rate Debt are Outstanding, unless the Agency shall establish a different procedure for the deposit of interest on Bonds constituting Variable Rate Bonds, the Agency shall deposit into the Debt Service Account an amount equal to the interest that would be payable on such Bonds in such Bond Year assuming they bear interest at the maximum rate such Bonds are permitted to bear in accordance with their terms.

Notwithstanding anything in this subsection (a) to the contrary, if principal, interest or premium payments have been made on behalf of the Agency by a Bond Insurer or the issuer of a liquidity facility or Credit Facility or other entity insuring,

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guarantying or providing for the payment of Bonds or any Series thereof, moneys on deposit in the Debt Service Account and allocable to such Bonds shall be paid to such Bond Insurer or issuer of the liquidity facility or Credit Facility having theretofore made a corresponding payment on the Bonds.

(ii) Then, by deposit into the appropriate subaccounts in the Reserve Account, amounts which, after taking into account other funds then on deposit therein, will be sufficient to make the funds on deposit therein equal to the Reserve Requirement for each such subaccount; provided, however, that if the funds on deposit in the Reserve Account or subaccount therein are less than the Reserve Requirement as a result of a withdrawal therefrom for deposit to the Debt Service Account pursuant to Section 7.07 hereof, the amount of any deficiency due to a draw on a Reserve Product shall be repaid prior to replenishment of a cash draw and any deficiency due to other than a draw on a Reserve Product shall be replenished no later than 12 months after such withdrawal from the Reserve Account. If there are not sufficient funds in the Tax Increment Revenue Bond Fund available to make the amounts on deposit in each subaccount in the Reserve Account equal to the Reserve Requirement for the applicable Series of Bonds, there shall be deposited in each such subaccount an amount equal to the lesser of the Reserve Requirement for such subaccount or the total amount available to be deposited into the Reserve Account multiplied by a fraction, the numerator of which is the Bond Obligation of all Bonds of the applicable Series then Outstanding and the denominator of which is the total aggregate amount of the Bond Obligation of all Bonds of every Series then Outstanding hereunder.

Notwithstanding anything herein to the contrary, the Agency shall not be required to fully fund a subaccount in the Reserve Account at the time of issuance of any Series of Bonds hereunder, if it provides on the date of issuance of any Series of Bonds in lieu of such funds, a Reserve Product issued by a Reserve Product Provider in an amount equal to the difference between the Reserve Requirement and the sums then on deposit in the applicable subaccount in the Reserve Account. Such Reserve Product must provide for payment on any interest or principal payment date (provided adequate notice is given) on which a deficiency exists (or is expected to exist) in moneys held hereunder for a payment with respect to the applicable Series of Bonds which cannot be cured by funds in any other account held pursuant to this Resolution, including amounts received from the City pursuant to the Interlocal Agreement, and available for such purpose, and which shall name the Paying Agent or an Authorized Depository who has agreed to serve as trustee for the benefit of the Bondholders of such Series as the beneficiary thereof. In no event shall the use of such Reserve Product be permitted if it would cause any existing rating on the Bonds or any Series thereof to be lowered, suspended or withdrawn. If a disbursement is made from a Reserve Product as provided above, the Agency shall be obligated to reinstate the maximum limits of such Reserve Product as provided above or to replace such Reserve Product by depositing into the applicable subaccount in the Reserve Account from the first Pledged Revenues available for deposit pursuant to this clause (1)(ii) after the deposits required by clause 1(i) above, funds in the maximum amount originally payable under such Reserve Product, plus amounts necessary to reimburse the Reserve Product Provider for previous disbursements made pursuant to such Reserve Product, or a combination of such alternatives, and for purposes of this

clause (1)(ii), amounts necessary to satisfy such reimbursement obligation and other obligations of the Agency to such a Reserve Product Provider shall be deemed required deposits into the applicable subaccount in the Reserve Account, but shall be used by the Agency to satisfy its obligations to the Reserve Product Provider.

Notwithstanding the foregoing, if one or more subaccounts in the Reserve Fund have been funded with cash or Investment Obligations and no event of default shall have occurred and be continuing hereunder, the Agency may, at any time in its discretion, substitute a Reserve Product meeting the requirements of this Resolution for the cash and Investment Obligations in any such subaccount, and the Agency may then withdraw such cash and Investment Obligations from such account and apply them to any lawful purpose, so long as (i) the same does not adversely affect any rating by a Rating Agency then in effect for the applicable Series of Outstanding Bonds and (ii) the Agency obtains an opinion of Bond Counsel that such actions will not, in and of themselves, adversely affect the exclusion from gross income of interest on the applicable Series of Bonds (if other than Taxable Bonds) for federal income tax purposes.

Cash on deposit in the applicable subaccount in the Reserve Account shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Reserve Product. If and to the extent that more than one Reserve Product is deposited in the applicable subaccount in the Reserve Account, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

(iii) Then, by deposit to the Restricted Surplus Account amounts which, after taking into account other funds on deposit therein, will be sufficient to make the funds on deposit therein equal to the Restricted Surplus Requirement; provided, however, that deficiencies therein arising from a withdrawal to pay debt service shall be restored no later than twelve (12) months after the date of the withdrawal creating said deficiency.

(iv) Then, to the issuer of any liquidity facility or Credit Facility or any Registrar, Paying Agent, remarketing agent or similar agent with respect to any Bonds, or to any party providing services in connection with Outstanding Bonds an amount equal to the fees and expenses of such persons accruing in such Bond Year.

Deposits required pursuant to this Section shall be cumulative and the amount of any deficiency in any Bond Year shall be added to the amount otherwise required to be deposited in the Bond Years thereafter until such time as all such deficiencies have been cured.

The foregoing notwithstanding, to the extent amounts on deposit in the Rebate Account are insufficient to pay when due the Rebate Amount in accordance with the requirements of Sections 9.06 and 9.07 hereof, the Agency shall use Pledged Revenues to fund such deficiency prior to making deposits required above.

The Agency shall not be required to make any further payments into the Tax Increment Revenue Bond Fund, including the accounts therein, when the aggregate amount of funds in the Debt Service Account and Reserve Account, including the subaccounts therein, available for the payment thereof, is at least equal to the aggregate principal amount of Bonds issued pursuant to this Resolution and then Outstanding, plus the amount of interest then due or thereafter to become due on said Bonds then Outstanding, or if all Bonds then Outstanding have otherwise been defeased pursuant to Section 13.01 below.

After the deposits required pursuant to subsection (1) above and the deposits required to be made with respect to Parity Obligations have been made, remaining Pledged Tax Increment Revenues in the Redevelopment Trust Fund shall be applied to make deposits to such other funds or accounts as shall be specified by the instrument providing for the issuance of Subordinated Obligations of such amounts as shall be necessary to pay debt service and other requirements with respect to Subordinated Obligations, as provided in the instrument providing for the issuance of such Subordinated Obligations.

After making the deposits required pursuant to subsection (1) above, the deposits required with respect to Parity Obligations and the deposits required pursuant to subsection (3) above, amounts available in the Redevelopment Trust Fund shall be used to pay the City any amounts due the City under the Interlocal Agreement and then may be used and applied by the Agency for any lawful purpose of the Agency in accordance with the Redevelopment Act.

Section 7.05 Use of Moneys in the Debt Service Account.

(a) Moneys on deposit in the Debt Service Account shall be used solely for the payment of the interest on and the principal of and any redemption premiums required with respect to the Bonds and for the other purposes provided by the terms of Section 7.04(1) hereof.

(b) At the maturity date of each Bond and at the due date of each Amortization Installment and installment of interest on each Bond, the Agency shall transfer from the Debt Service Account to the Paying Agents for such Bonds sufficient moneys to pay all principal of, premiums, if any, and interest then due and payable with respect to each such Bond. Interest accruing with respect to any fully-registered Bond (other than a Capital Appreciation Bond) shall be paid by check or draft of the Paying Agent, or by such other means as provided with respect to a Series of Bonds, to the Registered Owner thereof.

(c) Moneys deposited in the Debt Service Account representing Amortization Installments shall be applied solely (i) to purchase Term Bonds subject to redemption from such Amortization Installments at the most advantageous price obtainable, but in no event to exceed the principal amount thereof plus accrued interest or the Compounded Amount, as the case may be, but no such purchase shall be made by the Agency within a period of thirty days next preceding any interest payment date on which such Bonds are subject to call for redemption under the provisions of this Resolution, or (ii) redemption of Term Bonds subject to redemption from such Amortization Installments; all other moneys deposited in the Debt Service Account for the redemption of Bonds may be applied to the retirement of Bonds issued under the provisions of this Resolution and then Outstanding in the following manner:

(i) The Agency may endeavor to purchase one or more Outstanding Bonds of any one or more Series but only to the extent moneys are available therefor, at the most advantageous price obtainable, such price not to exceed the principal of such Bonds plus accrued interest, or the Compounded Amount, as the case may be, but no such purchase shall be made by the Agency within a period of thirty days next preceding any interest payment date on which such Bonds are subject to call for redemption under the provisions of this Resolution; or

(ii) The Agency may call any remaining Term Bonds or Serial Bonds then subject to redemption, in such order and by such selection method as provided for the redemption of such Bonds.

The Agency will apply funds deposited for the redemption of Bonds in the foregoing manner as will exhaust the money then held for the redemption of such Bonds as nearly as may be possible.

If Term Bonds are purchased or redeemed pursuant to this section in excess of the Amortization Installments for such Bond Year, such excess principal amount of such Term Bonds so purchased or redeemed shall be credited against subsequent Amortization Installments for Bonds in such Series in such Bond Year or Years as the Agency may determine and as may be reflected in the Agency's permanent accounting records.

Section 7.06 Application of Moneys in Restricted Surplus Account. Funds on deposit in the Restricted Surplus Account shall be used to pay debt service on the Bonds to the extent amounts on deposit in the Debt Service Account including any subaccount therein are sufficient therefor. Amounts in the Restricted Surplus Account shall be used only for such purpose and amounts shall be withdrawn from the Restricted Surplus Account to pay debt service on the Bonds prior to seeking payments from the City pursuant to the Interlocal Agreement and prior to the use of any funds or Reserve Product on deposit in the Series 2017 Subaccount of the Reserve Account for such purpose.

Section 7.07 Designation of Reserve Requirement; Application of Moneys in Reserve Account. The Agency may by resolution or supplemental resolution adopted prior to the issuance of a Series of Bonds designate, or provide for the designation of a separate subaccount in the Reserve Account and if such Series of Bonds is to be secured by a separate subaccount, the Reserve Requirement with respect thereto. Upon the issuance of a Series of Bonds hereunder, the Agency shall, on the delivery date of such Series of Bonds, deposit into any applicable subaccount in the Reserve Account an amount at least equal to the Reserve Requirement applicable to such Series which amount may be provided in full or in part through a Reserve Product.

Funds on deposit in the Reserve Account shall be used only for the purpose of curing deficiencies in the Debt Service Account. Amounts on deposit in the Reserve Account shall be used to cure deficiencies in the Series 2017 Subaccount of the Debt Service Account only to the extent the City does not fully fund the "Deficiency" under the Interlocal Agreement. Funds on deposit in a separate subaccount in the Reserve Account may be used only for the purpose of

curing deficiencies in the Debt Service Account related to the Series of Bonds with respect to which such subaccount in the Reserve Account was created and for no other purpose. If funds on deposit in the Reserve Account or subaccount in the Reserve Account exceed the applicable Reserve Requirement, such excess shall be paid into the Debt Service Account; provided, however, that excess funds in the Reserve Account attributable to the refunding of Bonds of a Series secured thereby and amounts in a subaccount allocable to the Bonds being refunded may be applied in the manner provided in the proceedings of the Agency with respect to such refunding. Any proceeds received from a Reserve Product shall be applied immediately to cure deficiencies in the Debt Service Account with respect to the Series of Bonds for which such Reserve Product was provided and for no other purpose.

Section 7.08 **Paying Agents.** The Agency shall transfer, from the various funds and accounts established in this Article VII, to one or more Paying Agents as shall be designated by resolution from time to time adopted by the Agency, on or before each interest and principal payment date and each redemption date, an amount sufficient to pay when due the principal of, interest on and redemption premium, if any, with respect to the Bonds.

No resignation or removal of a Paying Agent appointed hereunder shall be effective until such time as a successor has been appointed by the Agency and has accepted the duties as Paying Agent hereunder.

ARTICLE VIII DEPOSITARIES OF MONIES, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

Section 8.01 **Deposits Constitute Trust Funds.** All funds deposited with the Agency in the Redevelopment Trust Fund and all funds and accounts and subaccounts created under the provisions of this Resolution, other than the Rebate Account and any subaccounts therein, shall be held in trust and applied only in accordance with the provisions of this Resolution, and shall not be subject to lien or attachment by any creditor of the Agency.

Section 8.02 **Investment of Moneys.** Moneys held for the credit of the funds and accounts established hereunder shall be invested and reinvested by the Agency in the Investment Obligations. Such investments or reinvestments shall mature or become available not later than the respective dates, as estimated by the Agency, that the moneys held for the credit of said funds and accounts and subaccounts will be needed for the purposes of such funds or accounts or subaccounts.

Obligations so purchased as an investment of moneys in any such fund or account or subaccount shall be deemed at all times to be a part of such fund or account or subaccount, and shall at all times, for the purposes of this Resolution, be valued at the market value thereof as determined by the Agency no less frequently than as of each semiannual interest payment date. Any deficiencies in the amounts required to be maintained on deposit in any of the funds and accounts established hereunder resulting from a decline in the market value of the investments held therein shall be restored by no later than the second semiannual valuation date occurring after the valuation resulting in such deficiency.

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any Bondholders who have filed a request with the Executive Director for the same, subject to payment by such Bondholder of the cost of reproduction and mailing.

If for any reason the Agency shall not have adopted an annual budget on or before the first day of any Fiscal Year, the annual budget for the preceding Fiscal Year shall, until the adoption of the new annual budget, be deemed in force for the ensuing Fiscal Year. The Agency may at any time adopt an amended or supplemental annual budget for the remainder of the current Fiscal Year. Copies of any such amended or supplemental annual budget shall be provided to any Bond Insurer or Credit Facility Provider and to any Bondholders who have filed a request with the Executive Director for copies of the annual budget, subject to the payment by such Bondholder of the cost of reproduction and mailing.

Section 9.04 **No Loss of Lien on Pledged Revenues.** The Agency shall not do, or omit to do, or suffer to be done or omitted to be done, any matter or thing whatsoever whereby the pledge to the Bonds of the Pledged Revenues, or any part thereof, or the priority thereof might or could be lost or materially impaired.

Section 9.05 **Enforcement of Pledged Revenues.** The Agency shall diligently enforce its right to receive and dispose of the Pledged Revenues. The Agency shall not take any action which might impair or adversely affect the Pledged Revenues, or impair or adversely affect in any manner the pledge thereof and the lien thereon securing the Bonds. The Agency shall, so long as any Bonds are Outstanding, take all lawful action necessary or appropriate to continue the Agency's right to receive the Pledged Tax Increment Revenues.

Section 9.06 **Tax Covenants.** It is the intention of the Agency and all parties under its control that the interest on the Bonds issued hereunder that are not Taxable Bonds be and remain excluded from gross income for federal income tax purposes and to this end the Agency hereby represents to and covenants with each of the holders of the Bonds issued hereunder that are not Taxable Bonds that it will comply with the requirements applicable to it contained in the Code to the extent necessary to preserve the exclusion of interest on such Bonds from gross income for federal income tax purposes. Specifically, without intending to limit in any way the generality of the foregoing, the Agency covenants and agrees:

- (a) to make or cause to be made all necessary determinations and calculations of the Rebate Amount and required payments of the Rebate Amount;
- (b) to set aside sufficient moneys in the Rebate Account hereby created or elsewhere, from the Pledged Revenues or other legally available funds of the Agency, to timely pay the Rebate Amount to the United States of America;
- (c) to pay the Rebate Amount to the United States of America from the Pledged Revenues or from any other legally available funds, at the times and to the extent required pursuant to Section 148(f) of the Code;
- (d) to maintain and retain all records pertaining to the Rebate Amount with respect to the Bonds that are not Taxable Bonds issued hereunder and required payments of the Rebate Amount with respect to the Bonds that are not Taxable Bonds for at least six years after

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Except as otherwise expressly provided herein, including specifically, the obligations of the Agency with respect to the funding of the Rebate Account set forth in Sections 9.06 and 9.07 hereof, all income and profits derived from the investment of moneys in a Construction Account shall be retained in such Construction Account and used for the purposes specified for such Construction Account. Except as otherwise expressly provided herein, including specifically, the obligations of the Agency with respect to the funding of the Rebate Account set forth in Sections 9.06 and 9.07 hereof, all income and profits derived from the investment of moneys in the Reserve Account and the Debt Service Account, if any, shall be deposited into a Construction Account until the amount on deposit therein is sufficient for such purposes. Thereafter, all remaining income and profits shall be deposited into the Tax Increment Revenue Bond Fund. All income and profits derived from the investment of moneys in the Rebate Account shall be retained therein.

All such investments shall be made in compliance with Section 9.06 below.

ARTICLE IX GENERAL COVENANTS OF THE AGENCY

Section 9.01 **Books and Records.** The Agency, or the City on behalf of the Agency, shall keep separately identifiable financial books, records, accounts and data concerning the Redevelopment Trust Fund and the receipt and disbursement of Pledged Tax Increment Revenues, the Pledged Revenues, and the Bonds in accordance with generally accepted accounting principles applicable to governmental entities and applied in a consistent manner.

Section 9.02 **Reports and Annual Audits.**

(a) The Agency, or the City on behalf of the Agency, shall require that an annual audit of the accounts and records with respect to the Redevelopment Trust Fund and the Pledged Revenues be completed as soon as practicable after the end of each Fiscal Year by a qualified independent certified public accountant. Such audit shall be conducted in accordance with generally accepted auditing standards as applied to governmental entities and shall include a statement by such auditors that no default on the part of the Agency of any covenant or obligation hereunder has been disclosed by reason of such audit, or, alternatively, specifying in reasonable detail the nature of such default or failure to comply. Included as part of such audit shall be a calculation for such Fiscal Year of Pledged Tax Increment Revenues divided by Debt Service Requirement on Outstanding Bonds and Parity Obligations. Such audit may be performed in conjunction with the audit of other Agency or City funds.

(b) A copy of the audit and the statement of the auditors shall be available for inspection at the offices of the Agency and mailed to any Bondholder requesting the same, upon payment by such Bondholder of the cost of reproduction and mailing.

Section 9.03 **Annual Budget.** On or before the first day of each Fiscal Year, the Agency shall adopt a final annual budget for the Redevelopment Area for such Fiscal Year and shall supply a copy of such budget promptly upon the approval thereof to any Bond Insurer or Credit Facility Provider, any Rating Agency rating Outstanding Bonds or Parity Obligations, and

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the final maturity of the Bonds that are not Taxable Bonds or such other period as shall be necessary to comply with the Code:

(c) to refrain from taking any action that would cause any Bonds or any Series or portion thereof issued hereunder, other than Taxable Bonds and bonds issued with the intent that they shall constitute "private activity bonds" under Section 141(a) of the Code, to be classified as "private activity bonds" under Section 141(a) of the Code; and

(f) to refrain from taking any action that would cause the Bonds that are not Taxable Bonds issued hereunder to become arbitrage bonds under Section 148 of the Code.

The Agency understands that the foregoing covenants impose continuing obligations of the Agency that will exist as long as the requirements of the Code are applicable to the Bonds.

Notwithstanding any other provision of this Resolution, including, in particular Section 13.01 hereof, the obligation of the Agency to pay the Rebate Amount to the United States of America and to comply with the other requirements of this Section 9.06 shall survive the defeasance or payment in full of the Bonds that are not Taxable Bonds.

Section 9.07 **Rebate Account.** The Agency covenants and agrees that it shall maintain and retain all records pertaining to and shall be responsible for making or having made all determinations and calculations of the Rebate Amount for each Series of Bonds issued hereunder that are not Taxable Bonds and shall deposit to the credit of the Rebate Account from investment earnings, Pledged Revenues or other legally available funds of the Agency such amounts, all at such times and in such manner as shall be required to comply with its covenants in Section 9.06. The Agency shall use such moneys deposited in the Rebate Account only for the payment of the Rebate Amount to the United States as required by Section 9.06 hereof. In complying with the foregoing, the Agency may rely upon any instructions or opinions from Bond Counsel.

If any amount shall remain in the Rebate Account after payment in full of all Bonds issued hereunder that are not Taxable Bonds and after payment in full of the Rebate Amount to the United States in accordance with the terms hereof, such amounts shall be available to the Agency for any lawful purpose.

The Rebate Account shall be held separate and apart from all other funds and accounts of the Agency shall not be impressed with a lien in favor of the Bondholders and the moneys therein shall be available for use only as herein provided.

Notwithstanding any other provision of this Resolution, including in particular Section 13.01 hereof, the obligation to pay over the Rebate Amount to the United States and to comply with all other requirements of Section 9.06 and this Section 9.07 shall survive the defeasance or payment in full of the Bonds.

Section 9.08 **Deposit of Amounts Received Pursuant to Interlocal Agreement.** Amounts received by the Agency pursuant to the Interlocal Agreement shall promptly upon receipt be deposited first into the Series 2017 Subaccount in the Debt Service Account and to any other accounts or subaccounts as provided in the Interlocal Agreement to cure deficiencies therein.

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**ARTICLE X
ISSUANCE OF ADDITIONAL BONDS AND PARITY OBLIGATIONS**

Section 10.01 **Issuance of Other Obligations.** The Agency will not issue any obligations payable from the Pledged Revenues or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge upon the Pledged Revenues, except under the terms and conditions and in the manner provided below.

Section 10.02 **Issuance of Additional Bonds and Parity Obligations.** (a) Except as otherwise provided in this section, no Additional Bonds may be issued under this Resolution and no Parity Obligations or Subordinate Obligations may be issued or incurred unless the Agency shall have first complied with the requirements of this Section. Additional Bonds, Parity Obligations and Subordinate Obligations may be issued from time to time hereunder for the purpose of financing Projects, for the purpose of refunding or refinancing Bonds previously issued hereunder and for the purpose of repaying, refunding or refinancing other obligations, as permitted by applicable law, including Parity Obligations and Subordinate Obligations, to pay the cost of or debt service on obligations of the Agency incurred to finance Projects, including in each case, costs and expenses incidental thereto. (b) Specifically, Additional Bonds and Parity Obligations and Subordinate Obligations may be issued or incurred upon compliance with the following requirements:

(i) The Agency must be current in all deposits into the various funds, accounts and subaccounts and all payments theretofore required to have been deposited or made by it under the provisions of this Resolution and must have complied with and not be in default under the covenants and provisions of this Resolution and any supplemental resolution hereafter adopted for the issuance of Additional Bonds, Parity Obligations or Subordinate Obligations unless upon the issuance or incurrence of such Additional Bonds or Parity Obligations or Subordinate Obligations, the Agency will be in compliance with all such covenants and provisions.

(ii) A statement or report of the Agency's Financial Advisor or an independent certified public accountant filed with the Executive Director reciting the opinion that, based on necessary information, that amount of Modified Pledged Tax Increment Revenues, together with net investment earnings on the funds and accounts hereunder and available for the payment of debt service thereon, for the immediately preceding Fiscal Year, equalled at least one hundred twenty-five percent (125%) of the Maximum Annual Debt Service (including in such calculation the Bonds and Parity Obligations then Outstanding and the Additional Bonds and Parity Obligations proposed to be issued) and that the Modified Pledged Tax Increment Revenues less such Maximum Annual Debt Service equalled at least one hundred ten percent (110%) of the maximum annual debt service (determined as provided in the definition of Maximum Annual Debt Service as though such definition applied to Subordinate Obligations) for any Subordinate Obligations then Outstanding and any Subordinate Obligations proposed to be issued.

(c) In addition to the foregoing, the Agency may issue at any time and from time to time Additional Bonds or Parity Obligations or Subordinate Obligations for the purpose

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(v) any proceedings shall be instituted, with the consent or acquiescence of the Agency, for the purpose of effecting a composition between the Agency and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statutes now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the Tax Increment Revenues; or

(vi) the entry of a final judgment or judgments for the payment of money against the Agency which subjects any of the funds pledged hereunder to a lien for the payment thereof in contravention of the provisions of this Resolution for which there does not exist adequate insurance, reserves or appropriate bonds for the timely payment thereof, and any such judgment shall not be discharged within ninety (90) days from the entry thereof or an appeal shall not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof; or

(vii) the Agency 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 Agency to be performed, and such default shall continue for sixty (60) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Agency by the Registered Owners of not less than ten percent (10%) of the Bond Obligation.

Notwithstanding the foregoing, with respect to the events described in clauses (iii) and (vii), the Agency shall not be deemed in default hereunder if such default can be cured within a reasonable period of time and if the Agency in good faith institutes appropriate curative action and diligently pursues such action until the default has been corrected.

Section 11.02 **Enforcement of Remedies.** Upon the happening and continuance of any event of default specified in Section 11.01 of this Article, then and in every such case the owners of not less than twenty-five percent (25%) of the Bond Obligation may appoint any state bank, national bank, trust company or national banking association qualified to transact business in Florida to serve as trustee for the benefit of the holders of all Bonds then Outstanding (the "Trustee"). Notice of such appointment, together with evidence of the requisite signatures of the holders of twenty-five percent (25%) of the Bond Obligation and the trust instrument under which the Trustee shall have agreed to serve shall be filed with the Agency and the Trustee and notice of such appointment shall be mailed to the registered holders of the Bonds. After the appointment of a Trustee hereunder, no further Trustees may be appointed; however, the holders of a majority of the Bond Obligation may remove the Trustee initially appointed and appoint a successor and subsequent successors at any time. If the default for which the Trustee was appointed is cured or waived pursuant to this Article, the appointment of the Trustee shall terminate with respect to such default.

After a Trustee has been appointed pursuant to the foregoing, the Trustee may proceed, and upon the written request of owners of twenty-five percent (25%) of the Bond Obligation shall proceed to protect and enforce the rights of the Bondholders under the laws of the State of Florida, including the Act, and under this Resolution, by such suits, actions or special

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of refunding any Series of Bonds or Parity Obligations or Subordinate Obligations, or any maturity or any portion of a maturity thereof within a Series, without the necessity of complying with the requirements contained in paragraph (1) above, provided that prior to the issuance of such Bonds or Parity Obligations or Subordinate Obligations there shall be filed with the Executive Director a certificate or report of an independent certified public accountant or a nationally recognized financial verification firm to the effect that (i) the net proceeds from such Additional Bonds or Parity Obligations or Subordinate Obligations will be sufficient to cause the pledge created by this Resolution with respect to the Bonds to be refunded and defeased pursuant to Section 13.01 below or, as applicable, the pledge of the Parity Obligations or Subordinate Obligations to be refunded to be defeased in accordance with the terms of the instruments under which such Parity Obligations or Subordinate Obligations were issued; and (ii) the Debt Service Requirement with respect to the Additional Bonds and Parity Obligations and Subordinate Obligations in each Bond Year following the issuance thereof for refunding purposes through the Bond Year in which the latest maturing Bonds, Parity Obligations or Subordinate Obligations then Outstanding mature, shall be equal to or less than the Debt Service Requirement for each such Bond Year with respect to the Bonds and Parity Obligations and Subordinate Obligations which would have been Outstanding in each such Bond Year had the same not been refunded pursuant to this section.

Unless consented to by all Bond Insurers, payments due on Subordinate Obligations shall not be accelerated.

**ARTICLE XI
EVENTS OF DEFAULT; REMEDIES**

Section 11.01 **Events of Default.** Each of the following events is hereby declared an "event of default," that is to say if:

(i) payment of principal of any Bond shall not be made when the same shall become due and payable, either at maturity (whether by acceleration or otherwise) or on required payment dates by proceedings for redemption or otherwise; or

(ii) payment of any installment of interest shall not be made when the same shall become due and payable; or

(iii) the Agency shall for any reason be rendered incapable of fulfilling its obligations hereunder to the extent that the payment of or security for the Bonds would be materially adversely affected, and such conditions shall continue unremedied for a period of thirty (30) days after the Agency becomes aware of such conditions; or

(iv) an order or decree shall be entered, with the consent or acquiescence of the Agency, appointing a receiver or receivers of the Agency or the Redevelopment Trust Fund, or any part thereof or the filing of a petition by the Agency for relief under federal bankruptcy laws or any other applicable law or statute of the United States of America or the State of Florida, which shall not be dismissed, vacated or discharged within ninety (90) days after the filing thereof; or

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proceedings in equity or at law, or by proceedings in the office of any board, body or officer having jurisdiction, either for the specific performance of any covenant or agreement contained herein or in aid of execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, all as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy against the Agency under this Resolution the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Agency for principal, interest or otherwise under any provisions of this Resolution or of such Bonds and unpaid, with interest on overdue payments of principal and, to the extent permitted by law, on interest at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce any judgment or decree against the Agency, but solely as provided herein and in such Bonds, for any portion of such amounts remaining unpaid and interest, costs and expenses as above provided, and to collect (but solely from moneys in the Debt Service Account, the Surplus Reserve Account and the Reserve Account) in any manner provided by law, the moneys adjudged or decreed to be payable.

Section 11.03 **Effect of Discontinuing Proceedings.** In case any proceeding taken by the Trustee or any Bondholder on account of any default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or such Bondholder, then and in every such case the Agency, the Trustee and Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Section 11.04 **Directions to Trustee as to Remedial Proceedings.** Anything in this Resolution to the contrary notwithstanding, the holders of a majority of the Bond Obligation shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this Resolution, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

Section 11.05 **Pro Rata Application of Funds.** Anything in this Resolution to the contrary notwithstanding, if at any time the moneys in the Debt Service Account shall not be sufficient to pay the principal (or Compounded Amounts with respect to the Capital Appreciation Bonds) of or the interest on the Bonds as the same become due and payable such moneys, together with any moneys then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in this Article or otherwise, shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied (1) to the payment of all installments of interest then due, in the order of the maturity of the installments of such interest, to the Persons entitled thereto, ratably, without any discrimination or preference, and (2) to the payment

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of all installments principal then due, by maturity, or upon mandatory redemption, in order of their due dates, to the persons entitled thereto, ratably, without discrimination or preference; and

(b) 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 (or Compounded Amounts with respect to Capital Appreciation Bonds) then due and unpaid upon the Bonds, 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 (or Compounded Amounts with respect to Capital Appreciation Bonds), to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future; the setting aside of such moneys, in trust for the proper purpose, shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to the Agency, to any Bondholder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Resolution as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an interest payment date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue and the Compounded Amount of Capital Appreciation Bonds shall cease to accrete. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to the Owner of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 11.06 Restrictions on Actions by Individual Bondholders. No Bondholder shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust hereunder or for any other remedy hereunder unless such Bondholder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be taken, and unless the holders of not less than twenty-five percent (25%) of the Bond Obligation shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, including the reasonable fees of its attorneys (including fees on appeal), and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be

conditions precedent to the execution of the powers and trusts of this Resolution or for any other remedy hereunder. It is understood and intended that no one or more owners of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Resolution, or to enforce any right hereunder, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all Bondholders, and that any individual rights of action or any other right given to one or more of such owners by law are restricted by this Resolution to the rights and remedies herein provided.

Nothing contained herein, however, shall affect or impair the right of any Bondholder, individually, to enforce the payment of the principal of and interest on his Bond or Bonds at and after the maturity thereof, at the time, place, from the source and in the manner provided in this Resolution.

Section 11.07 Appointment of a Receiver. Upon the happening and continuance of an event of default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondholders under this Resolution, the Trustee shall be entitled, as a matter of right, without regard to the solvency of the Agency, to the appointment of a receiver or receivers of the Redevelopment Trust Fund, pending such proceedings, with such powers as the court making such appointments shall confer, whether or not the Pledged Revenues and other funds pledged hereunder shall be deemed sufficient ultimately to satisfy the Bonds Outstanding hereunder.

Section 11.08 Bond Insurer and Credit Facility Providers are Parties In Interest. Subject to the provisions of any supplemental resolution limiting the rights of a particular Bond Insurer or Credit Facility Provider, a Bond Insurer or Credit Facility Provider shall be included as a party in interest under this Article XI and as a party entitled to (i) notify the Paying Agent of the occurrence of an event of default hereunder, (ii) request the Paying Agent or a Trustee appointed pursuant to Section 11.02 hereof to intervene in judicial proceedings that affect the Bonds insured by such Bond Insurer or enhanced by such Credit Facility Provider or the security therefor, and (iii) to direct and control the enforcement of all rights and remedies with respect to Bonds insured or for which a Credit Facility is provided. The Paying Agent and any Trustee appointed pursuant to Section 11.02 hereof shall accept notice of a default from the Bond Insurer or Credit Facility Provider with respect to any Bonds insured by such Bond Insurer or enhanced by such Credit Facility Provider.

ARTICLE XII MODIFICATION OR AMENDMENTS

Section 12.01 Modification or Amendment. This Resolution may be modified and amended from time to time prior to the issuance of the first Series of Bonds hereunder. Thereafter, no modification or amendment of this Resolution, or of any resolution amendatory hereof or supplemental hereto, materially adverse to the Bondholders may be made without the consent in writing of the owners of not less than a majority of the Bond Obligation, but no modification or amendment shall permit a change (a) in the maturity of any of the Bonds or a reduction in the rate of interest thereon, (b) in the amount of the principal obligation of any Bond, (c) that would affect the unconditional promise of the Agency to collect and hold the

Pledged Revenues as herein provided, or provide for the receipt and disbursement of such revenues as herein provided, or (d) that would reduce such percentage of holders of the Bond Obligation, required above, for such modifications or amendments, without the consent of all of the Bondholders. For the purpose of Bondholders' voting rights or consents, the Bonds owned by or held for the account of the Agency, directly or indirectly, shall not be counted. Notwithstanding the foregoing, and so long as the same shall not result in the interest on Bonds other than Taxable Bonds Outstanding hereunder being included in gross income of the holders thereof for federal income tax purposes, the Agency may, from time to time and at any time without the consent of the Bondholders, enter into such supplemental resolutions (which supplemental resolutions shall thereafter form a part hereof):

(a) To cure any ambiguity, inconsistency or formal defect or omission in this Resolution or in any supplemental resolution, or

(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, or

(c) To provide for the sale, authentication and delivery of Additional Bonds, Parity Obligations or Subordinate Obligations and the disposition of the proceeds from the sale thereof, in the manner and to the extent authorized by Article X above, or

(d) To modify, amend or supplement this Resolution or any resolution supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of any of the states of the United States of America, and, if the Agency so determines, to add to this Resolution or any resolution supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute, or

(e) To provide for the issuance of coupon Bonds or certificated or uncertificated registered public obligations as contemplated in Section 5.02 hereof, or

(f) To provide for changes suggested by a Rating Agency as necessary to secure or maintain the rating on the Bonds, or

(g) To subject to the terms of this Resolution any additional funds, securities or properties, or

(h) To make any other change or modification of the terms hereof which, in the reasonable judgment of the Agency is not prejudicial to the rights or interests of the holders of the Bonds hereunder.

Notice of any amendments or modifications of this Resolution shall be given by the Agency to the Rating Agencies then rating any Bonds Outstanding hereunder.

Section 12.02 Amendment with Consent of Bond Insurer and/or Credit Facility Provider. If all of the Bonds Outstanding hereunder are insured or secured as to payment of

principal and interest by a Bond Insurer or Bond Insurers and/or by a Credit Facility provided by a Credit Facility Provider, and the Bond Insurer or Bond Insurers and/or the Credit Facility Provider, as applicable, are not in default, the Agency may adopt a resolution amending or supplementing the provisions hereof with the written consent of said Bond Insurer or Bond Insurers and/or said Credit Facility Provider or Credit Facility Providers, as applicable, and the acknowledgment by said Bond Insurer or Bond Insurers and/or said Credit Facility Provider or Credit Facility Providers that its bond insurance policy or its Credit Facility, as the case may be, will remain in full force and effect. The consent of the Holders of any Bonds shall not be necessary. The foregoing right of amendment, however, does not apply to any amendment to any of the matters set forth in (a) through (d) of the first paragraph of Section 12.01 hereof.

ARTICLE XIII DEFEASANCE

Section 13.01 Defeasance and Release of Resolution. If, at any time after the date of issuance of the Bonds, (a) all Bonds secured hereby, or any Series thereof, or maturity or portion of a maturity within a Series, shall have become due and payable in accordance with their terms or otherwise as provided in this Resolution, or shall have been duly called for redemption, or the Agency gives the Paying Agents irrevocable instructions directing the payment of the principal of, premium, if any, and interest on such Bonds at maturity or at any earlier redemption date scheduled by the Agency, or any combination thereof, (b) the whole amount of the principal, premium, if any, and the interest so due and payable upon all of such Bonds then Outstanding, at maturity or upon redemption, shall be paid, or sufficient moneys shall be held by the Paying Agents, an escrow agent or any Authorized Depository, in irrevocable trust for the benefit of such Bondholders (whether or not in any accounts created hereby) which, as verified by a report of a nationally recognized independent certified public accountant or nationally recognized firm of independent certified public accountants or nationally recognized financial verification firm, when invested in Refunding Securities maturing not later than the maturity or redemption dates of such principal, premium, if any, and interest will, together with the income realized on such investments, be sufficient to pay all such principal, premium, if any, and interest on said Bonds at the maturity thereof or the date upon which such Bonds are to be called for redemption prior to maturity, and (c) provisions shall also be made for paying all other sums payable hereunder by the Agency, then and in that case the right, title and interest of such Bondholders hereunder and the pledge of the Pledged Revenues, and all other pledges and liens created hereby or pursuant hereto, with respect to such Bondholders shall thereupon cease, determine and become void, and if such conditions have been satisfied with respect to all Bonds issued hereunder and then Outstanding, all balances remaining in any other funds or accounts created by this Resolution other than moneys held for redemption or payment of Bonds and to pay all other sums payable by the Agency hereunder shall be distributed to the Agency for any lawful purpose; otherwise this Resolution shall be, continue and remain in full force and effect.

For purposes of determining the amount of interest due and payable with respect to Bonds issued as Variable Rate Debt pursuant to (h) above, the interest on such Bonds shall be calculated at the maximum rate permitted by the terms thereof; provided, however, that if on any date, as a result of such Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Refunding Securities on deposit with the Paying Agents for the payment of interest on such Bonds is in excess of the total amount which would have

been required to be deposited with the Paying Agents on such date in respect of such Bonds in order to satisfy the above provisions, the Paying Agents shall pay the amount of such excess to the Agency for use in such manner as required or permitted pursuant to an opinion of Bond Counsel in order not to cause interest on the Bonds (other than Taxable Bonds) or any bonds issued to refund the Bonds to cease to be excludable from gross income for federal income tax purposes.

For purposes of determining the amount of principal, premium, if any, and interest due and payable pursuant to (b) above with respect to Bonds subject to mandatory purchase or redemption by the Agency at the option of the registered owner thereof ("Put Bonds"), as long as a liquidity credit facility remains in place such amount shall be the maximum amount of principal of and premium, if any, and interest on such Put Bonds which could become payable to the Registered Owners of such Bonds upon the exercise of any such demand options provided to the Registered Owners of such Put Bonds. If any portion of the moneys deposited with the Paying Agents for the payment of the principal of and premium, if any, and interest on Put Bonds is not required for such purpose the Paying Agents shall pay the amount of such excess to the Agency for use in such manner as required or permitted pursuant to an opinion of Bond Counsel in order not to cause interest on the Bonds (other than Taxable Bonds) or any bonds issued to refund the Bonds to cease to be excluded from gross income for federal income tax purposes.

If a portion of a maturity of a series of Bonds subject to mandatory sinking fund redemption from Amortization Installments shall be defeased as provided above, the principal amount of the Bonds so defeased shall be allocated to the Amortization Installments designated by the Agency, or if no such designation is made, such principal amount shall be allocated to Amortization Installments in inverse order of maturity.

ARTICLE XIV MISCELLANEOUS PROVISIONS

Section 14.01 Severability. If any one or more of the covenants, agreements or provisions of this Resolution should be held invalid or unenforceable by a court of competent jurisdiction, then such covenants, agreements or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements or provisions of this Resolution or of the Bonds issued hereunder.

Section 14.02 No Third-Party Beneficiaries. Except as herein or by supplemental resolution, otherwise expressly provided, nothing in this Resolution expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the parties hereto and the owners and holders of the Bonds, Parity Obligations and Subordinate Obligations issued under and secured by this Resolution, any right, remedy or claim, legal or equitable, under or by reason of this Resolution or any provision hereof, this Resolution and all its provisions being intended to be and being for the sole and exclusive benefit of the parties hereto and the owners and holders from time to time of the Bonds issued hereunder.

Section 14.03 Controlling Law; Members of Agency Not Liable. All covenants, stipulations, obligations and agreements of the Agency contained in this Resolution shall be

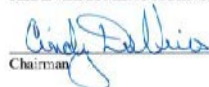
deemed to be covenants, stipulations, obligations and agreements of the Agency to the full extent authorized by the Act and provided by the Constitution and laws of the State of Florida. No covenant, stipulation, obligation or agreement contained herein shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, agent or employee of the Agency in his individual capacity, and neither the members of the Agency nor any official of the Agency or the City executing the Bonds or with other responsibilities hereunder shall be liable personally on the Bonds or this Resolution or shall be subject to any personal liability or accountability by reason of the issuance or the execution by the Agency or such members thereof.

Section 14.04 Repeal of Inconsistent Resolutions. All resolutions or parts thereof in conflict herewith are to the extent of such conflict superseded and repealed.

Section 14.05 Effective Date. This Resolution shall become effective immediately upon its adoption.

This Resolution passed and adopted this 4th day of May, 2017.

INVERNESS COMMUNITY
REDEVELOPMENT AGENCY


Chairman

ATTEST:


Secretary

EXHIBIT A

PROJECT
Highland Boulevard
The Depot Pavilion and Train Station – Architecture
The Depot Activity Center – Landscape Architecture
Liberty Park – Landscape Architecture
Liberty Park Ancillary Buildings and Play Structures – Architecture
Wallace Brooks Park – Landscape Architecture
Wallace Brooks Park Docks and Ancillary Buildings – Architecture
North MLK and Parking Lot

RESOLUTION NO. 2017-05

A RESOLUTION OF THE INVERNESS COMMUNITY REDEVELOPMENT AGENCY, SUPPLEMENTING ITS RESOLUTION NO. 2017-03, AS PREVIOUSLY AMENDED, BY AUTHORIZING AN ISSUER AUTHORIZED REPRESENTATIVE TO AWARD THE SALE OF THE AGENCY'S NOT EXCEEDING \$14,000,000 TAX INCREMENT REVENUE REFUNDING BONDS, SERIES 2017 TO STIFEL, NICOLAUS & COMPANY, INCORPORATED, AND RAYMOND JAMES & ASSOCIATES, INC., IN ACCORDANCE WITH CERTAIN PARAMETERS SET FORTH HEREIN AND APPROVING THE FORM OF A PURCHASE CONTRACT TO BE USED IN CONNECTION WITH SUCH SALE; APPOINTING U.S. BANK NATIONAL ASSOCIATION AS PAYING AGENT AND REGISTRAR; APPROVING THE FORM AND AUTHORIZING THE CIRCULATION OF A PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT; AUTHORIZING AN ISSUER AUTHORIZED REPRESENTATIVE TO DEEM FINAL THE PRELIMINARY OFFICIAL STATEMENT; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION OF A DISCLOSURE DISSEMINATION AGENT AGREEMENT; DELEGATING TO AN ISSUER AUTHORIZED REPRESENTATIVE THE AUTHORITY TO EXECUTE COMMITMENTS FOR A BOND INSURANCE POLICY AND RESERVE PRODUCT FOR DEPOSIT TO THE 2017 SUBACCOUNT IN THE 2017 RESERVE ACCOUNT; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN INTERLOCAL AGREEMENT WITH THE CITY OF INVERNESS; AUTHORIZING CERTAIN OFFICIALS OF THE AGENCY TO EXECUTE ANY DOCUMENTS AND TAKE ANY ACTIONS REQUIRED IN CONNECTION WITH THE ISSUANCE OF SAID BONDS; PROVIDING CERTAIN OTHER DETAILS WITH RESPECT THERETO; AND PROVIDING AN EFFECTIVE DATE FOR THIS RESOLUTION.

WHEREAS, the Inverness Community Redevelopment Agency (the "Issuer" or the "Agency") on May 4, 2017 adopted Resolution No. 2017-03 (the "Master Resolution") which among other matters authorized the issuance of not to exceed \$17,000,000 of the Issuer's Tax Increment Revenue Refunding Bonds, Series 2017 (the "2017 Bonds"); and

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SECTION 3. Findings.

A. Stifel, Nicolaus & Company, Incorporated representative of the Underwriters will, prior to acceptance by the Issuer of the offer of the Underwriters to purchase the 2017 Bonds, provide the Issuer with (i) a disclosure statement regarding the 2017 Bonds containing the information required by Section 218.385(6), Florida Statutes, and (ii) a Truth-in-Bonding Statement pursuant to Section 218.385(3), Florida Statutes.

B. Because of prevailing and anticipated market conditions and savings to be realized from the expeditious sale of the 2017 Bonds, and taking into account the advice of the Financial Advisor it is in the best interest of the Issuer to accept the offer of the Underwriters to purchase the 2017 Bonds in a principal amount not exceeding \$14,000,000, at a negotiated sale upon the terms and conditions outlined herein and in the Purchase Contract and as determined by an Issuer Authorized Representative in accordance with the terms hereof. Adoption of this Resolution is necessary in order to take advantage of current market conditions.

SECTION 4. Instrument to Constitute a Contract; Covenants in Bond Resolution Applicable. In consideration of the acceptance of the 2017 Bonds authorized to be issued hereunder by those who shall hold the same from time to time, the Bond Resolution, as supplemented by this Resolution, shall be deemed to be and shall constitute a contract between the Issuer and the Holders and the Beneficial Owners of the 2017 Bonds. The covenants and agreements set forth herein and in the Bond Resolution to be performed by the Issuer shall be for the equal benefit, protection and security of the Holders and the Beneficial Owners of the 2017 Bonds, to the extent and in the manner provided therein and herein.

SECTION 5. Specifying Delegation Parameters for the Sale of the 2017 Bonds; and Approval of Terms and Form of 2017 Bonds.

A. An Issuer Authorized Representative is hereby designated and authorized to award the sale of the 2017 Bonds to the Underwriters in an aggregate principal amount not to exceed \$14,000,000 and to approve the terms thereof, including, without limitation, the principal amount thereof, including the principal amounts of Term Bonds and Serial Bonds, the interest rate or rates with respect thereto, the purchase price thereof, the maturity dates thereof and the redemption terms with respect thereto, subject, however, to the following limitations:

- (i) the principal amount of the 2017 Bonds shall not exceed \$14,000,000;
- (ii) the true interest cost rate of the 2017 Bonds shall not exceed 5.00%;
- (iii) the final maturity of the 2017 Bonds shall not be later than May 1, 2045; and
- (iv) the Underwriters discount shall not be greater than 0.70% of the original principal amount of the 2017 Bonds.

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WHEREAS, pursuant to a resolution adopted on the date hereof the Issuer has amended certain provisions of the Master Resolution; and

WHEREAS, Section 12.01 of the Master Resolution provides in part that the Master Resolution may be modified from time to time prior to the issuance of the first Series of Bonds thereunder; and

WHEREAS, this Resolution is being adopted prior to the issuance of the 2017 Bonds; and

WHEREAS, Stifel, Nicolaus & Company, Incorporated and Raymond James & Associates, Inc. (collectively, the "Underwriters") intend to submit an offer to purchase the 2017 Bonds by negotiated sale pursuant to the terms of a Purchase Contract between the Issuer and the Underwriters in substantially the form attached hereto as Exhibit "A" (the "Purchase Contract"); and

WHEREAS, the Issuer desires to approve the form of Preliminary Official Statement (the "Preliminary Official Statement") in substantially the form attached hereto as Exhibit "B" in connection with the issuance and sale of the 2017 Bonds; and

WHEREAS, the Issuer desires to authorize an Issuer Authorized Representative (as defined below) to deem the Preliminary Official Statement final on behalf of the Issuer for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (the "Rule"); and

WHEREAS, the Issuer has been advised by its financial advisor, Larson Consulting Services, LLC (the "Financial Advisor"), that because of the current conditions existing in the market for securities similar to the 2017 Bonds, it is in the best interest of the Issuer to delegate to each of the Executive Director and the Treasurer of the Issuer (each of the Executive Director and the Treasurer, an "Issuer Authorized Representative") the authority to accept the offer of the Underwriters to purchase the 2017 Bonds pursuant to the terms of the Purchase Contract if certain conditions set forth in this Resolution are met; and

WHEREAS, the Master Resolution as amended to the date hereof is collectively referred to as the "Bond Resolution".

NOW, THEREFORE, BE IT RESOLVED BY THE INVERNESS COMMUNITY REDEVELOPMENT AGENCY, that:

SECTION 1. Authority. This Resolution is adopted pursuant to the Constitution of the State of Florida, Chapter 163, Part III, Florida Statutes, and other applicable provisions of law (the "Act") and the Master Resolution.

SECTION 2. Definitions. All terms used herein in capitalized form, unless otherwise defined herein, shall have the same meanings as ascribed to them in the Bond Resolution, unless the context otherwise requires. All terms used herein in capitalized form and defined in the preamble hereto shall have the meanings ascribed thereto in such preamble.

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B. The 2017 Bonds shall be dated their date of delivery, shall bear interest from such date, payable semiannually on the first day of May and the first day of November of each year, at such rates, and shall mature on May 1 of such year or years, all as shall be established by the Purchase Contract and approved by an Issuer Authorized Representative as herein provided, execution of the Purchase Contract by an Issuer Authorized Representative to constitute conclusive evidence of approval of the terms set forth therein. The 2017 Bonds shall be issued as fully registered bonds in the denominations of \$5,000 each or any integral multiple thereof.

C. The 2017 Bonds shall be subject to such optional and mandatory redemption prior to their maturity, at such prices, on such dates, and in such manner, as shall be provided by the Purchase Contract and approved by an Issuer Authorized Representative as herein provided.

D. The amount and date of any Amortization Installment for the 2017 Bonds shall be provided by the Purchase Contract and approved by an Issuer Authorized Representative as herein provided to coincide with the mandatory redemption requirements for Term Bonds as specified in the Purchase Contract.

SECTION 6. Approval of Purchase Contract; Approval of Preliminary Official Statement; Approval of Official Statement.

A. The form of the Purchase Contract attached hereto as Exhibit "A" is hereby approved, subject to such changes, insertions and omissions and such filling of blanks therein as may be approved and made in such Purchase Contract by an Issuer Authorized Representative, in a manner consistent with the provisions of the Bond Resolution and this Resolution, such execution to be conclusive evidence of such approval. Upon receipt of a disclosure statement and a Truth-in-Bonding Statement from the Underwriters, an Issuer Authorized Representative, with the advice of the Financial Advisor, which advice shall include a statement that the provisions of (i) through (iv) in Section 5A above have been complied with, is hereby authorized to accept the offer of the Underwriters to purchase the 2017 Bonds by executing and delivering the Purchase Contract. The Secretary is hereby authorized to attest such signature of the Issuer Authorized Representative.

B. The Issuer hereby approves the form and content of the Preliminary Official Statement including the appendices thereto which shall be in substantially the form of the draft Preliminary Official Statement attached hereto as Exhibit "B," subject to such changes, insertions and omissions and such filling of the blanks therein as shall be approved by an Issuer Authorized Representative deeming such document final. The Issuer hereby authorizes the execution and delivery by an Issuer Authorized Representative of a final Official Statement which, subject to incorporating the provisions of the Purchase Contract, shall be in substantially the form of the Preliminary Official Statement.

C. In order to enable the Underwriters to comply with the Rule in connection with the offering and sale of the 2017 Bonds, an Issuer Authorized Representative is hereby authorized, on behalf of the Issuer, to deem the Preliminary Official Statement final as of its date, except for Permitted Omissions as described in Section (b)(1) of the Rule.

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SECTION 7. Appointment of Registrar and Paying Agent. U.S. Bank National Association is hereby appointed as Registrar and Paying Agent in connection with the 2017 Bonds and shall undertake the duties as such under the terms of the Bond Resolution, as supplemented hereby.

SECTION 8. Continuing Disclosure. The Issuer hereby covenants and agrees that, in order to assist the Underwriters in complying with the provisions of the Rule mandating continuing disclosure with respect to the 2017 Bonds, it will comply with and carry out all of the provisions of the Disclosure Dissemination Agent Agreement to be executed by the Issuer prior to the time the Issuer delivers the 2017 Bonds to the Underwriters, as it may be amended from time to time in accordance with the terms thereof. The form of the Disclosure Dissemination Agent Agreement attached hereto as Exhibit "C," is hereby approved, subject to such changes, insertions and omissions and filling of blanks therein as may be approved and made therein by an Issuer Authorized Representative executing the same, execution and delivery thereof to be conclusive evidence of such approval. An Issuer Authorized Representative is hereby authorized to execute and deliver the Disclosure Dissemination Agent Agreement on behalf of the Issuer. Notwithstanding any other provision of the Bond Resolution or this Resolution, failure of the Issuer to comply with such Disclosure Dissemination Agent Agreement shall not be considered an event of default thereunder or hereunder. Digital Assurance Certification, L.L.C. is hereby appointed as the initial dissemination agent under the Disclosure Dissemination Agent Agreement.

SECTION 9. Bond Insurance Policy and Reserve Product. An Issuer Authorized Representative is hereby delegated the authority to obtain a commitment for a bond insurance policy in regard to any or all of the 2017 Bonds (the "Bond Insurance Policy") after consulting with the Financial Advisor to determine net interest costs savings to the Issuer resulting from the purchase of the Bond Insurance Policy, and is hereby authorized to execute and deliver such commitment and any additional documents and agreements as may be required as a condition to the delivery of the Bond Insurance Policy. An Issuer Authorized Representative is hereby delegated the authority to obtain a commitment for a Reserve Product for deposit to the 2017 Subaccount in the Reserve Account in an amount equal to all or a portion of the Reserve Requirement for the 2017 Bonds after consulting with the Financial Advisor to determine net interest costs savings to the District resulting from the purchase of such Reserve Product and an Issuer Authorized Representative is hereby authorized to execute and deliver such commitment and any additional documents and agreements as may be required as a condition to the delivery of the Reserve Product. To the extent any of the commitments referenced above have been executed and delivered prior to the date hereof such actions are hereby ratified.

SECTION 10. Approval of Interlocal Agreement and Authorization of Execution and Delivery Thereof. The Interlocal Agreement between the City and the Agency pursuant to which, subject to certain limitations, the City will agree to pay, as provided in the Interlocal Agreement, from Support Revenues (as defined therein) amounts sufficient to pay debt service on the 2017 Bonds and to fund deficiencies in the Restricted Surplus Account and the Series 2017 Subaccount of the Reserve Account to the extent the Pledged Tax Incremental Revenues are insufficient to make such payments and the Agency will agree to repay any such amounts so paid by the City is hereby approved in substantially the form attached hereto as Exhibit D. The Chairman or any designee thereof and the Secretary are hereby authorized to execute the

Interlocal Agreement in substantially the form attached hereto, with such changes, insertions and additions as they may approve, their execution thereof being evidence of such approval. Larson Consulting Services, LLC has advised the Agency that entering into the Interlocal Agreement will reduce the interest rate and related annual debt service obligation otherwise payable on the 2017 Bonds.

SECTION 11. Authorizations. Any Issuer Authorized Representative, and the Secretary, and such other officers and employees of the Issuer as may be designated by an Issuer Authorized Representative or the Secretary, are each designated as agents of the Issuer in connection with the issuance and delivery of the 2017 Bonds and are authorized and empowered, collectively or individually, to take all action and steps and to execute all instruments, documents and contracts, on behalf of the Issuer that are necessary or desirable in connection with the execution and delivery of the 2017 Bonds and which are specifically authorized by or are not inconsistent with, the terms and provisions of this Resolution or any action relating to the 2017 Bonds heretofore taken by the Issuer. Such officers and those so designated are hereby charged with the responsibility for the issuance of the 2017 Bonds.

SECTION 12. Continuing Effect of Bond Resolution. Except as supplemented hereby, all provisions of the Bond Resolution remain in full force and effect.

SECTION 13. Severability. If any one or more of the covenants, agreements or provisions of this Resolution should 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 separate from the remaining covenants, agreements or provisions of this Resolution or of the 2017 Bonds.

SECTION 14. Controlling Law; Members of Issuer Not Liable. All covenants, stipulations, obligations and agreements of the Issuer contained in this Resolution shall be deemed to be covenants, stipulations, obligations and agreements of the Issuer to the full extent authorized by the Act and provided by the Constitution and laws of the State of Florida. No covenant, stipulation, obligation or agreement contained herein shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future officer, agent or employee of the Issuer in his individual capacity, and neither the officers, agents or employees of the Issuer nor any official executing the 2017 Bonds or any other document authorized hereby shall be liable personally on the 2017 Bonds, such other document, or under this Resolution or shall be subject to any personal liability or accountability by reason of the issuance or the execution by the Issuer or such officers thereof.

[Signatures on following page]

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SECTION 15. Effective Date. This Resolution shall take effect immediately upon its passage in the manner provided by law.

ADOPTED this 13th day of July, 2017.

INVERNESS COMMUNITY
REDEVELOPMENT AGENCY

By: _____

Chairman

(SEAL)

Attested:

By: _____

Secretary

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RESOLUTION NO. 2017-06

A RESOLUTION OF THE INVERNESS COMMUNITY REDEVELOPMENT AGENCY AMENDING CERTAIN PROVISIONS OF AGENCY RESOLUTION 2017-03, INCORPORATING THE PROVISIONS OF THE BOND INSURER COMMITMENT(S) AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, pursuant to Resolution No. 2017-03 (the "Bond Resolution"), the Inverness Community Redevelopment Agency (the "Issuer") authorized among other matters the issuance of its Tax Increment Revenue Refunding Bonds, Series 2017 (the "2017 Bonds") as the first Series of Bonds issued thereunder; and

WHEREAS, Section 12.01 of the Bond Resolution provides in part that the Bond Resolution may be modified and amended from time to time prior to the issuance of the first Series of Bonds thereunder; and

WHEREAS, this resolution is being adopted prior to the issuance of the 2017 Bonds; and

WHEREAS, the Issuer has been advised by its Financial Advisor that amending the Bond Resolution including incorporating the provisions of the commitments of BAM (as defined below) to provide the Policy (as defined below) and a Reserve Product for the 2017 Bonds as set forth below is in the best interest of the Issuer.

NOW, THEREFORE, BE IT RESOLVED BY THE INVERNESS COMMUNITY REDEVELOPMENT AGENCY, AS FOLLOWS:

SECTION 1. The "WHEREAS" clauses contained hereinabove are true and accurate in all respects and are hereby included as a material part of this Resolution. Capitalized terms not defined herein shall have the meaning ascribed to them in the Bond Resolution.

SECTION 2. Section 7.04(ii) of the Bond Resolution is hereby amended or clarified to read as follows (words double underlined are additions:

(iii) Then, by deposit to the Restricted Surplus Account amounts which, after taking into account other funds on deposit therein, will be sufficient to make the funds on deposit therein equal to the Restricted Surplus Requirement; provided, however, that deficiencies therein arising from a withdrawal to pay debt service shall be restored no later than twelve (12) months after the date of the withdrawal creating said deficiency.

Notwithstanding the immediately preceding paragraph, no deposits shall be required to be made to the Restricted Surplus Account at any time after September 30, 2022, provided the Treasurer has delivered to the Executive Director a certificate, reviewed by the Financial Advisor, that the Pledged Tax Increment Revenues for the two most recent Fiscal Years of the Issuer for which audited financial statements are available is in both such Fiscal Years equal to at least 1.5X of Maximum Annual Debt Service on

all Bonds and Parity Obligations secured by amounts in the Restricted Surplus Account. Any amounts on deposit in the Restricted Surplus Account at the time of delivery of such certificate may be released from the Restricted Surplus Account, and used for any lawful purposes of the Issuer.

SECTION 3. Deposit of Amounts Received Pursuant to Interlocal Agreement. Sections 9.08 of the Bond Resolution is hereby amended as follows: Amounts received by the Agency from the City pursuant to the Interlocal Agreement shall promptly upon receipt be deposited first into the Debt Service Account to the extent required by Section 7.04(1)(i) of the Bond Resolution and then to the Restricted Surplus Account, and to the Series 2017 Subaccount of the Reserve Account including reimbursement of any amounts due in connection with draws on the Reserve Product for the 2017 Bonds as provided in the Bond Resolution, and then to acquire and construct community redevelopment projects.

SECTION 4. Amendment with Consent of Bond Insurer. Section 12.02 Amendment with Consent of Bond Insurer Section 12.02 of the Bond Resolution is hereby amended as follows: If any of the Bonds Outstanding hereunder are insured as to payment of principal and interest by a Bond Insurer or Bond Insurers and the Bond Insurer of Bond Insurers are not in default such Bond Insurer or Bond Insurers shall be treated as the bondholder for Bonds Outstanding it insures. The foregoing right of a Bond Insurer, does not apply to any amendment to any of the matters set forth in (a) through (d) of the first paragraph of Section 12.01 hereof.

SECTION 5. The Bond Resolution is hereby amended by adding an Article XV thereto as follows:

ARTICLE XV

MUNICIPAL BOND INSURANCE AND RESERVE PRODUCT

The following provisions shall be applicable to the Insured Obligations, which provisions shall govern notwithstanding anything to the contrary in the Bond Resolution provided BAM is not in default under the Policy and any Insured Obligations are Outstanding.

1. Notice and Other Information to be given to BAM. The Issuer will provide BAM with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Agreement and (ii) to the holders of Insured Obligations under the Security Documents.

The notice address of BAM is: Build America Mutual Assurance Company, 200 Liberty Street, 27th Floor, New York, NY 10281, Attention: Surveillance, Re: Policy No., Telephone: (212) 235-2500, Telecopier: (212) 235-1542, Email: notices@buildamerica.com. In each case in which notice or other communication refers to an event of default or a claim on the Policy, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel at the same address and at claims@buildamerica.com or at Telecopier: (212) 235-5214 and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

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2. Defeasance. The investments in any defeasance escrow relating to an Insured Obligation shall be limited to non-callable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or as otherwise maybe authorized under State law and approved by BAM.

At least (three) 3 Business Days prior to any defeasance with respect to the Insured Obligations, the Issuer shall deliver to BAM draft copies of an escrow agreement, an opinion of bond counsel regarding the validity and enforceability of the escrow agreement and the defeasance of the Insured Obligations, and a verification report (a "Verification Report") prepared by a nationally recognized independent financial analyst or firm of certified public accountants regarding the sufficiency of the escrow fund. Such opinion and Verification Report shall be addressed to BAM and shall be in form and substance satisfactory to BAM. In addition, the escrow agreement shall provide that:

a) Any substitution of securities following the execution and delivery of the escrow agreement shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the Insured Obligations is excludable) from gross income of the holders of the Insured Obligations of the interest on the Insured Obligations for federal income tax purposes and the prior written consent of BAM, which consent will not be unreasonably withheld.

b) The Issuer will not exercise any prior optional redemption of Insured Obligations secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to BAM a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

c) The Issuer shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of BAM.

3. Trustee and Paying Agent.

a) BAM shall receive prior written notice of any name change of the paying agent (the "Paying Agent") for the Insured Obligations or the resignation or removal of the Paying Agent.

b) No removal, resignation or termination of the Paying Agent shall take effect until a successor, acceptable to BAM, shall be qualified and appointed.

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4. Amendments, Supplements and Consents. BAM's prior written consent is required for all amendments and supplements to the Security Documents, with the exceptions noted below. The Issuer shall send copies of any such amendments or supplements to BAM and the rating agencies which have assigned a rating to the Insured Obligations.

a) Consent of BAM. Any amendments or supplements to the Security Documents shall require the prior written consent of BAM with the exception of amendments or supplements:

i. To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto, or

ii. To grant or confer upon the holders of the Insured Obligations any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the holders of the Insured Obligations, or

iii. To add to the conditions, limitations and restrictions on the issuance of Bonds or other obligations under the provisions of the Security Documents other conditions, limitations and restrictions thereafter to be observed, or

iv. To add to the covenants and agreements of the Issuer or the City in the Security Documents other covenants and agreements thereafter to be observed by the Issuer or the City or to surrender any right or power therein reserved to or conferred upon the Issuer or the City.

v. To issue Additional Bonds or Parity Obligations in accordance with the requirements set forth in the Security Documents.

b) Consent of BAM in Addition to Bondholder Consent. Any amendment, supplement, modification to, or waiver of, any of the Security Documents that requires the consent of holders of the Insured Obligations or adversely affects the rights or interests of BAM shall be subject to the prior written consent of BAM.

c) Insolvency. Any reorganization or liquidation plan with respect to the Issuer or City must be acceptable to BAM. Each owner of the Insured Obligations hereby appoints BAM as their agent and attorney-in-fact with respect to the Insured Obligations and agrees that BAM may at any time during the continuation of any proceeding by or against the Issuer or City under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, each owner of the Insured Obligations delegates and assigns to BAM, to the fullest extent permitted by law, the rights of each owner of the Insured Obligations with respect to the Insured Obligations in the conduct of any Insolvency Proceeding, including, without limitation, all rights of

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any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

d) *Control of BAM Upon Default.* Anything in the Security Documents to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, BAM shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Obligations or the Paying Agent for the benefit of the holders of the Insured Obligations under any Security Document. No default or event of default may be waived without BAM's written consent.

e) *BAM as Owner.* Upon the occurrence and continuance of a default or an event of default, BAM shall be deemed to be the sole owner of the Insured Obligations for all purposes under the Security Documents, including, without limitations, for purposes of exercising remedies and approving amendments.

f) *Consent of BAM for acceleration.* BAM's prior written consent is required as a condition precedent to any instances of acceleration.

g) *Grace Period for Payment Defaults.* No grace period shall be permitted for payment defaults on the Insured Obligations. No grace period for a covenant default shall exceed 30 days without the prior written consent of BAM.

h) *Special Provisions for Insurer Default.* If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraphs 4(a)-(e) above to the contrary, (1) if at any time prior to or following an Insurer Default, BAM has made payment under the Policy, to the extent of such payment BAM shall be treated like any other holder of the Insured Obligations for all purposes, including giving of consents, and (2) if BAM has not made any payment under the Policy, BAM shall have no further consent rights until the particular Insurer Default is no longer continuing or BAM makes a payment under the Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, "Insurer Default" means: (A) BAM has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) BAM shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequester or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of BAM (including without limitation under the New York Insurance Law).

related to the payment and assignment to BAM of the claims for interest on the Insured Obligations, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from BAM with respect to the claims for interest so assigned, (iii) segregate all such payments in a separate account (the "BAM Policy Payment Account") to only be used to make scheduled payments of principal of and interest on the Insured Obligation, and (iv) disburse the same to such respective holders; and

b) If there is a deficiency in amounts required to pay principal of the Insured Obligations, the Paying Agent or Trustee shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holder of the Insured Obligations in any legal proceeding related to the payment of such principal and an assignment to BAM of the Insured Obligations surrendered to BAM, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefrom from BAM, (iii) segregate all such payments in the BAM Policy Payment Account to be used to make scheduled payments of principal of and interest on the Insured Obligation, and (iv) disburse the same to such holders.

The Paying Agent shall designate any portion of payment of principal on Insured Obligations paid by BAM, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Obligations registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Obligation to BAM, registered in the name directed by BAM, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Paying Agent failure to so designate any payment or issue any replacement Insured Obligation shall have no effect on the amount of principal or interest payable by the Insurer on any Insured Obligation or the subrogation or assignment rights of BAM.

Payments with respect to claims for interest on and principal of Insured Obligations disbursed by the Paying Agent from proceeds of the Policy shall not be considered to discharge the obligation of the Issuer with respect to such Insured Obligations, and BAM shall become the owner of such unpaid Insured Obligations and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

The Security Documents shall not be discharged or terminated unless all amounts due or to become due to BAM have been paid in full or duly provided for.

Irrespective of whether any such assignment is executed and delivered, the Issuer and the Paying Agent agree for the benefit of BAM that:

a) They recognize that to the extent BAM makes payments directly or indirectly (e.g., by paying through the Paying Agent), on account of principal of or interest on the Insured Obligations, BAM will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Issuer, with interest thereon, as provided and solely from the sources stated in the Security Documents and the Insured Obligations; and

5. Loan/Lease/Financing Agreement.

a) The security for the Insured Obligations shall include a pledge and assignment of any agreement with any underlying obligor that is a source of payment for the Insured Obligations (a "Financing Agreement") and a default under any Financing Agreement shall constitute an Event of Default under the Security Documents. In accordance with the foregoing, any such Financing Agreement is hereby pledged for the benefit of the holders of the Insured Obligations.

b) Any payments by the Obligor under the Financing Agreement that will be applied to the payment of debt service on the Insured Obligations shall be made directly to the Issuer at least fifteen (15) days prior to each debt service payment date for the Insured Obligations.

6. *BAM As Third Party Beneficiary Absent an Insurer Default.* BAM is recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

7. Payment Procedure Under the Policy.

In the event that principal and/or interest due on the Insured Obligations shall be paid by BAM pursuant to the Policy, the Insured Obligations shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, the assignment and pledge of the Pledged Revenues and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of BAM, and BAM shall be subrogated to the rights of such registered owners.

In the event that on the second (2nd) business day prior to any payment date on the Insured Obligations, the Paying Agent has not received sufficient moneys to pay all principal and interest on the Insured Obligations due on such payment date, the Paying Agent shall immediately notify BAM or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent shall so notify BAM or its designee.

In addition, if the Paying Agent has notice that any holder of the Insured Obligations has been required to disgorge payments of principal of or interest on the Insured Obligations pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Paying Agent shall notify BAM or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of BAM.

The Paying Agent shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Insured Obligations as follows:

a) If there is a deficiency in amounts required to pay interest and/or principal on the Insured Obligations, the Paying Agent shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holders of the Insured Obligations in any legal proceeding

b) They will accordingly pay to BAM the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Insured Obligations, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Insured Obligations to holders, and will otherwise treat BAM as the owner of such rights to the amount of such principal and interest.

8. *Additional Payments.* The Issuer agrees unconditionally that it will pay or reimburse BAM on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that BAM may pay or incur, including, but not limited to, fees and expenses of BAM's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Security Documents ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of BAM spent in connection with the actions described in the preceding sentence. The Issuer agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to BAM until the date BAM is paid in full.

Notwithstanding anything herein to the contrary, the Issuer agrees to pay to BAM (i) a sum equal to the total of all amounts paid by BAM under the Policy ("BAM Policy Payment"); and (ii) interest on such BAM Policy Payments from the date paid by BAM until payment thereof in full by the Issuer, payable to BAM at the Late Payment Rate per annum (collectively, "BAM Reimbursement Amounts") compounded semi-annually. Notwithstanding any provision of the Bond Resolution to the contrary, the Issuer hereby covenants and agrees that the BAM Reimbursement Amounts are payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the Insured Obligations on a parity with debt service due on the Insured Obligations.

Notwithstanding the foregoing, the amounts specified in this paragraph 8 shall not be payable to the extent they were caused by failure of BAM to honor its obligations under the Policy.

9. Series 2017 Subaccount in Reserve Account.

The prior written consent of BAM shall be a condition precedent to the deposit of any credit instrument, provided in lieu of a cash deposit into the Series 2017 Subaccount in the Reserve Account.

10. *Exercise of Rights by BAM.* The rights granted to BAM under the Security Documents to request, consent to or direct any action are rights granted to BAM in consideration of its issuance of the Policy. Any exercise by BAM of such rights is merely an exercise of the BAM's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Insured Obligations and such action does not evidence any position of BAM, affirmative or negative, as to whether the consent of the holders of the Insured Obligations or any other person is required in addition to the consent of BAM.

11. BAM shall be entitled to pay principal or interest on the Insured Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as

such terms are defined in the Policy) and any amounts due on the Insured Obligations as a result of acceleration of the maturity thereof in accordance with the Security Documents, whether or not BAM has received a claim upon the Policy.

12. No contract shall be entered into or any action taken by which the rights of BAM or security for or source of payment of the Insured Obligations may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of BAM.

13. If an event of default occurs under any agreement pursuant to which any Obligation of the Issuer has been incurred or issued and that permits the holder of such Obligation or trustee to accelerate the Obligation or otherwise exercise rights or remedies that are adverse to the interest of the holders of the Insured Obligations or BAM, as BAM may determine in its sole discretion, then an event of default shall be deemed to have occurred under the Bond Resolution and the related Security Documents for which BAM, shall be entitled to exercise all available remedies under the Security Documents, at law and in equity. For purposes of the foregoing "Obligation" shall mean any bonds, loans, certificates, installment or lease payments or similar obligations that are payable and/or secured on a parity or subordinate basis to the Insured Obligations.

14. **Definitions.** The following definitions shall be applicable to the Insured Obligations and the Reserve Product issued by BAM in regard to the Series 2017 Bonds:

"BAM" shall mean Build America Mutual Assurance Company, or any successor thereto.

"Insured Obligations" shall mean the Series 2017 Bonds covered by the Policy.

"Issuer" shall mean the Agency.

"Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to BAM shall be computed on the basis of the actual number of days elapsed in a year of 360 days [Definition different from for Reserve Product].

"Policy" shall mean the Municipal Bond Insurance Policy issued by BAM that guarantees the scheduled payment of principal of and interest on the Insured Obligations when due.

"Security Documents" shall mean the Bond Resolution, the Interlocal Agreement and/or any additional or supplemental document executed in connection with the Insured Obligations.

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b) RESERVED.

c) If the Issuer shall fail to pay any Policy Costs in accordance with the requirements of paragraph (a) above, the Bond Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Bond Resolution other than (i) acceleration of the maturity of the Series 2017 Bonds, or (ii) remedies which would adversely affect owners of the Series 2017 Bonds.

d) The Bond Resolution shall not be discharged until all Policy Costs owing to the Bond Insurer shall have been paid in full. The Issuer's obligation to pay such amount shall expressly survive payment in full of the Series 2017 Bonds.

e) The Paying Agent shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of paragraph (a) hereof and provide notice to the Bond Insurer at least three business days prior to each date upon which interest or principal is due on the Bonds.

f) The Reserve Policy shall expire on the earlier of the date the Series 2017 Bonds are no longer outstanding and the final maturity date of the Insured Obligations.

SECTION 6. All prior resolutions of the City, including the Bond Resolution, inconsistent with the provisions of this Resolution are hereby modified, supplemented and amended to conform with the provisions herein contained and, except as so modified, supplemented and amended hereby, shall remain in full force and effect.

SECTION 7. This Resolution shall become effective immediately upon its adoption.

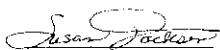
Adopted this 13th day of July, 2017.

INVERNESS COMMUNITY
REDEVELOPMENT AGENCY

By: 

Chairman

ATTEST:


Secretary

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15. Notwithstanding any provision of the Bond Resolution to the contrary the following provisions will apply to the Series 2017 Bonds provided BAM is not in default under the Reserve Policy as defined below:

a) The Issuer shall repay any draws under the Municipal Bond Debt Service Reserve Insurance Policy (the "Reserve Policy") and pay all related reasonable expenses incurred by BAM (the "Bond Insurer"). Interest shall accrue and be payable on such draws and expenses from the date of payment by the Bond Insurer at the Late Payment Rate. "Late Payment Rate" means the lesser of (A) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Obligations, and (B) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such bank, banking association or trust company bank as the Bond Insurer in its sole and absolute discretion shall specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, the "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to the Bond Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Bond Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

All cash and investments in the Series 2017 Subaccount in the Reserve Account established for the Series 2017 Bonds shall be transferred to the Debt Service Account for payment of the debt service on the Series 2017 Bonds before any drawing may be made on the Reserve Policy or any other Reserve Product in lieu of cash.

Payment of any Policy Cost shall be made prior to replenishment of any cash amounts. Draws on all Reserve Products (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Debt Service Account. Payment of Policy Costs and reimbursement of amounts with respect to other Reserve Products shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Series 2017 Subaccount in the Reserve Account. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

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APPENDIX C

FORM OF BOND COUNSEL OPINION

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Akerman LLP
420 South Orange Avenue
Suite 1200
Orlando, FL 32801-4904
Tel: 407.423.4000
Fax: 407.843.6610

Upon delivery of the 2017 Bonds in definitive form, Akerman LLP,
Bond Counsel, proposes to render its opinion with respect to such
2017 Bonds in substantially the follow form:

_____, 2017

Members of the Inverness Community Redevelopment Agency
Inverness, Florida

12,980,000
INVERNESS COMMUNITY REDEVELOPMENT AGENCY
TAX INCREMENT REVENUE REFUNDING BONDS, SERIES 2017

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Inverness Community Redevelopment Agency (the "Issuer") of its \$12,980,000 Tax Increment Revenue Refunding Bonds, Series 2017 (the "Series 2017 Bonds") pursuant to the Constitution and laws of the State of Florida, including particularly Chapter 163, Part III, Florida Statutes, and other applicable provisions of law (collectively, the "Act"), and Resolution No. 2017-03 of the Issuer, adopted on May 4, 2017 as amended and supplemented by Issuer Resolution Nos. 2017-05 and 2017-06 adopted on July 13, 2017 (collectively, the "Resolution"). Any capitalized undefined terms used herein shall have the same meaning as such terms have under the Resolution.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the Resolution and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation. Furthermore, we have assumed continuing compliance with the covenants and agreements contained in the Resolution.

Reference is made to the opinion of even date herewith of Haag, Friedrich & Williams, P.A., Counsel to the Issuer, on which we have solely relied, as to the due creation and valid

existence of the Issuer, the due execution and delivery of the Series 2017 Bonds, by the Issuer and the compliance by the Issuer and the City of Inverness, Florida (the "City") with all conditions precedent to the issuance of the Series 2017 Bonds contained in the resolutions and ordinances of the Issuer and the City.

In addition to the foregoing, we have examined and relied upon such other agreements, certificates, documents, representations and opinions submitted to us, including the Federal Tax Certificate and other certifications and representations of public officials and other officers and representatives of the various parties participating in this transaction, as we have deemed relevant and necessary in connection with the opinions expressed below. We have not undertaken an independent audit, examination, investigation or inspection of the matters described or contained in such agreements, certificates, documents, representations and opinions submitted to us and have relied solely on the facts, estimates and circumstances described and set forth therein.

In our examination of the foregoing, we have assumed the genuineness of the signatures on all documents and instruments, the authenticity of documents submitted as originals, the conformity to originals of documents submitted as copies and the legal capacity of all natural persons.

The scope of our engagement in relation to the issuance of the Series 2017 Bonds has been limited solely to the examination of facts and law incident to rendering the opinions expressed herein.

This opinion should not be construed as offering material or an offering circular, prospectus or official statement and is not intended in any way to be a disclosure statement used in connection with the sale or delivery of the Series 2017 Bonds. Furthermore, we are not passing on the accuracy or sufficiency of any CUSIP numbers appearing on the Series 2017 Bonds. In addition, we have not been engaged to and, therefore, do not express any opinion as to the compliance by the Issuer with any federal or state statute, regulation or ruling with respect to the sale and distribution of the Series 2017 Bonds.

Neither the Series 2017 Bonds nor the interest and premium, if any, payable thereon shall constitute a general obligation or general indebtedness of the Issuer within the meaning of the Constitution and laws of Florida. No owner of the Series 2017 Bonds or any other person shall ever have the right, directly or indirectly, to require or compel the exercise of any ad valorem taxing power of the Issuer or any other public authority or governmental body to pay any amounts required to be paid pursuant to the Resolution or the Series 2017 Bonds.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax laws of the United States of America.

Based upon the foregoing, we are of the opinion that:

1. The Resolution creates a valid lien upon the Pledged Revenues all in the manner and to the extent provided in the Resolution.

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

3. The Series 2017 Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding obligations of the Issuer payable solely from the sources provided therefor in the Resolution.

4. The interest on the Series 2017 Bonds (including any original issue discount properly allocable to an owner thereof) is, pursuant to Section 103 of the Code as defined below, excludable from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the immediately preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, and the regulations thereunder (the "Code"), that must be met or satisfied in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure of the Issuer to comply with any of such requirements may cause the inclusion of interest on the Series 2017 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2017 Bonds. Other provisions of the Code may give rise to adverse federal income tax consequences to particular holders of the Series 2017 Bonds. The scope of this opinion is limited to the matters addressed above and we express no opinion regarding other federal tax consequences arising with respect to the Series 2017 Bonds.

5. Pursuant to Chapter 163, Part III, Florida Statutes, the 2017 Bonds and the interest paid thereon are exempt from all taxes imposed by the State of Florida except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes.

It is to be understood that the rights of the owners of Series 2017 Bonds and the enforceability of the Series 2017 Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and laws and equitable principles that may affect remedies or injunctive or other equitable relief, and to the exercise of judicial discretion in appropriate cases.

Our opinions expressed herein are predicated upon present law, (and interpretations thereof) facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws (and interpretations thereof), facts or circumstances change after the date hereof.

Very truly yours,

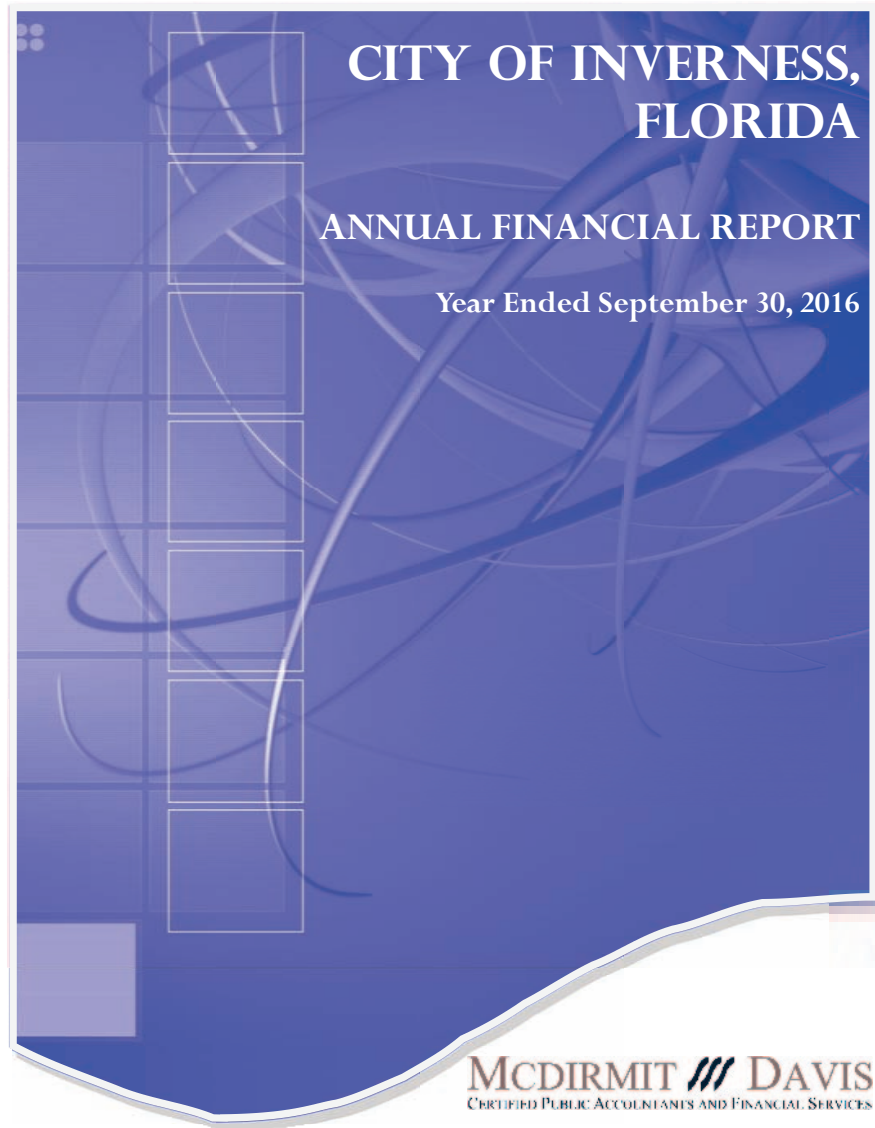
AKERMAN LLP

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APPENDIX D

ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2016 FOR THE CITY

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CITY OF INVERNESS, FLORIDA

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2016

MCDIRMIT // DAVIS
CERTIFIED PUBLIC ACCOUNTANTS AND FINANCIAL SERVICES

INTRODUCTORY SECTION

This section contains the following subsections:

- Table of Contents
- List of Principal Officials
- Organizational Chart

CITY OF INVERNESS, FLORIDA

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CITY OF INVERNESS, FLORIDA
LIST OF PRINCIPAL OFFICIALS
September 30, 2016

ELECTED OFFICIALS

MAYOR	Bob Plaisted
COUNCIL MEMBER - SEAT 1	David Ryan
COUNCIL MEMBER – SEAT 2	Jacquie Hepfer
COUNCIL MEMBER - SEAT 3	Ken Hinkle
COUNCIL PRESIDENT	Cabot McBride
COUNCIL MEMBER - SEAT 5	Linda Bega

STAFF

CITY MANAGER	Frank DiGiovanni
CITY CLERK	Susan Jackson
ASSISTANT CITY MANAGER	Eric Williams
HUMAN RESOURCES/EXECUTIVE SECRETARY	Shelia Densmore
SPECIAL EVENTS DIRECTOR	Sharon Skeelee Hogan
FINANCE DIRECTOR	Cheryl Chiodo
PUBLIC WORKS DIRECTOR	Scott McCulloch
INFORMATION TECHNOLOGY DIRECTOR	Joey Johnston
COMMUNITY DEVELOPMENT DIRECTOR	Bruce Day
CULTURAL SERVICES VALERIE THEATER DIRECTOR	Alan Forno

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LEGAL COUNSEL

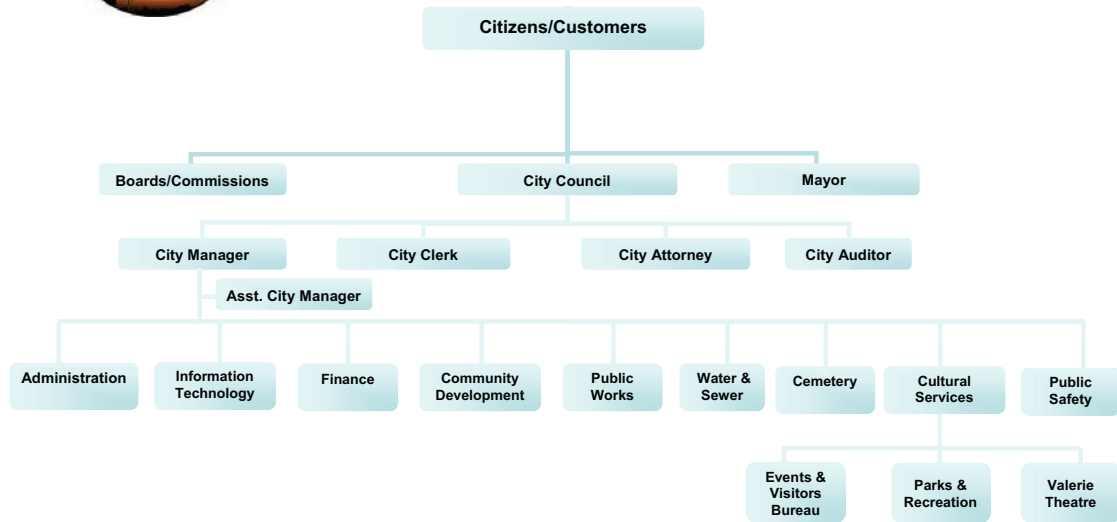
Haag Haag & Freidrich, P.A.

AUDITORS

McDermitt Davis & Company, LLC



City of Inverness, Florida



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Inverness, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Inverness, Florida*, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Inverness, Florida, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund, whispering pines park special revenue fund, and community redevelopment agency fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MCDIRMIT DAVIS & COMPANY, LLC

934 North Magnolia Avenue, Suite 100 Orlando, Florida 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

MEMBERS: PRIVATE COMPANIES PRACTICE SECTION AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America, require that the management's discussion and analysis and pension and the other postemployment benefits disclosures on pages 3 through 14 and 59 through 61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Inverness, Florida's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules and statistical schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 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 taken as a whole.

The introductory section and statistical schedules 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 1, 2017 on our consideration of the *City of Inverness, Florida's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Inverness's internal control over financial reporting and compliance.

McDiarmitt Davis & Company, LLC

Orlando, Florida
June 1, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the financial activities of the City of Inverness for the fiscal year ended September 30, 2016 is designed to assist the reader in a) focusing on significant financial issues, b) providing an overview of the City's financial activity, c) identifying changes in the City's financial position, d) identifying any material deviations from the approved budget, and e) identifying individual fund issues or concerns. Please read it in conjunction with the City's Independent Auditor's Report, financial statements, and accompanying notes.

Financial Highlights

- The assets and deferred outflows of the City of Inverness exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$53,752,177 (*net position*). Of this amount, \$16,872,357 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$1,921,236 or 3.7%.
- As of the close of the current fiscal year, the City of Inverness' governmental funds reported combined ending fund balances of \$12,594,864. Approximately 35% of this total amount, \$4,403,858 is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,403,858, or 59% of total general fund expenditures and transfers out.
- The City of Inverness' total debt decreased by \$591,284 (5%) during the current fiscal year.

Using this Annual Report

The financial statement's focus is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year to year or government to government) and enhance the City's accountability.

This discussion and analysis is intended to serve as an introduction to the City of Inverness' basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Inverness' finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Inverness' assets, liabilities and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Inverness is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Both of the government-wide financial statements distinguish functions of the City of Inverness that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Inverness include general government, public safety, highways and streets, sanitation, and culture and recreation. The business-type activities of the City of Inverness include the Public Utilities System and the Oakridge Cemetery.

The government-wide financial statements include only the City of Inverness itself (known as the *primary government*) and one blended component unit (The City of Inverness Community Redevelopment Trust Fund). The Water and Sewer Utility fund and the Cemetery fund function as departments of the City of Inverness, and therefore have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 15-16 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Inverness maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Whispering Pines Park Special Revenue Fund, Community Redevelopment Fund, and Capital Projects Fund. Data from the other 2 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Inverness adopts an annual appropriated budget for the General Fund, Whispering Pines Park Fund, Community Redevelopment Fund, and Capital projects Fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budget on pages 23-25 and page 61.

The basic governmental fund financial statements can be found on pages 17-25 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Proprietary funds. The City of Inverness maintains one type of proprietary funds: *enterprise funds*.

Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Inverness uses enterprise funds to account for its Water and Sewer Utility Fund, and Cemetery Fund. Annual operating budgets are adopted for these funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Utility Fund and for the Cemetery Fund.

The basic proprietary fund financial statements can be found on pages 26-29 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-57 of this report.

Required supplementary information (RSI). RSI can be found on pages 58-60 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the RSI. Combining and individual fund statements and schedules can be found on pages 61-63 of this report.

Government-wide Financial Analysis

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Inverness, assets and deferred outflows exceeded liabilities and deferred inflows by \$53,752,177 at the close of the most recent fiscal year.

By far the largest portion of the City of Inverness' net position (67%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Inverness uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Inverness' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the City of Inverness' net position (4.6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (\$16,872,357) may be used to meet the government's ongoing obligations to citizens and creditors.

At September 30, 2016, the City of Inverness is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The following table reflects the condensed Statement of Net Position for the current and prior year. For more detail see the Statement of Net Position on page 15.

MANAGEMENT'S DISCUSSION AND ANALYSIS

STATEMENT OF NET POSITION AS OF SEPTEMBER 30,

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 13,186,176	\$ 11,670,090	\$ 6,858,566	\$ 6,599,018	\$ 20,044,742	\$ 18,269,108
Restricted Assets	-	-	305,232	457,171	305,232	457,171
Capital Assets	22,077,718	21,802,290	24,962,571	25,369,224	47,040,289	47,171,514
Total assets	35,263,894	33,472,380	32,126,369	32,425,413	67,390,263	65,897,793
Deferred Outflows	994,443	405,953	32,327	18,953	1,026,770	424,906
Current Liabilities	591,312	559,034	422,062	503,135	1,013,374	1,062,169
Long Term Liabilities						
Outstanding	2,327,638	1,379,215	11,011,713	11,587,926	13,339,351	12,967,141
Other Liabilities	-	-	285,626	258,992	285,626	258,992
Total liabilities	2,918,950	1,938,249	11,719,401	12,350,053	14,638,351	14,288,302
Deferred Inflows	25,671	194,381	834	9,075	26,505	203,456
Net Position:						
Assets	22,077,718	21,802,290	14,020,308	14,000,670	36,098,026	35,802,960
Restricted	228,167	76,500	553,627	553,627	781,794	630,127
Unrestricted	11,007,831	9,866,913	5,864,526	5,530,941	16,872,357	15,397,854
Total net position	\$ 33,313,716	\$ 31,745,703	\$ 20,438,461	\$ 20,085,238	\$ 53,752,177	\$ 51,830,941

Statement of Activities

The following table reflects the condensed Statement of Activities for the current and prior year. For more detailed information see the Statement of Activities on page 16. Note that total net position increased by \$1,921,236.

Net position for governmental activities increased by \$1,568,013. Key elements of this change are:

- General revenues for governmental activities increased by \$1,628,941 primarily resulting from grant revenue recognized for the renovation of the Valerie Theater awarded by the Department of State in the amount of \$499,702 and an increase of \$994,596 in property taxes as a result of increased property valuations and improvements for the hospital.
- General City operational costs are managed to keep from rising and the City government does not rely on the local economy to fund every project. Grants have been secured to supplement funding to complete scheduled improvement projects affordably. Operational costs are controlled with little growth or change. Overhead is low and internal connectivity and efficiencies have increased output and reduced costs.
- The City increased program expenses in Public Safety by \$697,546 as a result of the creation of the Inverness Fire Department. Before fiscal year 2016, the Fire Department was operated by the Citrus County Sheriff's Department and funded by a Fire District Tax. The Fire District has been abolished and operations of the Fire Services Program have been assumed by the City.
- The City increased program expenses in Culture and Recreation by \$239,122 with the addition of the Valerie Theater operations. The increase in expenditures has been offset with an increase in operating revenues for culture and recreation services in the amount of \$123,897.

Net position for business-type activities increased by \$353,223. Key elements of this change are:

- Business-type activities increased the City's net position by \$353,223, primarily as a result of an increase in utility charges for services in the amount of \$23,219 from a 1.29% rate adjustment and continued management of operational costs to maintain the profitability of the enterprise funds.

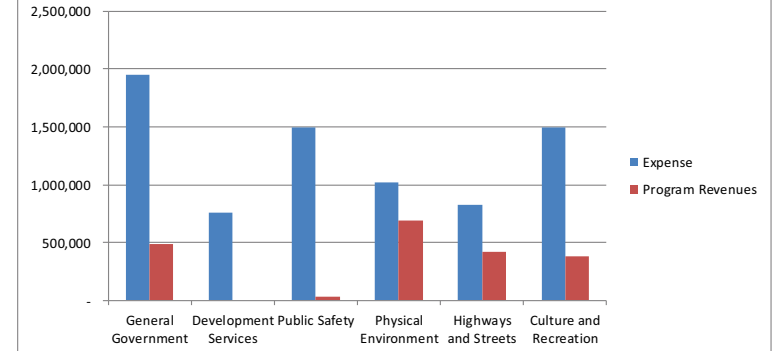
MANAGEMENT'S DISCUSSION AND ANALYSIS

CHANGES IN NET POSITION For the Year Ended September 30,

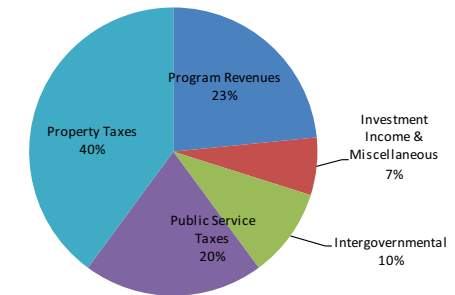
	Governmental Activities		Business Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,616,586	\$ 1,279,803	\$ 3,406,966	\$ 3,421,952	\$ 5,023,552	\$ 4,701,755
Operating Grants and Contributions	349,225	315,111	501,676	498,014	850,901	813,125
Capital Grants and Contributions	46,291	509,866	-	-	46,291	509,866
General Revenues:						
Property Taxes	3,426,838	2,432,242	-	-	3,426,838	2,432,242
Other Taxes and Fees	1,734,427	1,757,470	-	-	1,734,427	1,757,470
Intergovernmental	859,563	719,519	-	-	859,563	719,519
Other	554,939	112,595	89,220	35,259	644,159	147,854
Total revenues	8,587,869	7,126,606	3,997,862	3,955,225	12,585,731	11,081,831
Expenses:						
General Government	1,948,334	1,805,812	-	-	1,948,334	1,805,812
Community Development						
Services	763,444	354,537	-	-	763,444	354,537
Public Safety	1,497,784	800,238	-	-	1,497,784	800,238
Physical Environment	1,016,307	1,031,401	-	-	1,016,307	1,031,401
Roads and Streets	822,395	797,837	-	-	822,395	797,837
Culture and Recreation	1,500,092	1,260,970	-	-	1,500,092	1,260,970
Water and Sewer	-	-	3,060,309	3,081,116	3,060,309	3,081,116
Cemetery	-	-	55,830	37,665	55,830	37,665
Total expenses	7,548,356	6,050,795	3,116,139	3,118,781	10,664,495	9,169,576
Net Position Before Transfers	1,039,513	1,075,811	881,723	836,444	1,921,236	1,912,255
Transfers	528,500	453,500	(528,500)	(453,500)	-	-
Increase (Decrease) in Net Position	1,568,013	1,529,311	353,223	382,944	1,921,236	1,912,255
Net Position - October 1	31,745,703	30,216,392	20,085,238	19,702,294	51,830,941	49,918,686
Net Position - September 30	\$ 33,313,716	\$ 31,745,703	\$ 20,438,461	\$ 20,085,238	\$ 53,752,177	\$ 51,830,941

MANAGEMENT'S DISCUSSION AND ANALYSIS

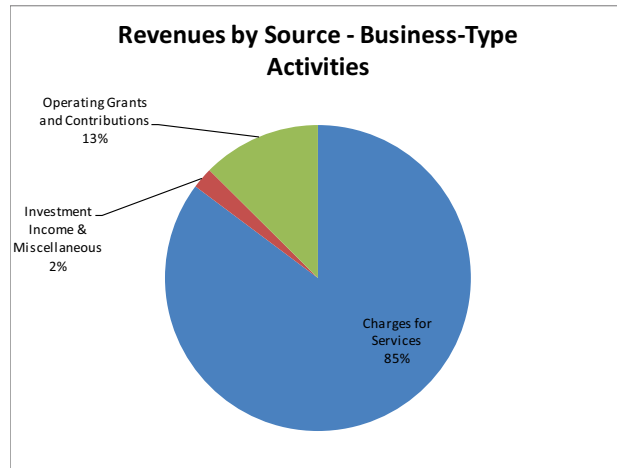
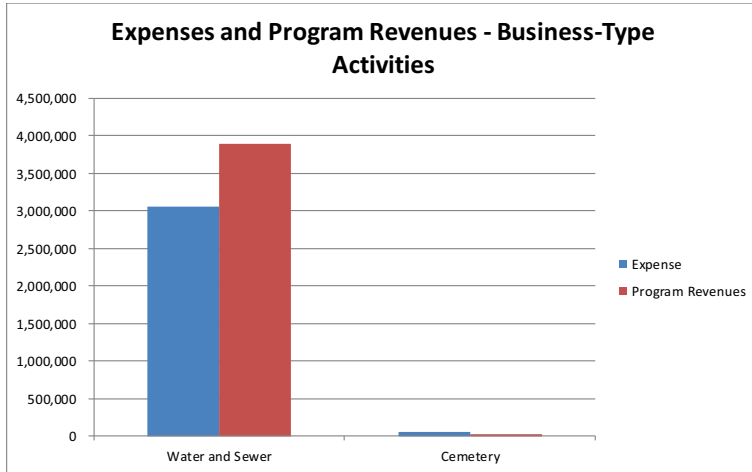
Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS



MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds

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

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

As of September 30, 2016, the City's governmental funds reported combined ending fund balances of \$12,594,864, an increase of \$1,990,737. Approximately 35% or \$4,403,858 of this total constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted, committed, or assigned to indicate that it is not available for spending.

The general fund is the chief operating fund of the City of Inverness. At the end of the current fiscal year, unassigned fund balance of the general fund was \$4,403,858 while total fund balance reached \$7,436,718. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 59% of total general fund expenditures and transfers out, compared to 83% for last year. Total fund balance represents 99% of total general fund expenditures and transfers out, compared to 121% for last year.

Fund balance of the City of Inverness' General Fund increased by \$388,143 due to the continued effort by the City to reduce operational expenditures adequately below revenues in order to maintain sufficient funding levels for future investment in capital assets. Even with the addition of the City's Fire Department and Valerie Theater program expenditures, the City continues to adjust revenues and develop operational strategies to maintain a positive fund balance position at fiscal yearend. The City's legislative policies do not allow City Management to decrease fund balance in any governmental fund for the purpose of operational expenses unless specifically authorized by the City Council. The City continues to invest fund balances in capital projects through appropriations to the City's five year Capital Improvement Plan.

The Community Redevelopment Special Revenue Fund is considered a major fund in order for our external auditors to express an opinion on this fund as required by Florida Statutes chapter 163.387(8). This fund was created in 1990 as a dependent taxing district. The incremental annual increase in tax over the base years is used to fund projects. As of September 30, 2016, the fund balance was \$254,326 an increase of \$177,826. This increase is a result of the additional collections of the Tax Increment Revenues from the City and County for the 2014 expanded Community Redevelopment District. The amount of \$646,500 was transferred to the Capital Projects Fund to pay for design and construction costs associated with the City's Capital Action Plan to economically revitalize both the original community development area and the expanded community development area in the downtown district of the City.

Fund balance of Whispering Pines Park increased \$54,322 to \$401,046. The increase was a direct result of an increase in financial support from the General Fund which was not needed for operations. Operational costs are controlled and overhead is low.

The fund balance of the Capital Projects Fund increased \$1,728,088 as a result of a budgetary planned projects which were not initiated during fiscal year 2016 in order to provide debt service leverage for the City's Capital Action Plan.

Proprietary funds. The City of Inverness' proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to \$5,637,633 and unrestricted net position for the Cemetery Fund amounted to \$226,893. The total increase in Water and Sewer Utility Fund was

MANAGEMENT'S DISCUSSION AND ANALYSIS

\$388,636, and decrease in the Cemetery Fund was \$35,413. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City of Inverness' business-type activities on page 6.

General Fund Budgetary Highlights

Total Taxes and Special Assessments revenues were \$554,996 below budgeted projections as a result of the payment in the amount of \$465,975 made to the Inverness Community Redevelopment Agency (ICRA) which was originally budgeted as a transfer to the ICRA Fund and then reclassified at the close of the fiscal year. So transfers out of the General Fund are under budget by \$554,770.

Budgets are conservatively developed to control costs with little growth or change. All functional expenditure areas expended less than budgeted for a total positive variance of \$798,511.

Capital Asset and Debt Administration

Capital Assets. The City of Inverness' investment in capital assets for its governmental and business type activities as of September 30, 2016 amounts to \$47,040,289 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, infrastructure, vehicles and equipment.

Major capital asset events during the current fiscal year included the following:

Governmental Activities

- Land Purchase – Downtown District - \$198,204
- 1997 Freightliner Fire Engine - \$69,170
- 1995 Freightliner Fire Engine - \$74,720
- Portable Message Board - \$14,953
- Audio Sound System Valerie Theater - \$10,727
- Jacobsen Self Controlled Reel Mower - \$24,990
- Prism Portable Light - \$8,225
- Bullard Eclipse LDX Thermal Camera - \$6,660
- Washer Extractor - \$6,985
- SCBA Refill Station & Storage Bottles - \$8,900
- SCBA Compressor - \$22,637
- Decorative Fencing ICG Landscaping - \$6,860
- Ball Field Fencing - \$6,862
- Trail Improvements WPP (Donation from Rotary) - \$11,860

Business-Type Activities

- Chemical Controller 581 Water Plant - \$11,550
- Chlorine Ammonia Analyzer - \$16,207
- Lift Station Rehabilitation - \$36,026
- Check Valve for Master Lift Station - \$6,216
- Water Pump Water Reclamation Facility - \$25,264
- Jockey Pump Water Reclamation Facility - \$14,555
- Variable Frequency Drive - \$5,840

Additional information on the City of Inverness' capital assets can be found in note 6 on pages 42-43 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration (Continued)

Capital Assets
(net of depreciation)
As of September 30, 2016 and September 30, 2015

	Governmental Activities		Business Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 3,684,590	\$ 3,341,506	\$ 651,855	\$ 651,855	\$ 4,336,445	\$ 3,993,361
Buildings	8,006,520	8,211,151	14,959,937	15,317,614	22,966,457	23,528,765
Improvements	8,587,047	8,589,191	8,100,178	8,304,034	16,687,225	16,893,225
Machinery and Equipment	1,011,222	921,560	995,773	1,074,439	2,006,995	1,995,999
Intangibles	181,763	51,000	-	-	181,763	51,000
Construction in Progress	606,576	687,882	254,828	21,282	861,404	709,164
Total capital assets	<u>\$ 22,077,718</u>	<u>\$ 21,802,290</u>	<u>\$ 24,962,571</u>	<u>\$ 25,369,224</u>	<u>\$ 47,040,289</u>	<u>\$ 47,171,514</u>

Long-term debt. At the end of the current fiscal year, the City of Inverness had total debt outstanding of \$10,942,263.

City of Inverness Long Term Debt As of September 30

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
SRF Note Payable	\$ -	\$ -	\$ 9,279,278	\$ 9,765,696	\$ 9,279,278	\$ 9,765,696
Capital Lease	-	-	1,662,985	1,767,851	1,662,985	1,767,851
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,942,263</u>	<u>\$ 11,533,547</u>	<u>\$ 10,942,263</u>	<u>\$ 11,533,547</u>

During Fiscal Year 2005, the City executed a State Revolving Loan agreement through the Department of Environmental Protection State Revolving Fund program for the purpose of constructing a Wastewater Treatment Plant and Reclamation Facility. The Loan amount of \$16,052,561 included grant funding of amount of \$10,000,000 which offset debt principal and interest payments for a period of twenty years from January 1, 2011 through July 1, 2030. However, on January 15, 2017, the Department transferred the balance of Grant Funds in amount of \$6,024,340 and reduced the SRF loan balance. The City's semiannual loan payment will be \$104,123.98, which is the Local Government share.

In September 2013, the city entered into a \$1,883,000 Master Lease Agreement with SunTrust Bank. The purpose of the lease is to finance a portion of the City's Energy Performance Program of \$2,255,246 for installation of the energy conservation measures including automated metering infrastructure. Total cost savings and revenue improvements annually for the combined program is \$207,314. The city provided \$375,000 in committed capital funding from the Utility Fund to offset the total financed investment cost of the program. The remaining project balance is financed with a Master Lease Purchase Agreement with SunTrust in the amount of \$1,883,000 at a rate of 2.8% for a period of 12 years. Repayment of the agreement commenced on June 15, 2014, payable semi-annually starting with payments of \$66,500 and increasing annually to a maximum payment of \$114,500 due in June and December 2025.

Additional information on the City of Inverness' long-term debt can be found in notes 7 and 8 on pages 44 - 45 of this report.

Economic Factors and Next Year's Budgets and Rates

Development and Planning for the annual City Budget represents a serious undertaking by your government. Diligence is secured through multiple public meetings, with a clearly stated mission to develop a fiscally prudent, conservative budget appropriation and capital improvement plan, to guide the community through the governmental operations for the City of Inverness. On April 7, 2016, at 5:30pm, an open public workshop was conducted to present a Budget Overview for the fiscal cycle of 2016-17.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of an Overview Presentation is to share facts, market trends and local analysis of an economic and social nature. A fiscal tone is set through an ensuing interactive discussion that includes the cost and impact of planned projects, to include service levels and service delivery. That exercise was followed by a presentation and tentative adoption of a Five-Year Capital Improvement Plan that occurred as part of a public workshop on May 5th, 2016, at 5:30pm. The Five Year Plan charts the course for the entire community of infra-structure investment, project development, and economic planning. It was during this presentation that a new Capital Action Plan was unveiled. The plan targeted development locations of the City to improve the foundation for local business, service to the Medical District, and support Government Judiciary Services. The plan was widely publicized and received broad support from the business community and residents alike. On July 19th, 2016, City Council publicly discussed and adopted a Tentative Millage Rate at 7.5729 mills. Noteworthy is that the HCA medical facility came on the tax roll at the most significant tax paying contributor in the entire City. By adding the hospital to valuations, the same millage rate realized an increase of 23.41 percent. The rate takes into account more than a 30% loss in valuations since 2008, and moderately repositions the City to about the same as before the recession. These added funds will be used to provide services and meet project needs without affecting other property owners and residents. The City's Community Redevelopment District was expanded to address deficiencies on a large scale. The newly formed CRA will bring forward roughly \$1,170,000 in revenue derived by contributions from City and County Government, and will be a significant aspect of project development funding for a thirty-year period.

The Budget is fiscally sound, balanced, and contains a Capital Improvement Plan that is properly situated to improve the community. Additionally, the City of Inverness boasts the most extensive benefit program in Citrus County for residents and businesses alike. Highlights of services, projects and initiatives include:

- Event & Visitors Bureau
- Extensive Parks, Recreational and Cultural Program
- Valerie Theatre Cultural Center
- Whispering Pines Park at 280 acres is the Crown Jewel facility in a multi-county area
- Lakefront Park System, Cooter Pond Park, and Boardwalks envelop the Business District
- High Level Marketing & Branding that supports business and encourages investment
- Full Year, Highly Energized, Special Event Schedule
- Conservation and Green Initiatives like: Electric Vehicle Charging Stations, Solar Powered Sidewalk Compactors, Curbside Recycling and LED Light Efficiency Program
- Residential Neighborhood/Street Illumination Program
- City Beautification through the Central Business District
- Historic Plaque and Building Identification Program
- Historic Valerie Theatre Center Revitalization Project
- Comprehensive Planning and Visioning Plan for 40+ Years
- State of the Art Regional Wastewater Treatment and Recovery Plant
- Production of Reclaimed Water for Irrigation
- Potable Water System to serve the City and Beyond
- Law Enforcement Services
- Fire Rescue Services
- Full Solid Waste, Recycling, Yard Waste and Bulk Item Program
- Full Franchising of Solid Waste for Commercial Applications
- Storm Water and Lake Management Program
- Tree City USA Designation

MANAGEMENT'S DISCUSSION AND ANALYSIS

Agency and capital expenditures for a City Wide application total \$39,011,816. The Capital Improvement Program is a blueprint for progress and structured to invest \$5.7 Million in the ensuing 2016-17 Fiscal Year.

The adopted budget and CIP reflect the City's hallmark of community and fiscal planning. The General Fund of the City remains stable and strong. Reserves are healthy and the community is well positioned to aggressively seek grants and address unforeseen anomalies that may arise. Careful planning on a fiscal and community level has been a recognized, and publicized as a strength. Operational costs have been managed to not appreciably increase and the employee count has again been reduced and stands at an extremely low level when compared to like governments of the area. Operations of the extensive park system will be modified and aligned to address reduced funding, which will involve changes to baseball and softball field availability and more user fees. A Fire Rescue Department is fully functioning as part of this budget and the City will proudly operate the newly developed Valerie Theatre Cultural Center. Generally, departmental program goals are identified to ensure that services address the highest priorities established by City Council, including: public safety, community appearance, general maintenance, marketing, culture and events, and to insure development standards retain the community's history and character. Recreational, Cultural and Special Event programming provides enrichment opportunities, economic vitality, and also a robust vehicle to market the community. A proactive presence with respect to community celebrations and special events has been well received by businesses, visitors and families alike. It's all about community and Inverness defines Small Town America.

Service levels are unchanged; culture and marketing are slightly improved, but largely consistent with prior years. The Inverness community is mostly impacted by state and national economic conditions, a weak housing rebound, with the largest concern and impact caused by activity at the State Level, which continues to direct resources away from local communities. State Revenue Sharing has not increased, funding of the State managed pension system has soared, and the latest attempt to remove telecommunication fees from the local revenue stream will be a material negative impact. County Government has been following the State, but not contributing to off-set the cost of service delivery through the operation of Whispering Pines City Park that provides the majority of recreational opportunities to residents beyond the municipality. We additionally keep the community attractive and affordable by a focused management of Fire Services. A driving force for the City to create and fund its own agency was the burden of cost levied by County Government to businesses and residents, which was evaluated and found excessive. The City is doing its best to "hold the line" with costs to residents and businesses, and for the first time in many years, enjoys a revenue increase that is directly attributed to the addition of the hospital to the tax role.

Despite continued efforts by the State to divert local revenues and action by the County to help bridge their budget deficit, Inverness's financial condition is sound, and the City holds to a course that is fiscally sustainable. All necessary steps continue to be taken to ensure a successful operation in what has become a less certain fiscal climate. Revenues and expenditures will continue to be carefully and constantly monitored to ensure the current and future budgets remain balanced, and the City will continue to offer the best possible services, plan and invest in meaningful improvement projects, and continue to support the quality of life that Inverness residents desire and expect.

Requests for Information

This financial report is designed to provide a general overview of the City of Inverness' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 212 West Main Street, Inverness, Florida 34450.

CITY OF INVERNESS, FLORIDA

STATEMENT OF NET POSITION

September 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 527,247	\$ 953,988	\$ 1,481,235
Investments	11,881,823	5,359,708	17,241,531
Receivables, net	379,987	348,924	728,911
Due from other governments	185,494	33,642	219,136
Inventories	1,200	98,112	99,312
Prepaid costs	210,425	64,192	274,617
Restricted assets:			
Cash and cash equivalents	-	305,232	305,232
Capital Assets:			
Capital assets not being depreciated	4,291,166	906,683	5,197,849
Capital assets being depreciated, net of accumulated depreciation	17,786,552	24,055,888	41,842,440
Total capital assets	<u>22,077,718</u>	<u>24,962,571</u>	<u>47,040,289</u>
Total assets	<u>35,263,894</u>	<u>32,126,369</u>	<u>67,390,263</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of pension earnings	994,443	32,327	1,026,770
Total deferred outflows of resources	<u>994,443</u>	<u>32,327</u>	<u>1,026,770</u>
LIABILITIES:			
Accounts payable and accrued expenses	458,410	363,476	821,886
Due to other governmental agencies	33,261	-	33,261
Accrued interest	-	58,586	58,586
Deposits payable	26,308	285,626	311,934
Unearned revenue	73,333	-	73,333
Noncurrent liabilities:			
Due within one year	23,618	621,356	644,974
Due in more than one year	2,304,020	10,390,357	12,694,377
Total liabilities	<u>2,918,950</u>	<u>11,719,401</u>	<u>14,638,351</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows of pension earnings	25,671	834	26,505
Total deferred outflows of resources	<u>25,671</u>	<u>834</u>	<u>26,505</u>
NET POSITION:			
Net investment in capital assets	22,077,718	14,020,308	36,098,026
Restricted for:			
Community redevelopment	228,167	-	228,167
Perpetual Care	-	553,627	553,627
Unrestricted	11,007,831	5,864,526	16,872,357
Total net position	<u>\$ 33,313,716</u>	<u>\$ 20,438,461</u>	<u>\$ 53,752,177</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF INVERNESS, FLORIDA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2016

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental Activities							
General Government	\$ 1,948,334	\$ 491,112	\$ -	\$ -	\$ (1,457,222)	\$ -	\$ (1,457,222)
Community Development Services	763,444	-	-	-	(763,444)	-	(763,444)
Public Safety	1,497,784	28,711	550	-	(1,468,523)	-	(1,468,523)
Physical Environment	1,016,307	687,179	-	-	(329,128)	-	(329,128)
Highways & Streets	822,395	71,663	348,675	-	(402,057)	-	(402,057)
Culture and Recreation	1,500,092	337,921	-	46,291	(1,115,880)	-	(1,115,880)
Total governmental activities	7,548,356	1,616,586	349,225	46,291	(5,536,254)	-	(5,536,254)
Business-type activities:							
Water	3,060,309	3,387,659	501,676	-	-	829,026	829,026
Cemetery	55,830	19,307	-	-	-	(36,523)	(36,523)
Total business-type activities	3,116,139	3,406,966	501,676	-	-	792,503	792,503
Total primary government	<u>\$ 10,664,495</u>	<u>\$ 5,023,552</u>	<u>\$ 850,901</u>	<u>\$ 46,291</u>	<u>(5,536,254)</u>	<u>792,503</u>	<u>(4,743,751)</u>
General Revenues:							
Property taxes					3,426,838	-	3,426,838
Public service taxes					1,734,427	-	1,734,427
Intergovernmental					859,563	-	859,563
Unrestricted investment earnings					90,487	29,126	119,613
Miscellaneous					464,452	60,094	524,546
Transfers					528,500	(528,500)	-
Total general revenues and transfers					7,104,267	(439,280)	6,664,987
Change in net position					1,568,013	353,223	1,921,236
Net Position - beginning					31,745,703	20,085,238	51,830,941
Net Position - ending					<u>\$ 33,313,716</u>	<u>\$ 20,438,461</u>	<u>\$ 53,752,177</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

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CITY OF INVERNESS, FLORIDA

BALANCE SHEET
GOVERNMENTAL FUNDS

September 30, 2016

	Special Revenue				Other Governmental Funds	Total Governmental Funds
	General Fund	Whispering Pines Park	Community Redevelopment Fund	Capital Projects		
ASSETS:						
Cash and cash equivalents	\$ 17,641	\$ 84,634	\$ 70	\$ 424,879	\$ 23	\$ 527,247
Investments	7,253,396	325,590	220,381	3,946,503	135,953	11,881,823
Accounts Receivable, net	348,858	1,004	2,160	14,158	662	366,842
Due from other governments	-	-	32,211	153,283	-	185,494
Other receivables	-	-	-	-	13,145	13,145
Inventories	1,200	-	-	-	-	1,200
Prepaid costs	204,628	5,797	-	-	-	210,425
Total assets	<u>\$ 7,825,723</u>	<u>\$ 417,025</u>	<u>\$ 254,822</u>	<u>4,538,823</u>	<u>\$ 149,783</u>	<u>\$ 13,186,176</u>
LIABILITIES:						
Accounts payable	\$ 117,473	\$ 4,518	\$ 496	185,832	\$ -	\$ 308,319
Due to other governments	33,261	-	-	-	-	33,261
Deposits payable	26,298	10	-	-	-	26,308
Accrued liabilities	138,640	11,451	-	-	-	150,091
Unearned revenue	73,333	-	-	-	-	73,333
Total liabilities	<u>389,005</u>	<u>15,979</u>	<u>496</u>	<u>185,832</u>	<u>-</u>	<u>591,312</u>
FUND BALANCES:						
Nonspendable	205,828	-	-	-	-	205,828
Restricted for:						
Road Improvements	-	-	-	-	136,622	136,622
Community redevelopment	-	-	254,326	-	-	254,326
Committed to:						
Capital Equipment Replacement	633,000	-	-	-	-	633,000
Land Acquisition	570,687	-	-	-	-	570,687
Inverness Government Center Sustainability	537,345	-	-	-	-	537,345
Disaster Preparedness/Mitigation	750,000	-	-	-	-	750,000
Employee Accrual Balance	136,000	-	-	-	-	136,000
Tort Litigation	200,000	-	-	-	-	200,000
Parks Operation/Capital	-	401,046	-	-	-	401,046
Road Improvements	-	-	-	-	13,161	13,161
Capital Projects	-	-	-	4,352,991	-	4,352,991
Unassigned	4,403,858	-	-	-	-	4,403,858
Total fund balances	<u>7,436,718</u>	<u>401,046</u>	<u>254,326</u>	<u>4,352,991</u>	<u>149,783</u>	<u>12,594,864</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,825,723</u>	<u>\$ 417,025</u>	<u>\$ 254,822</u>	<u>\$ 4,538,823</u>	<u>\$ 149,783</u>	<u>\$ 13,186,176</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

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CITY OF INVERNESS, FLORIDA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION**

September 30, 2016

Total Fund Balance, Governmental Funds		\$ 12,594,864
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	22,077,718	
Deferred inflows and outflows of resources related to pension earnings are not recognized in the governmental funds, however, they are recorded in net position under full accrual accounting.	968,772	
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds		
Compensated absences	(236,176)	
Net Pension Liability	(2,066,222)	
Other postemployment benefits	(25,240)	(2,327,638)
Net Position of Governmental Activities in the Statement of Net Position		<u>\$ 33,313,716</u>

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The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF INVERNESS, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2016

	General Fund	Special Revenue Funds			Other Governmental Funds	Total Governmental Funds
		Whispering Pines Park	Community Redevelopment Fund	Capital Projects		
REVENUES:						
Taxes and special assessments	\$ 4,123,269	\$ -	\$ 1,087,887	\$ -	\$ -	\$ 5,211,156
Licenses and permits	283,246	-	-	-	-	283,246
Intergovernmental	1,083,788	7,500	-	573,720	-	1,665,008
Impact fees	-	-	-	104,500	35,359	139,859
Charges for services	975,392	84,240	-	-	-	1,059,632
Fees and fines	26,748	-	-	-	-	26,748
Investment earnings	32,906	1,711	35,718	17,994	2,158	90,487
Miscellaneous	456,931	16,851	-	144,880	-	618,662
Total revenues	6,982,280	110,302	1,123,605	841,094	37,517	9,094,798
EXPENDITURES:						
Current:						
General government	1,670,445	-	-	65,257	-	1,735,702
Community development services	216,802	-	299,279	146,749	-	662,830
Public safety	1,249,122	-	-	108,213	-	1,357,335
Highways and streets	647,997	-	-	24,742	-	672,739
Physical environment	1,016,307	-	-	-	-	1,016,307
Culture and recreation	666,055	529,994	-	44,962	-	1,241,011
Capital Outlay	-	-	-	939,478	7,159	946,637
Total expenditures	5,466,728	529,994	299,279	1,329,401	7,159	7,632,561
Excess of revenues over expenditures	1,515,552	(419,692)	824,326	(488,307)	30,358	1,462,237
OTHER FINANCING USES:						
Transfers in	886,605	474,014	-	2,263,000	-	3,623,619
Transfers out	(2,014,014)	-	(646,500)	(46,605)	(388,000)	(3,095,119)
Total other financing uses	(1,127,409)	474,014	(646,500)	2,216,395	(388,000)	528,500
Net change in fund balances	388,143	54,322	177,826	1,728,088	(357,642)	1,990,737
Fund balances - beginning	7,048,575	346,724	76,500	2,624,903	507,425	10,604,127
Fund balances - ending	\$ 7,436,718	\$ 401,046	\$ 254,326	\$ 4,352,991	\$ 149,783	\$ 12,594,864

The accompanying Notes to Financial Statements are an integral part of this statement.

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CITY OF INVERNESS, 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, 2016

Net Change in Fund Balances - total governmental funds:		\$ 1,990,737
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 these assets is depreciated over their estimated useful lives.		
Expenditures for capital assets	1,081,762	
Less: current year depreciation	(806,334)	275,428
Cash pension contributions reported in the funds were more than the calculated pension expense in the Statement of Activities, and therefore increased net position.		(168,033)
Revenues in the governmental funds that provide current financial resources are not reported as revenues in the Statement of Activities.		(506,929)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds.		
Change in long-term compensated absences	(20,249)	
Change in other post employment benefits	(2,941)	(23,190)
Change in net position of governmental activities		<u>\$ 1,568,013</u>

CITY OF INVERNESS, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and Special Assessments	\$ 4,911,265	\$ 4,678,265	\$ 4,123,269	\$ (554,996)
Licenses and Permits	85,100	85,100	283,246	198,146
Intergovernmental	1,045,500	1,050,500	1,083,788	33,288
Charges for Services	1,007,350	1,007,350	975,392	(31,958)
Fees and Fines	29,000	29,000	26,748	(2,252)
Investment Earnings	45,100	45,100	32,906	(12,194)
Miscellaneous	351,410	351,410	456,931	105,521
Total revenues	<u>7,474,725</u>	<u>7,246,725</u>	<u>6,982,280</u>	<u>(264,445)</u>
EXPENDITURES:				
Current:				
General government	2,355,384	2,089,623	1,670,445	419,178
Community development services	265,610	265,610	216,802	48,808
Public safety	1,201,415	1,301,020	1,249,122	51,898
Highways and streets	839,637	826,398	647,997	178,401
Physical environment	1,079,710	1,067,710	1,016,307	51,403
Culture and recreation	969,323	979,323	666,055	313,268
Total expenditures	<u>6,711,079</u>	<u>6,529,684</u>	<u>5,466,728</u>	<u>1,062,956</u>
Excess (deficiency) of revenues over expenditures	<u>763,646</u>	<u>717,041</u>	<u>1,515,552</u>	<u>798,511</u>
OTHER FINANCING SOURCES:				
Transfers In	840,000	886,605	886,605	-
Transfers Out	(2,368,784)	(2,568,784)	(2,014,014)	554,770
Total other financing sources	<u>(1,528,784)</u>	<u>(1,682,179)</u>	<u>(1,127,409)</u>	<u>554,770</u>
Net change in fund balances	(765,138)	(965,138)	388,143	1,353,281
Fund Balance - beginning	<u>7,048,575</u>	<u>7,048,575</u>	<u>7,048,575</u>	<u>-</u>
Fund Balance - ending	<u>\$ 6,283,437</u>	<u>\$ 6,083,437</u>	<u>\$ 7,436,718</u>	<u>\$ 1,353,281</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

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CITY OF INVERNESS, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
WHISPERING PINES PARK SPECIAL REVENUE FUND**

For the Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 7,500	\$ 7,500	\$ 7,500	\$ -
Charges for Services	89,950	89,950	84,240	(5,710)
Investment Earnings	800	800	1,711	911
Miscellaneous	3,000	3,000	16,851	13,851
Total revenues	101,250	101,250	110,302	9,052
EXPENDITURES:				
Current:				
Culture and recreation	575,264	587,264	529,994	57,270
Total expenditures	575,264	587,264	529,994	57,270
Excess (deficiency) of revenues over expenditures	(474,014)	(486,014)	(419,692)	66,322
OTHER FINANCING SOURCES:				
Transfers In	474,014	474,014	474,014	-
Transfers Out	-	-	-	-
Total other financing sources	474,014	474,014	474,014	-
Net change in fund balances	-	(12,000)	54,322	66,322
Fund Balance - beginning	346,724	346,724	346,724	-
Fund Balance - ending	<u>\$ 346,724</u>	<u>\$ 334,724</u>	<u>\$ 401,046</u>	<u>\$ 66,322</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF INVERNESS, FLORIDA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
COMMUNITY REDEVELOPMENT FUND**

For the Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and Special Assessments	\$ 562,770	\$ 562,770	\$ 1,087,887	\$ 525,117
Investment Earnings	6,600	6,600	35,718	29,118
Total revenues	569,370	569,370	1,123,605	554,235
EXPENDITURES:				
Current:				
Community development services	461,385	461,385	299,279	162,106
Total expenditures	461,385	461,385	299,279	162,106
Excess (deficiency) of revenues over expenditures	107,985	107,985	824,326	716,341
OTHER FINANCING SOURCES:				
Transfers In	554,770	554,770	-	(554,770)
Transfers Out	(646,500)	(646,500)	(646,500)	-
Total other financing sources	(91,730)	(91,730)	(646,500)	(554,770)
Net change in fund balances	16,255	16,255	177,826	161,571
Fund Balance - beginning	76,500	76,500	76,500	-
Fund Balance - ending	<u>\$ 92,755</u>	<u>\$ 92,755</u>	<u>\$ 254,326</u>	<u>\$ 161,571</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF INVERNESS, FLORIDA

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS**

September 30, 2016

	Enterprise Funds		
	Water and Sewer Utility	Cemetery	Total
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 919,221	\$ 34,767	\$ 953,988
Investments	4,714,281	645,427	5,359,708
Accounts receivable, net	278,262	3,735	281,997
Receivables from other governments	33,642	-	33,642
Accrued interest receivable	44,990	-	44,990
Other receivables	21,937	-	21,937
Inventories	-	98,112	98,112
Prepays	63,401	791	64,192
Total current assets	6,075,734	782,832	6,858,566
Noncurrent assets:			
Restricted cash and cash equivalents	305,232	-	305,232
Total restricted assets	305,232	-	305,232
Capital assets:			
Land, buildings and equipment	38,333,295	44,763	38,378,058
Construction in progress	254,828	-	254,828
Less accumulated depreciation	(13,628,895)	(41,420)	(13,670,315)
Total capital assets (net of depreciation)	24,959,228	3,343	24,962,571
Total noncurrent assets	25,264,460	3,343	25,267,803
Total assets	31,340,194	786,175	32,126,369
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows-pension earnings	32,327	-	32,327
LIABILITIES:			
Current Liabilities:			
Accounts payable and accrued expenses	361,214	1,441	362,655
Accrued liabilities	-	821	821
Accrued interest payable	58,586	-	58,586
Customer deposits payable	285,576	50	285,626
Compensated absences	2,284	-	2,284
Capital lease obligation	121,402	-	121,402
Notes payable	497,670	-	497,670
Total current liabilities	1,326,732	2,312	1,329,044
Noncurrent Liabilities:			
Capital lease payable	1,541,583	-	1,541,583
Net pension liability	67,166	-	67,166
Notes payable	8,781,608	-	8,781,608
Total noncurrent liabilities	10,390,357	-	10,390,357
Total liabilities	11,717,089	2,312	11,719,401
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows-pension earnings	834	-	834
Total deferred inflows of resources	834	-	834
NET POSITION:			
Net investment in capital assets	14,016,965	3,343	14,020,308
Restricted for perpetual care	-	553,627	553,627
Unrestricted	5,637,633	226,893	5,864,526
Total net position	\$ 19,654,598	\$ 783,863	\$ 20,438,461

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF INVERNESS, FLORIDA

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS**

For the Year Ended September 30, 2016

	Enterprise Funds		
	Water and Sewer Utility	Cemetery	Total
Operating Revenues:			
Charges for services	\$ 3,358,095	\$ 19,240	\$ 3,377,335
Miscellaneous	29,564	67	29,631
Total operating revenues	3,387,659	19,307	3,406,966
Operating expenses:			
Salaries and benefits	97,667	10,394	108,061
Contractual services	1,452,766	40,251	1,493,017
Utilities	209,333	1,002	210,335
Materials and supplies	22,170	-	22,170
Other operating expenses	155,748	3,534	159,282
Depreciation	853,700	649	854,349
Total operating expenses	2,791,384	55,830	2,847,214
Operating income (loss)	596,275	(36,523)	559,752
Nonoperating Revenue (Expenses):			
Investment income	24,516	4,610	29,126
Operating grants and contributions	501,676	-	501,676
Miscellaneous revenue	12,665	-	12,665
Gain (loss) on disposal of capital assets	47,429	-	47,429
Interest expense	(268,925)	-	(268,925)
Total nonoperating revenue (expenses)	317,361	4,610	321,971
Income before transfers	913,636	(31,913)	881,723
Transfers out	(525,000)	(3,500)	(528,500)
Change in net position	388,636	(35,413)	353,223
Total Net Position - beginning	19,265,962	819,276	20,085,238
Total Net Position - ending	\$ 19,654,598	\$ 783,863	\$ 20,438,461

The accompanying Notes to Financial Statements are an integral part of this statement.

CITY OF INVERNESS, FLORIDA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For The Year Ended September 30, 2015

	Water and Sewer Utility	Cemetery	Total
Cash Flows from Operating Activities:			
Receipts from customers	\$ 3,535,787	\$ 17,737	\$ 3,553,524
Payments to suppliers	(1,958,130)	(47,001)	(2,005,131)
Payments to employees	(104,211)	(10,189)	(114,400)
Net cash provided (used) by operating activities	1,473,446	(39,453)	1,433,993
Cash Flows from Noncapital Financing Activities:			
Net operating transfers in (out)	(525,000)	(3,500)	(528,500)
Operating grants	501,676	-	501,676
Net cash provided (used) by noncapital financing activities	(23,324)	(3,500)	(26,824)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from sale of capital assets	3,500	-	3,500
Insurance Proceeds	92,718	-	
Acquisition of capital assets	(483,820)	-	(483,820)
Principal paid on long-term debt	(591,284)	-	(591,284)
Interest paid on long-term debt	(272,140)	-	(272,140)
Net cash provided (used) by capital and related financing activities	(1,251,026)	-	(1,251,026)
Cash Flows from Investing Activities:			
Sales of investments	(1,228,768)	(43,789)	(1,272,557)
Investment income	24,516	4,610	29,126
Net cash provided(used) by investing activities	(1,204,252)	(39,179)	(1,243,431)
Net Increase in Cash and Cash Equivalents	(1,005,156)	(82,132)	(1,087,288)
Cash and Cash Equivalents - beginning	<u>2,229,609</u>	<u>116,899</u>	<u>2,346,508</u>
Cash and Cash Equivalents - ending	<u>\$ 1,224,453</u>	<u>\$ 34,767</u>	<u>\$ 1,259,220</u>
Classified As:			
Cash and cash equivalents	\$ 919,221	\$ 34,767	\$ 953,988
Restricted cash and cash equivalents	305,232	-	305,232
Total	<u>\$ 1,224,453</u>	<u>\$ 34,767</u>	<u>\$ 1,259,220</u>

	Water and Sewer Utility	Cemetery	Total
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities			
Operating income (loss)	\$ 596,275	\$ (36,523)	\$ 559,752
Adjustments Not Affecting Cash:			
Depreciation and amortization	853,700	649	854,349
Change in Assets and Liabilities:			
(Increase) Decrease in accounts receivable	121,494	(1,570)	119,924
(Increase) Decrease in prepaids	(41,473)	(791)	(42,264)
Increase (Decrease) in accounts payable	(76,640)	(1,423)	(78,063)
Increase (Decrease) in accrued liabilities	-	205	205
Increase (Decrease) in compensated absences	1,174	-	1,174
Increase (Decrease) in deferred inflows	(8,241)	-	(8,241)
Increase (Decrease) in deferred outflows	(13,374)	-	(13,374)
Increase (Decrease) in net pension liability	13,897	-	13,897
Increase in customer deposits	26,634	-	26,634
Total adjustments	877,171	(2,930)	874,241
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,473,446</u>	<u>\$ (39,453)</u>	<u>\$ 1,433,993</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 1 - Summary of Significant Accounting Policies:***A. Reporting Entity***

The City of Inverness, Florida ("the City") is a political subdivision of the state of Florida located in Citrus County, and was incorporated in 1919, under the laws of Florida, Chapter 8274 (Act 492). The legislative branch of the City is comprised of a five-member elected Council and a separately elected Mayor, which is governed by the City Charter and by state and local laws and regulations. The City Council is responsible for the establishment and adoption of policy; the execution of such policy is the responsibility of the City Manager appointed by the Council.

In evaluating how to define the government, for financial reporting purposes, the City has considered all potential component units. The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organizations' resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. In applying the above criteria, the City has one blended component unit as follows:

The City of Inverness created the Downtown Redevelopment Agency (CRA) by City Resolution No. 90.07. This is a dependent taxing district established in accordance with Chapter 163, Part III, Florida Statutes. Then in 2014, the City expanded the CRA in accordance with Chapter 163 of the Florida Statutes designating the expanded area, and passed Ordinance 2014-703 adopting the CRA plan amendment to extend the boundaries and extend the implementation period for 30 years following the amendment of the existing plan. The incremental annual increase in tax over the base years (1990 and 2014) will be used to fund projects designed to enhance and improve the described area. The CRA is governed by a board of seven appointed by the City Council. Separate financial statements are not issued for the CRA; the CRA Fund is presented as a blended component unit and is included in the City's fund financials.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements; however, interfund services provided and used are not eliminated. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

NOTES TO FINANCIAL STATEMENTS

CITY OF INVERNESS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):**B. Government-Wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF INVERNESS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The government reports the following funds:

Major Governmental Funds

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Whispering Pines Park Special Revenue Fund* accounts for the operations of the Whispering Pines Park, financed principally by contributions from the School Board of Citrus County and transfers from the General Fund.

The *Community Redevelopment Fund* was established as a dependent taxing district. The incremental annual increase in tax over the base years will be used to fund projects designed to enhance and improve the described area.

The *Capital Projects Fund* accounts for the acquisition and construction of major capital assets other than those financed by proprietary funds.

Nonmajor Governmental Funds

Special Revenue Funds account for specific revenue sources that are legally restricted or committed to expenditures for specific purposes other than debt service or capital projects.

Major Proprietary Funds

The *Water and Sewer Utility Fund* is used to account for the operations of the City's water and sewer systems, which are financed in a manner similar to private business enterprises, where the costs, including depreciation, of providing services to the general public on an ongoing basis are financed primarily through user charges.

The *Cemetery Fund* accounts for the sale of lots and maintenance of the Oak Ridge Cemetery.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):***C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)***

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Water and Sewer Utility and Cemetery funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance**1. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments of the City are reported at fair value. The City's investments consist of investments authorized per the investment policy adopted in accordance with Section 218.415, Florida Statutes.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a non-spendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectibles. The County bills and collects property taxes and remits them to the City. City property tax revenues are recognized when levied to the extent that they result in current receivables.

All property is reassessed according to its fair value on the lien date, or January 1 of each year. Taxes are levied on October 1 of each year. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January, and 1% in the month of February. The taxes paid in March are without discount. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. On or around May 31 following the tax year, certificates are sold for all delinquent taxes on real property.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):***D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)*****3. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These are recorded as expenditures when consumed rather than when purchased.

4. Restricted assets

Certain proceeds of the City's enterprise fund notes and leases, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts or their use is limited by applicable debt covenants. Restricted assets also include security deposits held by the enterprise funds. The General Fund also restricts assets for security deposits for commercial sanitation deposits. Assets so designated are identified as restricted assets on the balance sheet.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest capitalized in enterprise fund capital assets in 2016.

Property, plant, and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

	<u>Years</u>
Buildings	10-50
Infrastructure and Improvements	10-50
Equipment	5-20
Intangible Assets	5-20

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):***D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)*****6. Compensated absences**

It is the City's policy to permit Charter employees to accumulate earned but unused personal leave benefits. Since the City's policy is to pay accumulated personal leave when employees separate from service, all personal leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The City pays general employees any unused leave balances on the employee's anniversary date. General employees may elect to transfer their unused sick time to a catastrophic leave bank, but unused vacation time is not carried over. For governmental funds, compensated absences, net pension liability and other post-employment benefits are generally liquidated by the General Fund.

7. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

8. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category for the year ended September 30, 2016, deferred outflows of pension earnings.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from grant revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has deferred inflows of pension earnings reported in the enterprise and government-wide statement of net position.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):***D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)*****9. Net position flow assumptions**

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

10. Fund balance flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted first before using any of the components of unrestricted fund balance. Further when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision making authority for the City that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classifications are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The Council has the responsibility for assigning fund balance. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 1 - Summary of Significant Accounting Policies (Continued):***D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance (Continued)*****12. New GASB Statements Implemented**

In fiscal year 2016, the City implemented GASB Statement No. 72, Fair Value Measurement and Application. This statement updates the disclosure requirements for investments. There was no effect on beginning balances of the City.

Note 2 - Reconciliation of Government-Wide and Fund Financial Statements:***A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position***

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position- governmental activities* as reported in the government-wide statement of net position.

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government - Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 3 - Stewardship, Compliance, and Accountability:***A. Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Whispering Pines Park Special Revenue Fund, Community Redevelopment Agency Special Revenue Fund, Capital Projects Fund and Enterprise Funds, except as described below under Budget Basis of Accounting. All annual appropriations lapse at fiscal year end. The City follows these procedures set forth below in establishing the budgetary data reflected in the financial statements.

1. Prior to August 1st, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1st. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayers comments.
3. On or before September 30th of each year, public hearings are completed and the Council adopts the final budget and establishes the ad valorem tax millage.
4. The City cannot legally exceed the budget; however, the City Manager is authorized to transfer budgeted amounts within departments within any fund unless the transfer affects a budgeted reserve. The City Council must approve revisions that alter the total expenditures of any department. The legal level of budgetary control is department.
5. Budgetary comparisons are not presented for Enterprise Funds since not required under generally accepted accounting principles.

B. Expenditures in Excess of Appropriations

Expenditures for the Capital Projects Fund were in excess of appropriations at the department level.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 4 - Deposits and Investments:**Deposits**

At year-end, the carrying amount of the City's deposits was \$1,786,467 and the bank balance was \$2,151,007. Cash on hand of \$2,219 is not on deposit with a financial institution. All bank deposits were covered by Federal Depository Insurance or held in banks that are members of the State of Florida's Collateral Pool as specified under Florida law. This limits local government deposits to "authorized depositories." The State of Florida Collateral Pool is a multiple financial institution pool with the ability to assess its members for collateral shortfalls if a member institution fails. For this reason, the City considers its deposits insured or collateralized.

Investments

The City's investment policy is governed by State Statutes and City ordinances. The investment policy does not apply to funds related to the issuance of debt where there are other existing policies or indentures in effect. City ordinance allows investments in any financial institution that is a qualified public depository of the State of Florida as identified by the State Treasurer, in accordance with chapter 280 of the Florida Statutes. Authorized investments are:

1. Direct obligations of the U.S. Government, its Agencies or Instrumentalities;
2. Securities and Exchange Commission registered money market mutual funds with the highest credit quality rating from a nationally recognized rating agency;
3. Insured or fully collateralized Certificates of Deposit and other forms of deposit in financial institutions that are qualified public depositories of the State as determined by the State Treasurer, in accordance with Chapter 280.02 of the State Statutes;
4. Financial institution deposits that are in qualified public depositories of the State in accordance with Chapter 280.02, where the selected depository arranges for the deposit of the funds in certificates of deposit in one or more federally insured financial institutions, wherever located, for the account of the City in amounts that ensure that each certificate of deposit is insured by the Federal Deposit Insurance Corporation, and meet the requirements of Chapter 218.415 (23);
5. The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in s. 163.01; and
6. Repurchase agreements secured by direct obligations of the U.S. Government, its Agencies, or Instrumentalities, pledged with an independent third party approved by the City, and having a market value of not less than 102% of investment balance plus interest. All repurchase agreement transactions shall be governed in accordance with a master repurchase agreement executed in compliance with State law.

The SBA is not a registrant with the Securities and Exchange Commission (SEC); however, the State of Florida does provide regulatory oversight. The Board has adopted operating procedures consistent with the requirements for a 2a-7 fund for the Florida Prime Fund; therefore, the pool account balance can be used as fair value for the financial reporting.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 4 - Deposits and Investments (Continued):**Investments (Continued)**

Investments made by the City at September 30, 2016 are summarized below.

Investment Type	Fair Value	Credit Rating	Weighted Average Maturity (Years)
Florida Prime	\$ 39,449	AAAm	50 days
Florida Safe Money Market	6,286,612	AAAm	53 days
Florida Safe Term Securities	5,950,000	AAAm	.87 years
0-2 Year High Quality Bond	65,470	AAAm	.75 years
Certificate of Deposit	4,900,000	Not Rated	23.0 months
	<u>\$ 17,241,531</u>		

Fair Value:

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value is the price that would be received to sell an asset, or paid to transfer a liability, in orderly transaction between market participants at the measurement date. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The City uses a market approach in measuring fair value that uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or groups of assets and liabilities.

Assets or liabilities are classified into one of three levels. Level 1 is the most reliable and is based on quoted price for identical assets, or liabilities, in an active market. Level 2 uses significant other observable inputs when obtaining quoted prices for identical or similar assets, or liabilities, in markets that are not active. Level 3 is the least reliable, and uses significant unobservable inputs that uses the best information available under the circumstances, which includes the City's own data in measuring unobservable inputs.

The City has the following recurring fair value measurements as of September 30, 2016:

Investments Valued by Fair Value Level		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
0-2 Year High Quality Bond	\$ 65,470	\$ -	\$ 65,470
Certificate of Deposits	4,900,000	-	4,900,000
	<u>\$ 4,965,470</u>	<u>\$ -</u>	<u>\$ 4,965,470</u>

CITY OF INVERNESS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 4 - Deposits and Investments (Continued):

Investments (Continued)

Credit Risk:

The City's investment policy limits credit risk by restricting authorized investments to those described above. The policy requires that investments in U.S. Government Agency Securities be guaranteed by the full faith of the U.S. Government. Also, term repurchase agreements must be collateralized by U.S. Treasury securities and overnight (sweep) repurchase agreements must be collateralized by the full faith or general faith and credit obligations of the U.S. Government or U.S. Government Agency Securities. Securities of registered investment companies must be limited to U.S. Government obligations and to repurchase agreements fully collateralized by such U.S. Government obligations.

Custodial Credit Risk:

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that bank deposits be secured as provided by Chapter 280, Florida Statutes. This law requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial officer of the State of Florida, and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. At September 30, 2016, all of the City's bank deposits were in qualified public depositories.

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. At September 30, 2016, none of the investments listed are exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk:

The policy has no limitations on portfolio composition.

Interest Rate Risk:

The policy minimizes interest rate risk by structuring investments to meet cash requirements and diversifying maturities and staggering purchase dates to minimize the impact of market movements over time.

CITY OF INVERNESS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 5 - Receivables:

Receivables as of September 30, 2016 for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Whispering Pines Park	Capital Projects	Other Governmental	Water and Sewer Utility Fund	Cemetery Fund	Total
Receivables:							
Accounts	\$ 348,858	\$ 1,004	\$ 14,158	\$ 2,822	\$ 358,427	\$ 3,735	\$ 729,004
Less Allowance for Uncollectible Accounts	-	-	-	-	(80,165)	-	(80,165)
	<u>\$ 348,858</u>	<u>\$ 1,004</u>	<u>\$ 14,158</u>	<u>\$ 2,822</u>	<u>\$ 278,262</u>	<u>\$ 3,735</u>	<u>\$ 648,839</u>

Note 6 - Capital Assets:

Capital asset activity for the year ended September 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 3,341,506	\$ 343,084	\$ -	\$ 3,684,590
Construction in progress	687,882	453,574	(534,880)	606,576
Total capital assets, not being depreciated	<u>4,029,388</u>	<u>796,658</u>	<u>(534,880)</u>	<u>4,291,166</u>
Capital assets, being depreciated:				
Buildings	10,218,969	10,078	-	10,229,047
Improvements	12,262,461	394,803	-	12,657,264
Machinery and equipment	2,334,329	247,908	-	2,582,237
Intangibles	390,352	167,195	-	557,547
Total capital assets, being depreciated	<u>25,206,111</u>	<u>819,984</u>	<u>-</u>	<u>26,026,095</u>
Less accumulated depreciation for:				
Buildings	(2,007,818)	(214,709)	-	(2,222,527)
Improvements	(3,673,270)	(396,947)	-	(4,070,217)
Machinery and equipment	(1,412,769)	(158,246)	-	(1,571,015)
Intangibles	(339,352)	(36,432)	-	(375,784)
Total accumulated depreciation	<u>(7,433,209)</u>	<u>(806,334)</u>	<u>-</u>	<u>(8,239,543)</u>
Total capital assets, being depreciated, net	<u>17,772,902</u>	<u>13,650</u>	<u>-</u>	<u>17,786,552</u>
Governmental activities capital assets, net	<u>\$ 21,802,290</u>	<u>\$ 810,308</u>	<u>\$ (534,880)</u>	<u>\$ 22,077,718</u>

CITY OF INVERNESS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 6 - Capital Assets (Continued):

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 651,855	\$ -	\$ -	\$ 651,855
Construction in progress	21,282	368,162	(134,616)	254,828
Total capital assets, not being depreciated	673,137	368,162	(134,616)	906,683
Capital assets, being depreciated:				
Buildings	17,669,190	-	-	17,669,190
Improvements	12,608,829	182,698	-	12,791,527
Machinery and equipment	7,644,697	67,576	(446,787)	7,265,486
Total capital assets, being depreciated	37,922,716	250,274	(446,787)	37,726,203
Less accumulated depreciation for:				
Buildings	(2,351,576)	(357,677)	-	(2,709,253)
Improvements	(4,304,795)	(386,554)	-	(4,691,349)
Machinery and equipment	(6,570,258)	(110,118)	410,663	(6,269,713)
Total accumulated depreciation	(13,226,629)	(854,349)	410,663	(13,670,315)
Total capital assets, being depreciated, net	24,696,087	(604,075)	(36,124)	24,055,888
Business-type activities capital assets, net	<u>\$ 25,369,224</u>	<u>\$ (235,913)</u>	<u>\$ (170,740)</u>	<u>\$ 24,962,571</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 318,702
Public Safety	16,254
Development services	54,916
Highways and streets	181,379
Culture and recreation	235,083
Total Depreciation Expense - governmental activities	<u>\$ 806,334</u>
Business-type Activities:	
Water and sewer	\$ 853,700
Cemetery	649
Total depreciation Expense - business-type activities	<u>\$ 854,349</u>

CITY OF INVERNESS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 7 - Leases:

Capital Leases - The City has entered into a lease agreement as lessee for financing the acquisition and installation of water meter equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Assets		
Improvements	\$ -	\$ 2,228,626
Less: Accumulated depreciation	-	(137,283)
Total	<u>\$ -</u>	<u>\$ 2,091,343</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016 were as follows:

	Governmental Activities	Business-type Activities
Year Ending September 30		
2017	\$ -	\$ 167,000
2018	-	181,000
2019	-	190,500
2020	-	196,000
2021	-	202,000
2022-2026	-	981,500
Total Minimum Lease Payments	-	1,918,000
Less: Amount representing interest	-	(255,015)
Capital Lease Payable	<u>\$ -</u>	<u>\$ 1,662,985</u>

The City leases a portion of its Government center under various operating leases. The following is a schedule of minimum future revenues from non-cancelable agreements as of September 30:

Year Ending September 30	
2017	\$ 145,788
2018	124,502
2019	122,200
2020	121,084
2021	40,559
	<u>\$ 554,133</u>

Total income under non-cancelable operating leases for the year ended September 30, 2016 was \$154,210. Following is a schedule of approximate cost or carrying value and accumulated depreciation of capital assets under operating leases:

Buildings	\$ 1,925,718
Accumulated Depreciation	(355,044)
Capital Assets Held for Lease, net	<u>\$ 1,570,674</u>

CITY OF INVERNESS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 8 - Long-Term Debt:

Notes Payable

In 2005, the City executed a State Revolving Loan agreement for various water and wastewater system upgrades. The amended agreement provides total funding of \$16,052,561, including grant funding of \$10,000,000 that will be funded by the state through a Small Community Wastewater Grant. The loan period is 26 years with an interest rate of 2.3%. The loan is secured by the gross revenues from the water and sewer utility net of operation and maintenance costs. Total principal and interest remaining was \$11,164,958. For the fiscal year, principal and interest paid was \$708,248, which includes \$500,000 of grant funded payments; and total pledged revenue was \$1,492,170. As noted in Subsequent Events Note, the state transferred \$6,024,340 of balance of grant funds to reduce SRF loan balance in 2017.

Annual debt service requirements to maturity for notes payable are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	\$ -	\$ -	\$ 497,670	\$ 210,578
2018	-	-	509,182	199,065
2019	-	-	520,961	187,287
2020	-	-	533,012	175,236
2021	-	-	545,341	162,907
2022-2026	-	-	2,921,869	619,371
2027-2031	-	-	2,772,942	268,298
2032-2036	-	-	978,301	62,938
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,279,278</u>	<u>\$ 1,885,680</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 215,927	\$ 20,249	\$ -	\$ 236,176	\$ 23,618
Other post employment benefits	22,299	2,941	-	25,240	-
Net pension liability	1,140,989	925,233	-	2,066,222	-
Governmental activity long-term liabilities	<u>\$ 1,379,215</u>	<u>\$ 948,423</u>	<u>\$ -</u>	<u>\$ 2,327,638</u>	<u>\$ 23,618</u>
Business-type Activities:					
SRF Note payable	\$ 9,765,696	\$ -	\$ (486,418)	\$ 9,279,278	\$ 497,670
Capital lease	1,767,851	-	(104,866)	1,662,985	121,402
Compensated absences	1,110	2,284	(1,110)	2,284	2,284
Net pension liability	53,269	13,897	-	67,166	-
Business-type activity long-term liabilities	<u>\$ 11,587,926</u>	<u>\$ 16,181</u>	<u>\$ (592,394)</u>	<u>\$ 11,011,713</u>	<u>\$ 621,356</u>

Governmental compensated absences will be liquidated by the General and Whispering Pines Park Funds. The General Fund pays for approximately 95% of compensated absences, while the Whispering Pines Park Fund pays 5%. Other post-employment benefits and net pension liability will be liquidated by the General Fund.

CITY OF INVERNESS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 9- Interfund Receivables, Payables and Transfers:

Interfund transfers for the year ended September 30, 2016 consisted of the following:

	Transfers In			
	General Fund	Whispering Pines Park Fund	Capital Projects	Total
Transfer Out:				
General Fund	\$ -	\$ 474,014	\$ 1,540,000	\$ 2,014,014
Whispering Pines Park Fund	46,605	-	-	46,605
Community Redevelopment Fund	311,500	-	335,000	646,500
Impact Fee Fund	-	-	388,000	388,000
Water and Sewer Utility Fund	525,000	-	-	525,000
Cemetery Fund	3,500	-	-	3,500
Total	<u>\$ 886,605</u>	<u>\$ 474,014</u>	<u>\$ 2,263,000</u>	<u>\$ 3,623,619</u>

Transfers between funds are primarily to move unrestricted revenues collected in funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 10 - Retirement Plans:

Florida Retirement System

City employees, except for participants in the separate general employees' defined contribution pension fund and the City Manager, participate in the State of Florida Retirement System (FRS), a cost-sharing multiple-employer public employee retirement plan administered by the State of Florida Department of Management Services, Division of Retirement, to provide retirement and survivor benefits to participating public employees. The City elected to opt out of the System beginning with employees hired after January 1, 1996, then elected to re-enter with employees hired on or after January 1, 2005.

All employees, other than those described above participate in FRS. Employees who retire at or after age 62 with 10 years of credited service, or 30 years of credited service regardless of age, are entitled to a retirement benefit equal to 1.6% to 1.68% (dependent upon age and years of service) of their average final compensation. The average final compensation is the average of the five highest fiscal years of earnings. Benefits are adjusted annually for a cost of living increase in the Consumer Price Index up to a maximum of 3%. At September 30, 2016, 45 City employees were members of the FRS Retirement plans.

Benefits are payable monthly under one of four options elected by the participant upon retirement. The options range from a full benefit during life of the member to reduced benefits paid to survivors upon the death of the member. Benefits fully vest on reaching 6 years of service. Vested employees may retire at any time after vesting and receive a 5% benefit reduction for each year prior to normal retirement age or date. FRS also provides death and disability benefits.

CITY OF INVERNESS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 10 - Retirement Plans (Continued):**Florida Retirement System (Continued)**

General Information - As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site:

www.dms.myflorida.com/workforce_operations/retirement/publications

Pension Plan

Plan Description - The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service.

Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

CITY OF INVERNESS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 10 - Retirement Plans (Continued):**Pension Plan (Continued)**

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions - Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016, respectively, were as follows: Regular-7.26% and 7.52%; Special Risk Administrative Support-32.95% and 28.06%; Special Risk-22.04% and 22.57%; Senior Management Service-21.43% and 21.77%; Elected Officers-42.27% and 42.47%; and DROP participants-18.75% and 12.99%.

These employer contribution rates include 1.26% and 1.66% HIS Plan subsidy for the periods October 1, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016, respectively.

The City's contributions, including employee contributions, to the Pension Plan totaled \$161,581 for the fiscal year ended September 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2016, the City reported a liability of \$1,555,953 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's 2015-16 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2016, the City's proportionate share was .0061 percent, which was an increase (decrease) of .0005 percent from its proportionate share measured as of June 30, 2015.

CITY OF INVERNESS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 10 - Retirement Plans (Continued):

Pension Plan (Continued)

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$294,701. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 119,135	\$ 14,487
Change of Assumptions	94,131	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	402,195	-
Changes in Proportion and Differences Between City Pension Plan Contributions and Proportionate Share of Contributions	220,286	-
City Pension Plan Contributions Subsequent to the Measurement Date	47,544	-
Total	<u>\$ 883,291</u>	<u>\$ 14,487</u>

The deferred outflows of resources related to the Pension Plan, totaling \$47,544 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2016	\$ 140,232
2017	140,232
2018	297,033
2019	193,332
2020	37,826
Thereafter	12,605

CITY OF INVERNESS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 10 - Retirement Plans (Continued):

Pension Plan (Continued)

Actuarial Assumptions - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.60 %
Salary Increases	3.25%, average, including inflation
Investment Rate of Return	7.65%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.00%	3.00%	1.70%
Fixed Income	18.00%	4.70%	4.60%	4.60%
Global Equities	53.00%	8.10%	6.80%	17.20%
Real Estate	10.00%	6.40%	5.80%	12.00%
Private Equity	6.00%	11.50%	7.80%	30.00%
Strategic Investments	12.00%	6.10%	5.60%	11.10%
Total	<u>100.00%</u>			
Assumed Inflation - Mean		2.60%		2.00%

(1) As outlined in the Pension Plan's investment policy

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 10 - Retirement Plans (Continued):**Pension Plan (Continued)**

Discount Rate - The discount rate used to measure the total pension liability was 7.60%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.60%)	1% Increase (8.60%)
City's Proportionate Share of the Net Pension Liability	\$ 2,864,615	\$ 1,555,953	\$ 466,665

Pension Plan Fiduciary Net Position - Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan - At September 30, 2016, the City reported a payable in the amount of \$20,556 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2016.

HIS Plan

Plan Description - The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided - For the fiscal year ended September 30, 2016, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 10 - Retirement Plans (Continued):**HIS Plan (Continued)**

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2016, the HIS contribution for the period October 1, 2015 through June 30, 2016 and from July 1, 2016 through September 30, 2016 was 1.26% and 1.66%, respectively. The City contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The City's contributions to the HIS Plan totaled \$26,098 for the fiscal year ended September 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2016, the City reported a liability of \$577,435 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The City's proportionate share of the net pension liability was based on the City's 2015-16 fiscal year contributions relative to the 2014-15 fiscal year contributions of all participating members. At June 30, 2016, the City's proportionate share was .0049 percent, which was an increase (decrease) of .0003 percent from its proportionate share measured as of June 30, 2015.

For the fiscal year ended September 30, 2016, the City recognized pension expense of \$53,297. In addition the City reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 1,315
Change of Assumptions	90,614	-
Net Difference Between Projected and Actual Earnings on HIS Plan Investments	292	-
Changes in Proportion and Differences Between City HIS Plan Contributions and Proportionate Share of Contributions	45,467	10,703
City HIS Plan Contributions Subsequent to the Measurement Date	7,105	-
Total	<u>\$ 143,478</u>	<u>\$ 12,018</u>

CITY OF INVERNESS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 10 - Retirement Plans (Continued):

HIS Plan (Continued)

The deferred outflows of resources related to the HIS Plan, totaling \$7,105 resulting from City contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Amount
2016	\$ 21,363
2017	21,363
2018	21,307
2019	21,280
2020	21,166
Thereafter	17,876

Actuarial Assumptions - The total pension liability in the July 1, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 %
Salary Increases	3.25%, average, including inflation
Municipal Bond Rate	2.85 % net of pension plan investment expense

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Discount Rate - The discount rate used to measure the total pension liability was 2.85%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

CITY OF INVERNESS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 10 - Retirement Plans (Continued):

HIS Plan (Continued)

Sensitivity of the City's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the City's proportionate share of the net pension liability calculated using the discount rate of 2.85%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.85%) or one percentage point higher (3.85%) than the current rate:

	1% Decrease (1.85%)	Current Discount Rate (2.85%)	1% Increase (3.85%)
City's Proportionate Share of the Net Pension Liability	\$ 662,449	\$ 577,435	\$ 506,878

Pension Plan Fiduciary Net Position - Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected City Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2015-16 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67% and City Elected Officers class 11.34%.

CITY OF INVERNESS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 10 - Retirement Plans (Continued):**Investment Plan (Continued)**

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2016, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The City's Investment Plan pension expense totaled \$55,307 for the fiscal year ended September 30, 2016.

General Employees Defined Contribution Pension Plan

All of the City's full-time general employees hired after January 1, 1996, but before January 1, 2005, participate in a single-employer, defined contribution pension plan.

Chapter 112 of the Florida Statutes provides for a system of retirement plans for general employees. Chapter 112 sets forth maximum benefits, administrative arrangements, and fiduciary responsibilities. Non-bargaining unit employees contribute 3% of their earnings to the fund, union employees make voluntary contributions only, not to exceed 7%, and the City is required to make contributions from general revenues at the rate of 10% of covered earnings.

The plan assets are held in trust for the employees by a third party administrator and are not subject to creditors of the City. Therefore, the assets, liabilities, net assets and operations of this plan are not presented in the City's financial statements.

At September 30, 2016 there was 1 plan member, and City contributions to the plan were \$420.

CITY OF INVERNESS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 10 - Retirement Plans (Continued):**Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The plan assets are held in trust for the employees by a third party administrator and investments are directed by the participating employees. Therefore, the assets, liabilities, net assets and operations of this plan are not presented on the City's financial statements.

Note 11 - Other Post-Employment Benefits:

In accordance with Florida Statutes Section 112.0801, the City makes continued group health insurance through the City's current provider available to retirees and eligible dependents provided certain service requirements and normal age retirement requirements have been met. This benefit has no cost to the City, other than the implicit cost of including retirees in the group calculation. All premiums are paid by the retiree. The City has no retirees currently receiving benefits. The City has chosen pay-as-you-go funding, but is recording the liability in the government wide financial statements. This plan does not issue stand-alone financial statements.

As of October 1, 2015, the most recent actuarial valuation date, the actuarial accrued liabilities (AAL) and unfunded actuarial accrued liability (UAAL) for benefits was \$27,379, and the plan has a funded ratio of 0%.

The annual required contribution and Net OPEB Obligation for the fiscal year ended September 30, 2016 is as follows:

Annual Required Contribution	\$	6,625
Interest on Net OPEB Obligation		892
Adjustment to Annual Required Contribution		(1,392)
Annual OPEB Cost		6,125
Employer Contributions		(3,184)
Increase in Net OPEB Obligation		2,941
Net OPEB Obligation (Beginning of Year)		22,299
Net OPEB Obligation (End of Year)	\$	25,240

Three Year Trend Information -

Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
9/30/2016	\$ 6,125	52.0%	\$ 25,240
9/30/2015	7,749	70.5%	22,299
9/30/2014	7,294	56.8%	20,013

CITY OF INVERNESS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 11 - Other Post-Employment Benefits (Continued):**Summary of Actuarial Methods & Assumptions:**

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 multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

The City qualifies to use the alternative measurement method, and has elected to do so. The following are the significant assumptions used:

Actuarial Cost Method - the Entry Age Normal (level % of pay) actuarial cost method was used.

Amortization Method - Level percentage of payroll (Closed amortization over 30 years)

Mortality Rates - RP 2000 Combined Health Mortality Table

Interest Rate - 4% per year compounded annually, net of investment related expenses

Health Care Inflation - Pre-Medicare: 8% in fiscal 2015; trending to 5% in 2019; with an ultimate rate of 4.5% in 2020. Post-Medicare: 8% in fiscal 2015; trending to 5% in 2019; with an ultimate rate of 4.5% in 2020.

Retiree Contributions - Retirees participating in the group insurance plans offered by the City are required to contribute 100% of the active premiums. In future years, contributions are assumed to increase at the same rate as premiums. Note that the projected employee contributions for the Dental and Vision benefits are assumed to cover the entire cost of the program.

Retirement Rate - 100% at age 62

Termination Rates - Selected rates for various ages listed below:

<u>Age</u>	<u>% Remaining Employed Until Assumed Retirement Age</u>
20	29.60%
30	59.30%
40	84.10%
50	100.00%

CITY OF INVERNESS, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2016

Note 11 - Other Post-Employment Benefits (Continued):

Participation Rates - 20% of active employees are assumed to maintain benefit coverage after retirement.

Spousal Coverage - 50% of active employees who have elected benefit coverage are assumed to cover their spouse.

Note 12 - Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; and natural disasters for which the City carries commercial insurance.

Risk of loss from above is transferred by the City to various commercial insurers through the purchase of insurance. There have been no significant reductions in insurance coverage from the prior year, and settlements have not exceeded insurance coverage during the past three years.

Note 13 - Commitments and Contingencies:**Litigation**

The City is engaged in various liability claims incidental to the conduct of its general government operations. While the outcome of the litigation is not presently determinable, management believes that any amounts not covered by insurance, if any, resulting from these lawsuits would not materially affect the financial position of the City.

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government and the State of Florida. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Note 14 - In-Kind Contributions:

The City received donated materials for the Fire Department with an estimated value of \$115,000.

Note 15 - Subsequent Events:

The City has evaluated subsequent events through the date of the independent auditor's report, the date the financial statements were available to be issued. On January 15, 2017, the FDEP transferred the balance of Grant funds in the amount of \$6,024,340 and reduced the SRF loan balance. See Note 8 Long-term Debt for further discussion.

In April 2017, the City obtained a tax increment revenue note, series 2017 for \$3,000,000. This financing is secured by pledged revenues.

CITY OF INVERNESS, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2016

RETIREE CONTINUATION INSURANCE PLAN

Schedule of Contributions From the Employer and Other Contributing Entities

<u>Year Ended September 30,</u>	<u>Annual Required Contribution</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 6,625	52.00%	\$ 25,240
2015	8,182	66.77%	22,299
2014	7,627	54.20%	20,013
2013	10,676	69.00%	16,860
2012	10,157	53.20%	13,780
2011	8,239	44.70%	9,176

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll (b-a)/c</u>
10/1/2014	-	27,379	27,379	0.00%	1,173,346	2.33%
10/1/2012	-	40,955	40,955	0.00%	1,337,771	3.06%
10/1/2009*	-	54,656	54,656	0.00%	1,189,269	4.60%

* Initial valuation date

CITY OF INVERNESS, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2016

Schedule of the City's Proportionate Share of Net Pension Liability
Florida Retirement System (FRS)
Last 10 Fiscal Years*

	2016	2015	2014
City's Proportion of the Net Pension Liability	0.006162172%	0.005609830%	0.005401096%
City's Proportionate Share of the Net Pension Liability	\$ 1,555,953	\$ 724,585	\$ 329,546
City's Covered-employee Payroll	\$ 1,615,922	\$ 1,455,498	\$ 1,265,550
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	96.29%	49.78%	26.04%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.88%	92.00%	96.09%

Schedule of the City's Proportionate Share of Net Pension Liability
Health Insurance Subsidy (HIS)
Last 10 Fiscal Years*

	2016	2015	2014
City's Proportion of the Net Pension Liability	0.004954573%	0.004605352%	0.004340684%
City's Proportionate Share of the Net Pension Liability	\$ 577,435	\$ 469,673	\$ 405,865
City's Covered-employee Payroll	\$ 1,615,922	\$ 1,455,498	\$ 1,265,550
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	35.73%	32.27%	32.07%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.97%	0.50%	0.99%

* Information for prior years not available.

CITY OF INVERNESS, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2016

Schedule of the City Contributions
Florida Retirement System (FRS)
Last 10 Fiscal Years*

	2016	2015	2014
Contractually Required Contribution	\$ 161,581	\$ 138,199	\$ 582,173
Contributions in Relation to the Contractually Required Contribution	(161,581)	(138,199)	(582,173)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
City's Covered-employee Payroll	\$ 1,615,922	\$ 1,455,498	\$ 1,265,550
Contributions as a Percentage of Covered-employee Payroll	10.00%	9.49%	46.00%

Schedule of the City Contributions
Health Insurance Subsidy (HIS)
Last 10 Fiscal Years*

	2016	2015	2014
Contractually Required Contribution	\$ 26,098	\$ 19,682	\$ 55,591
Contributions in Relation to the Contractually Required Contribution	(26,098)	(19,682)	(55,591)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
City's Covered-employee Payroll	\$ 1,615,922	\$ 1,455,498	\$ 1,265,550
Contributions as a Percentage of Covered-employee Payroll	1.62%	1.35%	4.39%

* Information for prior years not available.

COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES

Major Governmental Fund

**Capital Projects
Fund**

- Accounts for the acquisition and construction of major capital assets other than those financed by proprietary funds.

CITY OF INVERNESS, FLORIDA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND

For the Year Ended September 30, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 362,121	\$ 1,080,121	\$ 573,720	\$ (506,401)
Impact Fees	127,300	127,300	104,500	(22,800)
Investment Earnings	10,000	10,000	17,994	7,994
Miscellaneous	-	-	144,880	144,880
Total revenues	<u>499,421</u>	<u>1,217,421</u>	<u>841,094</u>	<u>(376,327)</u>
EXPENDITURES:				
Current:				
General government	85,000	85,000	65,257	19,743
Community development services	70,000	144,500	146,749	(2,249)
Public safety	-	14,619	108,213	(93,594)
Highways and streets	-	10,000	24,742	(14,742)
Culture and recreation	-	-	44,962	(44,962)
Debt Service:				
Principal	200,000	200,000	-	200,000
Capital Outlay	<u>2,570,621</u>	<u>5,907,012</u>	<u>939,478</u>	<u>4,967,534</u>
Total expenditures	<u>2,925,621</u>	<u>6,361,131</u>	<u>1,329,401</u>	<u>5,031,730</u>
Excess (deficiency) of revenues over expenditures	<u>(2,426,200)</u>	<u>(5,143,710)</u>	<u>(488,307)</u>	<u>4,655,403</u>
OTHER FINANCING SOURCES:				
Notes Payable	500,000	500,000	-	(500,000)
Transfers In	1,675,000	2,263,000	2,263,000	-
Transfers Out	-	(46,605)	(46,605)	-
Total other financing sources	<u>5,445,042</u>	<u>10,040,828</u>	<u>3,996,967</u>	<u>14,354,667</u>
Net change in fund balances	3,018,842	4,897,118	3,508,660	19,010,070
Fund Balance - beginning	<u>2,624,903</u>	<u>2,624,903</u>	<u>2,624,903</u>	<u>-</u>
Fund Balance - ending	<u>\$ 5,643,745</u>	<u>\$ 7,522,021</u>	<u>\$ 6,133,563</u>	<u>\$ 19,010,070</u>

Nonmajor Governmental Funds

Special Revenue Funds

- Road Improvement** - Accounts for capital road facilities projects funded by special assessments.
- Impact Fee** - Accounts for the collection and expenditures of transportation impact fees. All proceeds are collected from the fee and all interest accrued on said funds shall be used for the purpose of capital road facilities on the major road system within the corporate city limits of the City of Inverness.

CITY OF INVERNESS, FLORIDA

COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS

September 30, 2016

	Special Revenue		
	Road Improvement Fund	Impact Fee Fund	Total Other Governmental Funds
ASSETS:			
Cash and cash equivalents	\$ 16	\$ 7	\$ 23
Accounts Receivable, net	-	662	662
Investments	-	135,953	135,953
Assessments receivable	13,145	-	13,145
Total assets	<u>\$ 13,161</u>	<u>\$ 136,622</u>	<u>\$ 149,783</u>
LIABILITIES:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted for road improvements	-	136,622	136,622
Committed to:			
Road Improvements	13,161	-	13,161
Total fund balances	<u>13,161</u>	<u>136,622</u>	<u>149,783</u>
Total Liabilities and Fund Balances	<u>\$ 13,161</u>	<u>\$ 136,622</u>	<u>\$ 149,783</u>

CITY OF INVERNESS, FLORIDA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES -
OTHER GOVERNMENTAL FUNDS

For the Year Ended September 30, 2016

	Special Revenue		
	Road Improvement Fund	Impact Fee Fund	Total Other Governmental Funds
REVENUES			
Impact fees	\$ -	\$ 35,359	\$ 35,359
Investment earnings	-	2,158	2,158
Total revenues	<u>-</u>	<u>37,517</u>	<u>37,517</u>
EXPENDITURES			
Capital Outlay			
General government	-	7,159	7,159
Total expenditures	<u>-</u>	<u>7,159</u>	<u>7,159</u>
Excess of Revenues Over Expenditures	<u>-</u>	<u>30,358</u>	<u>30,358</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(388,000)	(388,000)
Total Other Financing Sources and Uses	<u>-</u>	<u>(388,000)</u>	<u>(388,000)</u>
Net Change in Fund Balances	-	(357,642)	(357,642)
Fund Balances - beginning	13,161	494,264	507,425
Fund Balances - ending	<u>\$ 13,161</u>	<u>\$ 136,622</u>	<u>\$ 149,783</u>

STATISTICAL SCHEDULES

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City of Inverness

City-Wide Assessed Value and Estimated Actual Value of Taxable Property Last Eight Years

Fiscal Year End	Residential Property	Commercial Property	Institutional Property	Other Property	Unsecured Property	Less Tax- Exempt Property	Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value (2)	Factor of Taxable Assessed Value (2)
2009-10							504,320,935	4.4510		
2008-09							453,108,962	4.9680		
2009-10							410,518,316	5.3902		
2010-11							379,469,158	5.9810		
2011-12							366,669,249	6.2159		
2012-13							349,577,662	6.4923		
2013-14							350,108,259	6.4955		
2014-15							349,709,760	6.9949		
2015-16	211,626,579	160,846,537	104,763,026	116,136,351	67,978,717	190,615,582	470,735,628	7.0729	527,616,857	1.12083

Source: Muni Services, LLC

2015-16 is the city's first CAFR publication, therefore prior year data availability is limited.

Prior Year taxable value differs due to a change in source data

(2.) Estimated Actual Value is derived from a series of calculations comparing median assessed values from 1940 to current median sale prices.

Based on these calculations a factor was extrapolated and applied to current assessed values.

City of Inverness

Taxable Property by Use Code, City-Wide Last Year

Category	2015-16
Agriculture	1,671,999
Commercial	160,846,537
Government	103,227,502
Industrial	4,057,362
Institution	104,763,026
Miscellaneous	7,179,488
Residential	211,626,579
Gross Secured Value	593,372,493
Unsecured	67,978,717
Exemptions	190,615,582
Net Taxable Value	470,735,628

Source: Citrus County Assessor data, MuniServices, LLC
2015-16 is the city's first CAFR publication, therefore prior year data availability is limited.

City of Inverness

Principal Property Tax Payers Last Fiscal Year

Taxpayer	2015-16	
	Taxable Value (\$)	Percent of Total City Taxable Value (%)
Citrus County Hospital Board	88,976,473	18.90%
Duke Energy Florida Inc	12,321,077	2.62%
Wells Fargo Bank	7,307,029	1.55%
95 Flrpt Llc	6,609,630	1.40%
Sembler Gregory S Trustee	6,017,110	1.28%
First Baptist Church Of Invern	5,141,205	1.09%
Sumter Electric Coop Inc	4,891,841	1.04%
Centurylink	4,887,645	1.04%
Wyld Palms Holdings Llc	4,804,180	1.02%
701 Medical Court East Llc	4,525,990	0.96%
Lynch Robert N As Bishop Of	4,157,820	0.88%
Brannen Bank	3,860,874	0.82%
Signet Investment Holdings Lll	3,819,160	0.81%
Cornerstone Baptist Church	3,541,647	0.75%
Fl Arbor Trail Holdings Llc	3,363,620	0.71%
Inverness Church Of God Inc	2,992,032	0.64%
First Presbyterian Church Of	2,962,575	0.63%
Citrus Plaza Commons Llc	2,611,050	0.55%
White Cap Of Florida Inc	2,607,110	0.55%
Publix Super Market #1448	2,443,013	0.52%
Rosenberg H Peter Trustee	2,309,600	0.49%
Highland Terrace Aid Propco	2,292,432	0.49%
Rkm Crystal Llc	2,245,830	0.48%
Aem Anfang Llc	2,141,390	0.45%
First Christian Church Of	2,060,298	0.44%
Total Top 25 Taxpayers	188,890,631	40.13%
Total Taxable Value	470,735,628	100.00%

Source: Citrus County Assessor data, MuniServices, LLC
2015-16 is the city's first CAFR publication, therefore prior year data availability is limited.

City of Inverness

Direct and Overlapping Property Tax Rates Last Year

Fiscal Year End	Direct (1)	Overlapping					Total
	City of Inverness	Citrus County	Citrus County School Board	Hospital Board	Mosquito Control	SWFWMD General	
2009-10	4.4510	-	-	-	-	-	-
2008-09	4.9680	-	-	-	-	-	-
2009-10	5.3902	-	-	-	-	-	-
2010-11	5.9810	-	-	-	-	-	-
2011-12	6.2159	-	-	-	-	-	-
2012-13	6.4923	-	-	-	-	-	-
2013-14	6.4955	8.8999	7.3130	0.2450	0.3452	0.3818	23.6804
2014-15	6.9949	8.8999	7.304	1.2500	0.4478	0.3658	25.2624
2015-16	7.0729	7.7887	7.1890	0.0000	0.4478	0.3488	22.8472

Source: Citrus County Tax Collector, MuniServices, LLC

2015-16 is the city's first CAFR publication, therefore prior year data availability is limited.

- data unavailable

City of Inverness

Demographic and Economic Statistics Last Year

Fiscal Year	Population (1)	Personal Income	Per Capita Personal Income (1)	Median Age (2)	Public School Enrollment (3)	County Unemployment Rate (%)	City Unemployment Rate (%)	County Population (1)
2015-16	7,233	136,667,535	18,895	51.0	14,881	6.8%	6.9%	141,058

Source: MuniServices, LLC; U.S. Census Bureau, 2010-2014 American Community Survey.

2015-16 is the city's first CAFR publication, therefore prior year data availability is limited.

1.) Data is provided by the U.S. Census Bureau, 2010 American Community Survey.

2.) Median Age reflects the U.S. Census data estimation table.

3.) Student Enrollment reflects the total number of students enrolled in Citrus County School District

City of Inverness

**Principal Employers
Current Year**

Business Name	2015-16	
	Number of Employees	Percent of Total Employment (%)
Citrus County School District	2,234	38.52%
Citrus County	1,416	24.41%
Citrus Memorial Health System	878	15.14%
Walmart Supercenter	388	6.69%
Lowe's Home Improvement	185	3.19%
Winn Dixie (2 locations)	184	3.17%
Publix Super Market	170	2.93%
Citrus Health & Rehabilitation	130	2.24%
Arbor Trail Rehabilitation & Nursing	130	2.24%
Brannen Bank	110	1.90%
	<hr/>	<hr/>
Total Top 10 Employers	5,825	100.43%
Total City Labor Force (1)	5,800	

Source: MuniServices, LLC

2015-16 is the city's first CAFR publication, therefore prior year data availability is limited.

Results based on direct correspondence with city's local businesses.

(1) Total City Labor Force provided by EDD Labor Force Data.

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**City of Inverness CRA Tax Increment Fund History
1990 CRA - Original CRA**

Year	Valuation	Base Year Value	Increment	95% Valuation	City Millage for CRA Purposes	City Contribution	County Millage for CRA Purposes	County Contribution	Combined Millage	Consolidated Total
1991	\$ 5,324,181.00	\$ 5,123,648.00	\$ 200,533.00	\$ 190,506.35	6.6370	\$ 1,511.82	7.5390	\$ 1,765.29	14.1760	\$ 3,277.11
1992	\$ 5,298,100.00	\$ 5,123,648.00	\$ 174,452.00	\$ 165,729.40	7.5390	\$ 1,315.19	6.3670	\$ 1,533.08	13.9060	\$ 2,848.27
1993	\$ 5,039,100.00	\$ 4,989,361.00	\$ 49,739.00	\$ 47,252.05	7.5390	\$ 374.98	8.7720	\$ 436.31	16.3110	\$ 811.29
1994	\$ 5,714,600.00	\$ 4,943,361.00	\$ 771,239.00	\$ 732,677.05	7.3254	\$ 5,367.15	8.5450	\$ 6,260.73	15.8704	\$ 11,627.88
1995	\$ 5,777,770.00	\$ 4,943,361.00	\$ 834,339.00	\$ 792,622.05	6.8254	\$ 5,409.96	8.0590	\$ 6,387.74	14.8844	\$ 11,797.70
1996	\$ 5,751,900.00	\$ 4,943,361.00	\$ 808,539.00	\$ 768,112.05	6.8154	\$ 5,234.99	8.0570	\$ 6,188.68	14.8724	\$ 11,423.67
1997	\$ 5,891,800.00	\$ 4,943,361.00	\$ 948,439.00	\$ 901,017.05	6.6659	\$ 6,006.09	8.6900	\$ 7,829.84	15.3559	\$ 13,835.93
1998	\$ 6,008,100.00	\$ 4,943,361.00	\$ 1,064,739.00	\$ 1,011,502.05	6.4531	\$ 6,527.32	8.6290	\$ 8,728.25	15.0821	\$ 15,255.57
1999	\$ 5,955,600.00	\$ 4,943,361.00	\$ 1,012,239.00	\$ 961,627.05	6.3918	\$ 6,146.53	8.5550	\$ 8,226.72	14.9468	\$ 14,373.25
2000	\$ 6,868,600.00	\$ 4,943,361.00	\$ 1,925,239.00	\$ 1,828,977.05	6.2659	\$ 11,460.19	8.5553	\$ 15,647.45	14.8212	\$ 27,107.64
2001	\$ 7,995,800.00	\$ 4,943,361.00	\$ 3,052,439.00	\$ 2,899,817.05	6.0137	\$ 17,438.62	8.5553	\$ 24,808.80	14.5690	\$ 42,247.42
2002	\$ 8,849,100.00	\$ 4,943,361.00	\$ 3,905,739.00	\$ 3,710,452.05	5.5081	\$ 20,437.54	8.5553	\$ 31,744.03	14.0634	\$ 52,181.57
2003	\$ 8,849,100.00	\$ 4,943,361.00	\$ 3,905,739.00	\$ 3,710,452.05	5.5081	\$ 20,437.54	8.5553	\$ 31,744.03	14.0634	\$ 52,181.57
2004	\$ 9,565,400.00	\$ 4,943,361.00	\$ 4,622,039.00	\$ 4,390,937.05	6.2158	\$ 24,185.72	8.5553	\$ 37,565.78	14.7711	\$ 61,751.50
2005	\$ 11,202,400.00	\$ 4,943,361.00	\$ 6,259,039.00	\$ 5,946,087.05	5.3700	\$ 31,930.49	8.1450	\$ 48,430.88	13.5150	\$ 80,361.37
2006	\$ 14,221,100.00	\$ 4,943,361.00	\$ 9,277,739.00	\$ 8,813,852.05	4.8750	\$ 42,967.53	7.1450	\$ 62,974.97	12.0200	\$ 105,942.50
2007	\$ 16,361,400.00	\$ 4,943,361.00	\$ 11,418,039.00	\$ 10,847,137.05	4.4510	\$ 48,280.61	6.6500	\$ 72,133.46	11.1010	\$ 120,414.07
2008	\$ 16,814,728.00	\$ 4,943,361.00	\$ 11,871,367.00	\$ 11,277,798.65	4.9680	\$ 56,028.10	6.4967	\$ 73,268.47	11.4647	\$ 129,296.57
2009	\$ 16,052,697.00	\$ 4,943,361.00	\$ 11,109,336.00	\$ 10,553,869.20	5.3902	\$ 56,887.46	6.4967	\$ 68,565.32	11.8869	\$ 125,452.78
2010	\$ 15,336,107.00	\$ 4,943,361.00	\$ 10,392,746.00	\$ 9,873,108.70	5.9810	\$ 59,051.06	6.4967	\$ 64,142.63	12.4777	\$ 123,193.69
2011	\$ 14,867,375.00	\$ 4,943,361.00	\$ 9,924,014.00	\$ 9,427,813.30	6.2158	\$ 58,602.34	6.8083	\$ 64,187.38	13.0241	\$ 122,789.72
2012	\$ 14,524,178.00	\$ 4,943,361.00	\$ 9,580,817.00	\$ 9,101,776.15	6.4923	\$ 59,091.46	7.1033	\$ 64,652.65	13.5956	\$ 123,744.11
2013	\$ 15,002,795.00	\$ 4,943,361.00	\$ 10,059,434.00	\$ 9,556,462.30	6.4955	\$ 62,074.00	7.8351	\$ 74,875.84	14.3306	\$ 136,949.84
2014	\$ 14,568,536.00	\$ 4,943,361.00	\$ 9,625,175.00	\$ 9,143,916.25	6.9949	\$ 63,960.78	8.8114	\$ 80,570.70	15.8063	\$ 144,531.48
2015	\$ 16,034,247.00	\$ 4,989,361.00	\$ 11,044,886.00	\$ 10,492,641.70	7.0729	\$ 74,213.41	7.7887	\$ 81,724.03	14.8616	\$ 155,937.44
2016	\$ 16,219,079.00	\$ 4,989,361.00	\$ 11,229,718.00	\$ 10,668,232.10	7.5729	\$ 80,789.45	7.6652	\$ 81,774.13	15.2381	\$ 162,563.59

City of Inverness CRA Tax Increment Fund History- Expanded CRA - 2014 Base Year

Year	Valuation	Base Year Value	Increment	95% Valuation	City Mill Levy for CRA Purposes	City Portion	County Mill Levy for CRA Purposes	County Portion	Combined Millage	Total
2015	\$ 174,807,213.00	\$ (105,458,084.00)	\$ 69,349,129.00	\$ 65,881,672.55	7.0729	\$ 465,974.48	7.0729	\$ 465,974.48	14.1458	\$ 931,956.03
2016	\$ 178,158,181.00	\$ (105,458,084.00)	\$ 72,700,097.00	\$ 69,065,092.15	7.0729	\$ 488,490.48	7.0729	\$ 488,490.48	14.1458	\$ 976,988.03

OTHER REPORTS



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

The Honorable Mayor and City Council
City of Inverness, Florida

We have audited, 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, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the *City of Inverness, Florida*, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 1, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

MCDIRMIT DAVIS & COMPANY, LLC
934 NORTH MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

Purpose of this Report

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

McDermitt Davis & Company, LLC

Orlando, Florida
June 1, 2017

**MANAGEMENT LETTER**

Honorable Mayor and City Council
City of Inverness, Florida

Report on the Financial Statements

We have audited the financial statements of the *City of Inverness, Florida*, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated June 1, 2017.

Auditor's Responsibility

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

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Auditor's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 1, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.

Financial Condition

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

MCDERMITT DAVIS & COMPANY, LLC

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MEMBERS: PRIVATE COMPANIES PRACTICE SECTION AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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

Annual Financial Report

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the *City of Inverness, Florida* for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

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

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

Purpose of this Letter

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

McDermitt Davis & Company, LLC

Orlando, Florida
June 1, 2017



Honorable Mayor and City Council
City of Inverness, Florida

We have audited the financial statements of *City of Inverness* as of and for the year ended September 30, 2016, and have issued our report thereon dated June 1, 2017. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated October 10, 2014, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of *City of Inverness* solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

McDERMIT DAVIS & COMPANY, LLC
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MEMBERS: PRIVATE COMPANIES PRACTICE SECTION AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by City of Inverness is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no change in significant accounting policies or their application during 2016. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate for the allowance for doubtful accounts is based on historical loss levels, and an analysis of the individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimation for the allowance for depreciation is based on the estimated useful lives of the capital assets. We evaluated the reasonableness of the useful lives as well as the depreciation methods in determining that it is reasonable in relation to the financial statements taken as a whole.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to City of Inverness's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated June 1, 2017.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with City of Inverness, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as City of Inverness's auditors.

This report is intended solely for the use of management, the City Council and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

McDermitt Davis & Company, LLC

Orlando, Florida
June 1, 2017



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

The Honorable Mayor and City Council
City of Inverness, Florida

We have examined City of Inverness' (the City) compliance with the requirements of Section 218.415, Florida Statutes, during the year ended September 30, 2016. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

In our opinion, City of Inverness complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

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McDirmit Davis & Company, LLC

Orlando, Florida
June 1, 2017

MCDIRMIT DAVIS & COMPANY, LLC

934 N. MAGNOLIA AVENUE, SUITE 100 ORLANDO, FLORIDA 32803
TELEPHONE: 407-843-5406 FAX: 407-649-9339 EMAIL: INFO@MCDIRMITDAVIS.COM

MEMBERS: PRIVATE COMPANIES PRACTICE SECTION AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS FLORIDA INSTITUTE OF CERTIFIED PUBLIC

APPENDIX E

CONTINUING DISCLOSURE AGREEMENT OF AGENCY AND CITY

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DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of August 1, 2017 is executed and delivered by and among Inverness Community Redevelopment Agency, a public body corporate and politic created, existing and operating under Part III of Chapter 163 of Florida Statutes (the “Issuer”), the City of Inverness, Florida, a municipal corporation created and existing under the laws of the State of Florida (the “City”), and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to assist the Issuer in processing certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer or the City through use of the DAC system and do not constitute “advice” within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer’s behalf regarding the “issuance of municipal securities” or any “municipal financial product” as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary. DAC is not a “Municipal Advisor” as such term is defined in Section 15B of the Securities Exchange Act of 1934, as amended, and related rules.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f) hereof, by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Annual Report” means an Annual Report containing Annual Financial Information for the Issuer and the City described in and consistent with Section 3 of this Disclosure Agreement.

“Audited Financial Statements” means the annual financial statements of the Issuer and the City for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i)(B) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Bonds” means the \$12,980,000 Inverness Community Redevelopment Agency Tax Increment Revenue Refunding Bonds, Series 2017 as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer or the City and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Disclosure Representative” means the Treasurer or Executive Director of the Issuer and the Finance Director or City Manager of the City, or his or her designee, or such other person as the Issuer or the City, as applicable, shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Failure to File Event” means the Issuer’s or City’s failure to file an Annual Report on or before the Annual Filing Date.

“Force Majeure Event” means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent’s reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

“Holder” means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

“Information” means, collectively, the Annual Reports, the Audited Financial Statements, the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

“MSRB” means the Municipal Securities Rulemaking Board, or any successor thereto, established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Notice Event” means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

“Obligated Person” means any person, including the Issuer and the City, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Bonds.

“Voluntary Event Disclosure” means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

“Voluntary Financial Disclosure” means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Issuer or the City shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than the 30th day of May following the end of each fiscal year of the Issuer, commencing with the fiscal year ending September 30, 2017. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer and the City of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer and/or the City will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent to immediately send a Failure to File Event notice to the MSRB

in substantially the form attached as Exhibit B, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 10:00 a.m. Eastern time on Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Issuer and City irrevocably direct the Disclosure Dissemination Agent to immediately send a Failure to File Event notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Issuer and/or the City are prepared but not available prior to the Annual Filing Date, the Issuer and/or the City, as may be applicable, shall, when the Audited Financial Statements are available, provide at such time an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, if any, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) hereof with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) hereof with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) hereof with the MSRB, identifying the Notice Event as instructed by the Issuer or the City pursuant to Section 4(a) or 4(b)(ii) hereof (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:
 - 1. “Principal and interest payment delinquencies;”
 - 2. “Non-Payment related defaults, if material;”
 - 3. “Unscheduled draws on debt service reserves reflecting financial difficulties;”
 - 4. “Unscheduled draws on credit enhancements reflecting financial difficulties;”
 - 5. “Substitution of credit or liquidity providers, or their failure to perform;”
 - 6. “Adverse tax opinions, IRS notices or events affecting the tax status of the security;”

7. “Modifications to rights of securities holders, if material;”
 8. “Bond calls, if material;”
 9. “Defeasances;”
 10. “Release, substitution, or sale of property securing repayment of the securities, if material;”
 11. “Rating changes;”
 12. “Tender offers;”
 13. “Bankruptcy, insolvency, receivership or similar event of the obligated person;”
 14. “Merger, consolidation, or acquisition of the obligated person, if material;” and
 15. “Appointment of a successor or additional trustee, or the change of name of a trustee, if material;”
- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;
- (vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) hereof with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer or the City pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:
1. “amendment to continuing disclosure undertaking;”
 2. “change in obligated person;”
 3. “notice to investors pursuant to bond documents;”
 4. “certain communications from the Internal Revenue Service;” other than those communications included in the Rule;
 5. “secondary market purchases;”
 6. “bid for auction rate or other securities;”
 7. “capital or other financing plan;”
 8. “litigation/enforcement action;”

9. “change of tender agent, remarketing agent, or other on-going party;”
 10. “derivative or other similar transaction;” and
 11. “other event-based disclosures;”
- (vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) hereof with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer or the City pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:
1. “quarterly/monthly financial information;”
 2. “Timing of annual disclosure (120/150 days);”
 3. “change in fiscal year/timing of annual disclosure;”
 4. “change in accounting standard;”
 5. “interim/additional financial information/operating data;”
 6. “budget;”
 7. “investment/debt/financial policy;”
 8. “information provided to rating agency, credit/liquidity provider or other third party;”
 9. “consultant reports;” and
 10. “other financial/operating data.”
- (viii) provide the Issuer and the City evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Anything in this Disclosure Agreement to the contrary notwithstanding, any Information received by the Disclosure Dissemination Agent before 10:00 a.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if

such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report for the City and Issuer shall contain audited Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement in the charts under the following headings: "TAX INCREMENT REVENUES - Historical Deposits to Redevelopment Trust Fund" for the Original Redevelopment Area, the Expanded Redevelopment Area and the combined totals for both areas, and "TAX INCREMENT REVENUES - Millage Rates and Assessed Values" for the City and County. Each Annual Report shall contain Annual Financial Information with respect to the City, including the information provided in the Official Statement in the charts under the following headings: "Historical Ad Valorem Taxes", "Historical Support Revenues", "Non Ad Valorem Revenues Legally Available as Support Revenues".

(b) Audited Financial Statements will be included in the Annual Report. If audited financial statements are not available, then unaudited financial statements, prepared in accordance with governmental accounting principles as described in the Official Statement will be included in the Annual Report. In such event, Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer or the City is an "obligated person" (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

If the Annual Financial Information contains modified operating data or financial information different from the Annual Financial Information agreed to in the continuing disclosure undertaking related to the Bonds, the Issuer and/or the City is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

2. Principal and interest payment delinquencies;
3. Non-payment related defaults, if material;
4. Unscheduled draws on debt service reserves reflecting financial difficulties;
5. Unscheduled draws on credit enhancements reflecting financial difficulties;
6. Substitution of credit or liquidity providers, or their failure to perform;

7. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
8. Modifications to rights of Bond holders, if material;
9. Bond calls, if material, and tender offers;
10. Defeasances;
11. Release, substitution, or sale of property securing repayment of the Bonds, if material;
12. Rating changes;
13. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(13) of this Section 4: For the purposes of the event described in subsection (a)(13) of this Section 4, the event is considered to occur 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 governing 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.

14. 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
15. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer and the City shall, in a timely manner not later than nine (9) business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice

or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer and City desire to make, contain the written authorization of the Issuer or the City for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer or the City desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer, the City, or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer or the City determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that either (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer or the City desires to make, contain the written authorization of the Issuer or the City for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer or the City desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer or the City as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2 (e)(iv) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. The Issuer will provide the Dissemination Agent with the CUSIP numbers for (i) new bonds at such time as they are issued or become subject to the Rule and (ii) any Bonds to which new CUSIP numbers are assigned in substitution for the CUSIP numbers previously assigned to such Bonds.

SECTION 6. Additional Disclosure Obligations. The Issuer and the City acknowledge and understand that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Issuer and the City acknowledge and understand that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer or the City may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the

Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer or the City desires to make, contain the written authorization of the Issuer or the City for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer or the City desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer or the City as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer or the City may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer or the City desires to make, contain the written authorization of the Issuer or the City for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer or the City desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer or the City as prescribed in this Section 7(b) hereof to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(b) The parties hereto acknowledge that the neither the Issuer nor the City is obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(c) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer or the City from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer or the City chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, neither the Issuer or the City shall have any obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer, the City, and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer and the City are no longer obligated persons with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent

of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable to the Disclosure Dissemination Agent until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer, the City, or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer or the City has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer or the City and shall not be deemed to be acting in any fiduciary capacity for the Issuer or the City, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's or the City's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer or the City has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Issuer or the City at all times.

The obligations of the Issuer and the City under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or

controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer, the City, and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to the Issuer, the City and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer, the City, or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer and the City. No such amendment shall become effective if the Issuer or City shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the City, the Disclosure Dissemination Agent, the underwriters, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]

The Disclosure Dissemination Agent, the Issuer, and the City have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

ATTEST:

**INVERNESS COMMUNITY
REDEVELOPMENT AGENCY**

By: _____
Name: Susan Jackson
Title: Secretary

By: _____
Name: Tom Slaymaker
Title: Chairman

ATTEST:

CITY OF INVERNESS, FLORIDA

By: _____
Name: Susan Jackson
Title: City Clerk

By: _____
Name: Frank DiGiovanni
Title: City Manager

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer	Inverness Community Redevelopment Agency
Obligated Person(s)	Inverness Community Redevelopment Agency and the City of Inverness, Florida
Name of Bond Issue:	12,980,000 Inverness Community Redevelopment Agency Tax Increment Revenue Refunding Bonds, Series 2017
Date of Issuance:	August 17, 2017
Date of Official Statement	August 3, 2017

CUSIP NUMBER:	461256AA7	CUSIP NUMBER:	461256 AM1
CUSIP NUMBER:	461256AB5	CUSIP NUMBER:	461256 AN9
CUSIP NUMBER:	461256AC3	CUSIP NUMBER:	461256 AP4
CUSIP NUMBER:	461256AD1	CUSIP NUMBER:	461256 AQ2
CUSIP NUMBER:	461256AE9	CUSIP NUMBER:	461256 AR0
CUSIP NUMBER:	461256AF6	CUSIP NUMBER:	461256 AS8
CUSIP NUMBER:	461256AG4	CUSIP NUMBER:	461256 AT6
CUSIP NUMBER:	461256AH2	CUSIP NUMBER:	461256 AU3
CUSIP NUMBER:	461256AJ8	CUSIP NUMBER:	461256 AV1
CUSIP NUMBER:	461256AK5	CUSIP NUMBER:	461256 AW9
CUSIP NUMBER:	461256AL3		

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer: Inverness Community Redevelopment Agency

Obligated Person: Inverness Community Redevelopment Agency and the City of Inverness, Florida

Name(s) of Bond Issue(s): 12,980,000 Inverness Community Redevelopment Agency Tax Increment Revenue Refunding Bonds, Series 2017

Date(s) of Issuance: August 17, 2017

Date(s) of Disclosure Agreement: August 1, 2017

CUSIP Number: _____

NOTICE IS HEREBY GIVEN that [the Issuer and/or the City] [has/have] not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement between the Issuer, the City, and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. [The Issuer and/or the City] [has/have] notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by [_____].

Dated: _____

Digital Assurance Certification, L.L.C., as
Disclosure Dissemination Agent, on behalf of the
Issuer

cc:

EXHIBIT C-1
EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" may be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

Inverness Community Redevelopment Agency and/or the City of Inverness, Florida

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

Number of pages attached: _____

____ Description of Notice Events (Check One):

1. _____ "Principal and interest payment delinquencies;"
2. _____ "Non-Payment related defaults, if material;"
3. _____ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. _____ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. _____ "Substitution of credit or liquidity providers, or their failure to perform;"
6. _____ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. _____ "Modifications to rights of securities holders, if material;"
8. _____ "Bond calls, if material;"
9. _____ "Defeasances;"
10. _____ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. _____ "Rating changes;"
12. _____ "Tender offers;"
13. _____ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. _____ "Merger, consolidation, or acquisition of the obligated person, if material;" and
15. _____ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite 300
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of August 1, 2017 between the Issuer, the City, and DAC.

Issuer's and/or Other Obligated Person's Name:

Inverness Community Redevelopment Agency and/or the City of Inverness, Florida

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

____ Description of Voluntary Event Disclosure (Check One):

1. _____ "amendment to continuing disclosure undertaking;"
2. _____ "change in obligated person;"
3. _____ "notice to investors pursuant to bond documents;"
4. _____ "certain communications from the Internal Revenue Service;"
5. _____ "secondary market purchases;"
6. _____ "bid for auction rate or other securities;"
7. _____ "capital or other financing plan;"
8. _____ "litigation/enforcement action;"
9. _____ "change of tender agent, remarketing agent, or other on-going party;"
10. _____ "derivative or other similar transaction;" and
11. _____ "other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite 300
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying “voluntary financial disclosure” may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of August 1, 2017 between the Issuer, the City, and DAC.

Issuer’s and/or Other Obligated Person’s Name:

Inverness Community Redevelopment Agency and/or the City of Inverness, Florida

Issuer’s Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

_____ Description of Voluntary Financial Disclosure (Check One):

1. _____ “quarterly/monthly financial information;”
2. _____ “change in fiscal year/timing of annual disclosure;”
3. _____ “change in accounting standard;”
4. _____ “interim/additional financial information/operating data;”
5. _____ “budget;”
6. _____ “investment/debt/financial policy;”
7. _____ “information provided to rating agency, credit/liquidity provider or other third party;”
8. _____ “consultant reports;” and
9. _____ “other financial/operating data.”

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite 300
Orlando, FL 32801
407-515-1100

Date:

APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN



FLORIDA

ENDORSEMENT TO

**MUNICIPAL BOND
INSURANCE POLICY**

NO.

This Policy is not covered by the Florida Insurance Guaranty Association created under Part II of Chapter 631 of the Florida Insurance Code.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language.

IN WITNESS WHEREOF, BUILDAMERICA MUTUAL ASSURANCE COMPANY has caused this policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By

Authorized Officer

APPENDIX G

FORM OF INTERLOCAL AGREEMENT

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THIS INSTRUMENT PREPARED
BY AND RETURN TO:

ABOVE SPACE RESERVED FOR
RECORDING PURPOSES ONLY

Michael D. Williams
Akerman LLP
420 South Orange Avenue
P.O. Box 231
Orlando, FL 32801

**CITY OF INVERNESS, FLORIDA/
INVERNESS COMMUNITY REDEVELOPMENT AGENCY
INTERLOCAL AGREEMENT**

**INVERNESS COMMUNITY REDEVELOPMENT AGENCY
TAX INCREMENT REVENUE REFUNDING BONDS, SERIES 2017**

_____, 2017

APPROVED BY:

City of Inverness, Florida
July 18, 2017

Inverness Community Redevelopment Agency
July 13, 2017

**CITY OF INVERNESS, FLORIDA/
INVERNESS COMMUNITY REDEVELOPMENT AGENCY
INTERLOCAL AGREEMENT**

**INVERNESS COMMUNITY REDEVELOPMENT AGENCY
TAX INCREMENT REVENUE REFUNDING BONDS, SERIES 2017
(the "2017 Bonds")**

_____, 2017

This Interlocal Agreement (the "Interlocal Agreement") is made and entered into this ____ day of _____, 2017, by and among the **City of Inverness, Florida**, a municipal corporation created and existing under the laws of the State of Florida (the "City"), and the **Inverness Community Redevelopment Agency**, a public body corporate and politic created, existing and operating under Part III of Chapter 163 of Florida Statutes (the "Agency"). The City and the Agency are collectively referred to hereunder as the "Parties."

RECITALS

WHEREAS, the City and the Agency have determined that it is in the best interests of the community, particularly that area of the City consisting of the community redevelopment area of the Agency, to acquire and construct "community redevelopment" within the Agency's "community redevelopment area with certain proceeds of the 2017 Bonds (hereinafter defined) (the "Project"); and

WHEREAS, it is the purpose and the intent of the parties hereto to enter into this Interlocal Agreement pursuant to the Chapter 163, Part I, Florida Statutes, the "Florida Interlocal Cooperation Act of 1969," to permit the City and the Agency to make efficient use of their respective powers, resources and capabilities by enabling them to cooperate on the basis of mutual advantage and thereby to provide the resources provided herein for the construction, financing and refinancing of the Project; and

WHEREAS, the Agency has determined that the Project constitutes "community redevelopment" and is specifically described in the Agency's approved "community redevelopment plan" all within the meaning of Chapter 163, Part III, Florida Statutes; and

WHEREAS, the City has by ordinance created the redevelopment trust fund of the Agency and has provided for the funding of such trust fund until the time set forth in the community redevelopment plan; and

WHEREAS, the Agency, subject among other matters to the City entering into this Interlocal Agreement, has agreed to issue its Tax Increment Revenue Refunding Bonds, Series 2017 (the "2017 Bonds") pursuant to Agency Resolution No. 2017-03 as amended and supplemented (the "Bond Resolution") for the principal purpose of financing and refinancing costs of the Project; and

WHEREAS, the City has approved the execution and delivery of this Interlocal Agreement by the City pursuant to City Resolution No. _____ adopted on July 18, 2017 (the "City Resolution") and the Agency has approved the execution and delivery of this Interlocal Agreement by the Agency pursuant to its Resolution No. 2017-05 adopted on July 13, 2017 (the "Agency Resolution").

ARTICLE I

AUTHORITY AND CAPITALIZED TERMS

This Interlocal Agreement is entered into pursuant to the powers and authority granted to the parties under the Constitution and laws of the State of Florida, including expressly but not limited to, the authority of Section 163.01, Florida Statutes. Capitalized terms not defined herein have the meaning ascribed to them in the Agency Resolution, the City Resolution or Agency resolution 2017-03 adopted on May 4, 2017 as amended and supplemented (the "Bond Resolution").

"Support Revenues" shall mean collectively, the taxes on local communications services levied by the City pursuant to section 202.19(1), Florida Statutes; all revenues received by the City from the franchise fees associated with the collection of solid waste, the providing of electricity and the providing of natural gas and propane; any and all proceeds of the local government half-cent sales tax distributed to the City from the Local Government Half-Cent Sales Tax Clearing Trust Fund, as defined and described in Part VI, Chapter 218, Florida Statutes, as amended; and all revenues received by the City from the tax levied and collected by the City pursuant to the authority of Section 166.231, Florida Statutes.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS OF CITY AND THE AGENCY

Section 2.1 REPRESENTATIONS AND WARRANTIES. The City makes the following representations and warranties for the benefit of the Agency and the holders of the 2017 Bonds:

(a) **PENDING LITIGATION.** There are no proceedings pending, or to the knowledge of the City threatened, against or affecting the City in any court or before any governmental authority or arbitration board or tribunal (i) with respect to any of the transactions contemplated hereby or (ii) that, if adversely determined, would materially and adversely affect the properties, prospects or condition (financial or otherwise) of the City in a manner that will materially adversely affect the ability of the City to make the payments under this Interlocal

Agreement when and as the same become due and payable or would materially and adversely affect the existence or powers or ability of the City to enter into and perform its obligations under this Interlocal Agreement.

(b) **BORROWING LEGAL AND AUTHORIZED.** The execution and delivery of this Interlocal Agreement and the consummation of the transactions provided for in this Interlocal Agreement and compliance by the City with the provisions of this Interlocal Agreement:

(1) are within the powers of the City and have been duly and effectively authorized by all necessary action on the part of the City; and

(2) do not and will not (i) conflict with or result in any material breach of any of the terms, conditions or provisions of, or constitute a default under, any indenture, or other agreement or instrument, or restriction to which the City is a party or by which the City, its properties or operations may be bound or (ii) with the giving of notice or the passage of time or both, constitute a breach or default or so result in the creation or imposition of any lien, charge, or encumbrance, which breach, default, lien, charge or encumbrance could materially and adversely affect the validity or the enforceability of this Interlocal Agreement or the City's ability to perform fully its obligations under this Interlocal Agreement; or any laws, ordinances, governmental rules or regulations or court orders to which the City, its properties or operations are or may be bound.

(c) **NO DEFAULTS.** No event has occurred and no condition exists that constitutes an event of default under any indenture or other agreement or instrument to which the City is a party, or which, upon the execution and delivery of this Interlocal Agreement and/or the passage of time or giving of notice or both, would constitute an event of default under any indenture or other agreement or instrument to which the City is a party. The City is not in violation in any material respect, and has not received notice of any claimed violation which will have any material adverse effect on the ability of the City to perform its obligations hereunder or under the terms of any agreement or other instrument to which it is a party or by which it, its properties or operations may be bound.

(d) **COMPLIANCE WITH LAW.** The City is in compliance with all laws, ordinances, governmental rules and regulations to which it is subject and which are material to the execution of this Interlocal Agreement and the performance by the City of its obligations hereunder.

(e) **ENFORCEABILITY.** This Interlocal Agreement constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms, except as such enforceability may be limited by bankruptcy, reorganization, insolvency and other similar laws affecting enforceability of creditors' rights generally and to the application of equitable principles if equitable remedies are sought.

Section 2.2 TAX COVENANTS. Each of the City and the Agency agrees that it will not take any action or omit to take any action, which action will adversely affect the exclusion from gross income of interest on the 2017 Bonds or amounts paid under this Interlocal

Agreement for federal income tax purposes and in the event any such action or omission is discovered by such party or shall be brought to its attention, the non-complying party shall, at its sole expense and promptly upon discovering such action or having any such action brought to its attention, take such reasonable actions as may rescind or otherwise negate or cure such action or omission.

Section 2.3 COVENANTS OF THE AGENCY.

(a) The Agency hereby covenants that by March 1 of each year it shall deliver to the City a certificate executed by an officer of the Agency stating whether Pledged Tax Increment Revenues shall be sufficient to make all payments required to be made on the 2017 Bonds on the immediately following May 1 and/or November 1 and/or to cure any deficiency in the Restricted Surplus Account and/or the Series 2017 Subaccount in the Reserve Account established pursuant to the Bond Resolution. If such amounts shall not be sufficient for such purpose, the certificate shall indicate the amount of such insufficiency (the "Deficiency").

(b) The Agency hereby agrees to reimburse the City the amount of any payment made by the City pursuant to Section 2.4(a) below from the first legally available money of the Agency but only after the Agency has provided for all payments and deposits required in such year pursuant to the Bond Resolution.

Section 2.4 COVENANTS OF THE CITY. The City makes the following covenants and representations as of the date first above written and such covenants shall continue in full force and effect during the term of this Interlocal Agreement:

(a) **COVENANT TO BUDGET AND APPROPRIATE.** Should the certificate of the Agency referenced in Section 2.3(a) above certify that a Deficiency will exist, the City covenants and agrees no later than April 1 immediately following notice of the Deficiency to appropriate in its annual budget, by amendment, if necessary, from legally available Support Revenues, an amount equal to the Deficiency and to pay to the Agency no later than April 15 the amount of the Deficiency attributable to Pledged Tax Increment Revenues being insufficient to make all payments required to be made on the 2017 Bonds and to pay to the Agency by September 30 of such year any Deficiency attributable to a shortfall in the Restricted Surplus Account and/or the Series 2017 Subaccount in the Reserve Account. Such covenant and agreement on the part of the City to budget and appropriate the amount of any Deficiency shall be cumulative to the extent not paid, and shall continue until Support Revenues in amounts sufficient to make all such required payments shall have been budgeted, appropriated and actually paid to the Agency. No lien upon or pledge of such Support Revenues shall be created by this Interlocal Agreement until such moneys are budgeted and appropriated and paid to the Agency. The obligation of the City to budget and appropriate amounts sufficient to pay the Deficiency is subject to the availability of Support Revenues after the satisfaction of the funding requirements for obligations having an express lien on or pledge of any such revenues.

A failure of the Agency to deliver to the City by March 1 a certificate indicating a "Deficiency" shall not relieve the City of its covenant provided above to appropriate Support Revenues in an amount equal to the Deficiency; however, the City shall not be in default hereunder for failure to appropriate such amount by April 1, and to pay such amounts to the

Agency by April 15 or September 30, provided that, following receipt of such Deficiency certificate, the City proceeds in a prompt manner to comply with the provisions of the immediately preceding paragraph.

Anything in this Interlocal Agreement to the contrary notwithstanding, nothing herein shall be deemed to pledge ad valorem tax revenues or to permit or constitute a mortgage or lien upon any assets owned by the City. This Interlocal Agreement shall not be construed as a pledge of or a lien on all or any Support Revenues except as provided herein, but the City's obligations hereunder shall be payable solely as provided herein and are subject in all respects to the provisions of Florida law which make it unlawful for any municipality to expend moneys not appropriated and in excess of such municipality's current budgeted revenues.

(b) SPECIAL COVENANTS AND FINANCIAL RATIOS. As a condition precedent to the issuance of any debt or the incurrence of any other obligations for borrowed money which are secured by and/or payable from the Support Revenues, the City agrees to deliver a certificate executed by the City Manager setting forth the calculations of the financial ratios provided below and certifying that it is in compliance with the following:

the average of the Support Revenues for the two most recent fiscal years for which audited financial statements of the City are available is equal to or greater than 1.50x any amounts paid by the City hereunder which have not been reimbursed by the Agency or otherwise and the maximum annual debt service on any debt of the City secured by or payable from any of the Support Revenues to be outstanding following the issuance of the proposed debt or incurrence and projected maximum annual debt service on the proposed debt or obligations. Such covenant shall not be applicable to any agreement similar to this Interlocal Agreement entered into by the City and the Agency.

For the purpose of calculating maximum annual debt service on any indebtedness which bears interest at a variable rate, such indebtedness shall be deemed to bear interest at the greater of (i) 1.25 times the most recently published Bond Buyer Revenue Bond 30 Year Index or (ii) 1.25 times the actual average interest rate during the prior Fiscal Year of the City.

(c) COVENANT RE: ANNUAL PAYMENT TO AGENCY. The City shall pay to the Agency by no later than January 1 of each year from legally available moneys two hundred and fifty thousand dollars (\$250,000). Such obligation of the City shall terminate at such time as the financial statements of the Agency for the two most recent fiscal years of the Agency indicate that the Pledged Tax Increment Revenues for both such fiscal years, adjusted, as recommended by the City's independent certified public accountant, to take into account any reduction in such Pledged Tax Increment Revenues had the final decision of the Case (as defined below) regarding the calculation of Pledged Tax Increment Revenues been used in determining the amount of Pledged Tax Increment Revenues for such fiscal years equal at least 1.1x of the sum of (a) the Maximum Annual Debt Service on the 2017 Bonds and (b) any other obligations of the Agency secured by the Pledged Tax Increment Revenues and the City and the Agency receive an opinion of legal counsel reasonably acceptable to both the City and the Agency that Cases # 2016-CA-000435A and 2017-CA-000239A ("the Case") has been concluded including all rights of appeal therefrom.

(d) **FURTHER ASSURANCE.** The City shall execute and deliver to the Agency, all such documents and instruments and do all such other acts and things as may be reasonably necessary or required by the Agency to enable it to exercise and enforce its rights under this Interlocal Agreement and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be reasonably necessary or required by any of them to validate, preserve and protect its position under this Interlocal Agreement.

ARTICLE III

LOAN TERM AND TERMINATION

Section 3.1 COMMENCEMENT OF TERM. The City's obligations under this Interlocal Agreement shall commence on the date hereof unless otherwise provided in this Interlocal Agreement.

Section 3.2 TERMINATION. This Interlocal Agreement, except as otherwise provided herein, shall terminate upon payment in full of the 2017 Bonds or the defeasance thereof and the performance of all other obligations hereunder.

ARTICLE IV

NATURE OF CITY OBLIGATIONS

Section 4.1 PAYMENT CURRENCY. The Parties shall make payments due hereunder in lawful money of the United States of America.

Section 4.2 OBLIGATIONS. The obligation of the City to make the payments due hereunder and to perform and observe the other covenants and agreements contained herein shall be absolute and unconditional in all events except as otherwise expressly provided in this Interlocal Agreement and applicable provisions of law. Notwithstanding any dispute between the Agency and the City but subject to the foregoing, the City shall make all payments due hereunder when due and shall not withhold any such payments or any other amounts pending final resolution of such dispute nor shall the City assert any right of setoff or counterclaim against its obligation to make such payments required under this Interlocal Agreement.

ARTICLE V

ASSIGNMENT

Section 5.1 ASSIGNMENT BY AGENCY. This Interlocal Agreement may not be assigned by the City for any reason without the express prior written consent of the Agency and the holders of the 2017 Bonds.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

Section 6.1 EVENTS OF DEFAULT DEFINED. The following shall be “Events of Default” under this Interlocal Agreement and the terms “Event of Default” and “Default” shall mean (except where the context clearly indicates otherwise), whenever they are used in this Interlocal Agreement, any one or more of the following events:

(a) Failure by the City to timely pay any payment to be paid hereunder on the date on which it is due and payable;

(b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Interlocal Agreement for a period of not less than thirty (30) days, after notice thereof to the City by the Agency, unless the Agency shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice can be wholly cured within a period of time not materially detrimental to the rights of the Agency, the Agency will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the failure is corrected;

(c) Any provision of this Interlocal Agreement material to the performance of the obligations of the City hereunder shall at any time for any reason cease to be valid and binding on the City or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the City or the City shall deny that it has any or further liability or obligation hereunder; and

(d) Any act of bankruptcy is filed against the City and is not dismissed within 60 days of such filing.

Section 6.2 NOTICE OF DEFAULT. The City agrees to give the Agency prompt written notice if any petition, assignment, appointment or possession referred to in Section 6.1(c) and 6.1(d) is filed by or against the City or of the occurrence of any other event or condition which constitutes a Default or an Event of Default, or with the passage of time or the giving of notice would constitute an Event of Default or Default, immediately upon becoming aware of the existence thereof.

Section 6.3 REMEDIES ON DEFAULT. Whenever any Event of Default referred to in Section 6.01 hereof shall have happened and be continuing, the Agency has the right, at its option without any further demand or notice, to take whatever other action at law or in equity, by mandamus or otherwise, may appear necessary or desirable to collect amounts then due hereunder or to enforce any other of its or their rights hereunder, provided however that such right shall not include the rights to accelerate any payment obligations of the City hereunder.

Section 6.4 ATTORNEYS’ FEES AND OTHER EXPENSES. The City shall, on demand, pay to the Agency the reasonable fees and expenses of attorneys and other reasonable expenses incurred by it in the collection of payments due or the enforcement of performance of any other obligations of the City hereunder upon an Event of Default. The provisions of this

Section 6.4 shall survive the termination of this Interlocal Agreement and the payment in full of the City's obligations hereunder.

ARTICLE VII

MISCELLANEOUS

Section 7.1 NOTICES. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by first-class mail, registered or certified mail, postage prepaid, to the parties at the following address:

The City:

City of Inverness, Florida
212 West Main Street
Inverness, FL 34450
Attention: City Manager and
Finance Director and
Clerk

The Agency:

Inverness Community
Redevelopment Agency
212 West Main Street
Inverness, FL 34450
Attention: Executive Director,
Treasurer and
Secretary

Section 7.2 BINDING EFFECT. This Interlocal Agreement shall inure to the benefit of and shall be binding upon the City and the Agency and their respective successors and assigns. In consideration of the purchase and acceptance of any or all of the 2017 Bonds by those who shall hold the same from time to time, the provisions of this Interlocal Agreement shall be deemed to be and shall constitute a contract between the City and the Holders from time to time of the 2017 Bonds and with any Credit Facility Provider and any Bond Insurer (as defined in the Bond Resolution). The provisions, covenants and agreements herein set forth to be performed by or on behalf of the City shall be for the equal benefit, protection and security of the Holders of any and all of the 2017 Bonds.

Section 7.3 SEVERABILITY. In the event any provision of the Interlocal Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 7.4 AMENDMENTS, CHANGES AND MODIFICATIONS. No modification alteration or amendment to this Interlocal Agreement shall be binding upon any party until such modification, alteration or amendment is reduced to writing and executed by all parties hereto and the owners of not less than a majority of the 2017 Bonds Obligation and BAM subject to the provisions of Section 12.02 of the Bond Resolution.

Section 7.5 EXECUTION IN COUNTERPARTS. This Interlocal Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 7.6 APPLICABLE LAW. This Interlocal Agreement shall be governed by and construed in accordance with the law of the State of Florida.

Section 7.7 CONSENTS AND APPROVALS. Whenever written consent or approval shall be required under the provisions of this Interlocal Agreement, such consent or approval may be given by an authorized officer of the City and/or Agency.

Section 7.8 IMMUNITY OF OFFICERS, EMPLOYEES AND MEMBERS OF CITY AND AGENCY. No recourse shall be had for any payment due hereunder or for any claim based thereon or upon any representation, obligation, covenant or agreement in this Interlocal Agreement against any past, present or future officer, member, employee, director or agent of the City or the Agency as such, either directly or through the City or the Agency, any successor public or private corporation thereto under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, members, employees, directors or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Interlocal Agreement.

Section 7.9 CAPTIONS. The captions or headings in this Interlocal Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions of sections of this Interlocal Agreement.

Section 7.10 NO PECUNIARY LIABILITY OF CITY OR AGENCY. No provision, covenant or agreement contained in this Interlocal Agreement, or any obligation herein imposed upon the City or the Agency, or the breach thereof, shall constitute an indebtedness or liability of the State of Florida or any political subdivision of the State of Florida or any public corporation or governmental agency existing under the laws thereof other than the City and the Agency.

Section 7.11 PAYMENTS DUE ON HOLIDAYS. If the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Interlocal Agreement, shall be other than on a Business Day such payments shall be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Interlocal Agreement.

Section 7.12 PUBLIC AGENCIES. At all times prior to and during the term of this Interlocal Agreement, the City and Agency shall constitute “public agencies” as that term is defined in section 163.01(3)(b), Florida Statutes, and each of the City and this Agency have in common the power and authority to separately issue obligations like the 2017 Bonds in order to provide financing of the Project.

[SIGNATURES ON FOLLOWING PAGE]

Section 7.13 FILING OF INTERLOCAL AGREEMENT. It is agreed that this Interlocal Agreement shall be filed with the Clerk of the Circuit Court of Citrus County, Florida, all in accordance with Chapter 163, Part I, Florida Statutes.

IN WITNESS WHEREOF, the Inverness Community Development Agency has caused this Interlocal Agreement to be executed in its corporate name and attested by its duly authorized officers and City of Inverness, Florida has caused this Interlocal Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attached by its duly authorized officers as of the date first above written.

ATTEST:

**INVERNESS COMMUNITY
REDEVELOPMENT AGENCY**

By: _____
Secretary

By: _____
Chairman

CITY OF INVERNESS

ATTEST:

By: _____
City Clerk

By: _____
Title: Council President

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APPENDIX H

SPECIMEN MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

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**MUNICIPAL BOND DEBT
SERVICE RESERVE
INSURANCE POLICY**

ISSUER: ISSUER_NAME, STATE_NAME

Policy No:

MEMBER: MEMBER_COMPANY,
STATE_NAME

Effective Date:

BONDS: \$_____ in aggregate
principal amount of

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

Maximum Policy Limit: \$

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above under the Security Documents, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

BAM will make payment as provided in this Policy to the Trustee or Paying Agent on the later of (i) the Business Day on which such principal and interest becomes Due for Payment and (ii) the first Business Day following the Business Day on which BAM shall have received a completed Notice of Nonpayment in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of this paragraph, and BAM shall promptly so advise the Trustee or Paying Agent who may submit an amended Notice of Nonpayment.

Payment by BAM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of BAM under this Policy. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, (a) BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond and (b) BAM shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Security Documents and Debt Service Reserve Agreement.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by and to the extent of any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (after taking into account the payment of interest and expenses) to BAM by or on behalf of the Issuer. Within three (3) Business Days of such reimbursement, BAM shall provide the Trustee or the Paying Agent with Notice of Reinstatement, in the form of Exhibit A attached hereto, and such reinstatement shall be effective as of the date BAM gives such notice.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the end of the Term of this Policy or (b) Bonds that are not outstanding under the Security Documents. If the amount payable under this Policy is also payable under another BAM issued policy insuring the Bonds, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall BAM incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other BAM issued insurance policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “**Business Day**” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as hereinafter defined) are authorized or required by law or executive order to remain closed. “**Debt Service Reserve Agreement**” means the Debt Service Reserve Agreement, if any, dated as of the effective date hereof, in respect of this Policy, as the same may be amended or supplemented from time to time. “**Due for Payment**” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “**Nonpayment**” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “**Notice**” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “**Owner**” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. “**Policy Limit**” means the dollar

amount of the debt service reserve fund required to be maintained for the Bonds by the Security Documents from time to time (the “Reserve Account Requirement”), or the portion of the Reserve Account Requirement for the Bonds provided by this Policy as specified in the Security Documents or Debt Service Reserve Agreement, if any, but in no event shall the Policy Limit exceed the Maximum Policy Limit set forth above. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of or, if this Policy is only providing a portion of the Reserve Account Requirement, in the same proportion as, each reduction in the Reserve Account Requirement, as provided in the Security Documents or Debt Service Reserve Agreement. **“Security Documents”** means any resolution, ordinance, trust agreement, trust indenture, loan agreement and/or lease agreement and any additional or supplemental document executed in connection with the Bonds. **“Term”** means the period from and including the Effective Date until the earlier of (i) the maturity date for the Bonds and (ii) the date on which the Bonds are no longer outstanding under the Security Documents.

BAM may appoint a fiscal agent (the “Insurer’s Fiscal Agent”) for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer’s Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer’s Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer’s Fiscal Agent on behalf of BAM. The Insurer’s Fiscal Agent is the agent of BAM only, and the Insurer’s Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer’s Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy is being issued under and pursuant to and shall be construed under and governed by the laws of the State of New York, without regard to conflict of law provisions.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE
COMPANY

By: _____
Authorized Officer

SPECIMEN

Schedule

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

EXHIBIT A

NOTICE OF REINSTATEMENT

[DATE]

[TRUSTEE][PAYING AGENT]
[INSERT ADDRESS]

Reference is made to the Municipal Bond Debt Service Reserve Insurance Policy, Policy No. _____ (the “Policy”), issued by Build America Mutual Assurance Company (“BAM”). The terms which are capitalized herein and not otherwise defined shall have the meanings specified in the Policy.

BAM hereby delivers notice that it is in receipt of payment from the [Issuer], or on its behalf, pursuant to the Security Documents or Debt Service Reserve Agreement, if any, and, as of the date hereof, the Policy Limit is \$_____, subject to reduction as the Reserve Account Requirement for the Bonds is reduced in accordance with the terms set forth in the Security Documents.

BUILD AMERICA MUTUAL ASSURANCE
COMPANY

By: _____
Name:
Title:

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