



POLK CITY

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December 8, 2017

RE: Officer's Certificate for Polk City

Corrective Filing of Historical Operating Data Report

Issues totaling \$10,315,000 of Polk City Water and Sewer System Capital Improvement and Refunding Revenue Bonds, Series 2011A, \$9,700,000, and Polk City Water and Sewer System Refunding Revenue Bonds, Series 2011B, \$595,000, dated August 30, 2011

Polk City is performing due diligence in preparation for the issuance and sale of water and sewer system refunding revenue bonds which are expected to reduce the City's total debt service. In the process of preparing the preliminary official statement, the City discovered certain differences between the manner in which financial and operating information has been presented in the City's audited financial statements and the manner in which such information should have been presented under the City's existing bond documents. These differences resulted in an understatement of City Utility System Net Revenues and bond debt service. The City is now correcting this information with the attached forms. I hereby certify that the enclosed tables entitled Historical System Operating Results, Historical Debt Service Coverage, and Differences between Continuing Disclosure as Previously Reported and Amended filed on December 7, 2017, constitute the financial information required by the Continuing Disclosure Agreement. I further certify that the information complies with the Continuing Disclosure Agreement and the Rule as required. DAC shall be entitled to rely on this certificate.

If you have any further questions about this matter, please do not hesitate to call.

A handwritten signature in blue ink, appearing to read "Patricia Jackson", is written over a horizontal line.

Patricia Jackson,
City Manager
863-984-1375, Ext. 237

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1. Years 2012 to 2015 included depreciation expenses in the operating expenses row. Such noncash expenses should not have been included as operating expenses, and have therefore been removed.

2. Years 2013 and 2014 included nonrecurring impairment expenses of \$414,238 and \$306,672, respectively, in the operating expense row based upon the decommissioning of the Mt Olive Shores Wastewater Treatment Plant in 2013 and replacement of all City water meters in 2014. As nonrecurring expenses, such expenses should be removed from the debt service coverage calculation.

3. Debt service should be amended per the attached revised operating results. These debt service amounts conform to the amortization schedule applicable to the 2011 bond issue.

The first of the attached tables represents the corrected Historical System Operating Results, reflecting the adjustments stated above. The second table breaks down the amount of the adjustments in each fiscal year.

HISTORICAL SYSTEM OPERATING RESULTS

| Description | Fiscal Year Ended September 30, | | | | | |
|--|---------------------------------|------------------|------------------|------------------|------------------|---------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 ⁽¹⁾ |
| Operating Revenues | | | | | | |
| Water and Wastewater Utility | \$1,925,296 | \$1,891,475 | \$1,965,698 | \$2,005,736 | \$2,095,911 | \$2,051,266 |
| Total Operating Revenues | 1,925,296 | 1,891,475 | 1,965,698 | 2,005,736 | 2,095,911 | 2,051,266 |
| Total Operating Expenses ⁽²⁾ | 945,135 | 938,843 | 944,547 | 915,425 | 899,938 | 974,158 |
| Net Operating Revenues | 980,161 | 952,632 | 1,021,151 | 1,090,311 | 1,195,973 | 1,077,108 |
| Non-Operating Revs (Exp) | | | | | | |
| Public Service Tax Revenues ⁽³⁾ | 38,728 | 43,076 | 45,248 | 45,987 | 48,348 | 53,016 |
| Total Non-Operating Revs (Exp) | 38,728 | 43,076 | 45,248 | 45,987 | 48,348 | 53,016 |
| Revenues Avail for Debt Svc. | 1,018,889 | 995,708 | 1,066,399 | 1,136,298 | 1,244,321 | 1,130,124 |
| Debt service | | | | | | |
| Water and Wastewater Utility | 644,393 | 648,056 | 645,256 | 646,668 | 645,518 | 644,217 |
| Total Debt Service ⁽⁴⁾ | 644,393 | 648,056 | 645,256 | 646,668 | 645,518 | 644,217 |
| Net Surplus (Deficit) | 374,496 | 347,652 | 421,143 | 489,630 | 598,804 | 485,907 |
| Other Revenues | | | | | | |
| Impact Fees | | | | | | |
| Water Utility | 40,181 | 40,181 | 55,904 | 66,386 | 94,051 | 102,499 |
| Wastewater Utility | 97,130 | 88,300 | 132,450 | 167,770 | 301,379 | 346,908 |
| Total Impact Fees | 137,311 | 128,481 | 188,354 | 234,156 | 395,430 | 449,407 |
| Surplus Including Impact Fees | \$511,807 | \$476,133 | \$609,497 | \$723,786 | \$994,234 | \$935,314 |

Amounts in the table above have been rounded

Sources: City Finance Department, Consulting Engineer and Independent Auditor.

(1) Unaudited.

(2) Excludes expenses that are not annually recurring, any reserve for renewals and replacements, extraordinary repairs or any allowance for depreciation or bond service requirements.

(3) Public Service Tax Revenues securing the City's Series 2011 Bonds.

(4) Does not include debt service payments on the subordinate FDEP Loan, which are payable from Net Revenues of the System on a subordinate basis to the Bonds. See also the table herein entitled "Historical Debt Service Coverage."

DIFFERENCES BETWEEN CONTINUING DISCLOSURE AS PREVIOUSLY REPORTED AND AMENDED

| Description | Fiscal Year Ended September 30, | | | | |
|--|--|-------------------|-------------------|-------------------|-------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 |
| Operating Expenses as previously reported | 1,283,780.00 | 1,704,786.00 | 1,597,296.00 | 1,244,144.00 | 899,938.00 |
| Operating Expenses as corrected | 945,135.00 | 938,843.00 | 944,547.00 | 915,425.00 | 899,938.00 |
| Difference | 338,645.00 | 765,943.00 | 652,749.00 | 328,719.00 | - |
| Explanation | | | | | |
| Depreciation expenses included in the previously reported amount in error | 338,645.00 | 351,705.00 | 346,077.00 | 328,719.00 | - |
| Nonrecurring expenses included in the previously reported amount in error ⁽¹⁾ | - | 414,238.00 | 306,672.00 | - | - |
| Total differences - Operating Expenses | 338,645.00 | 765,943.00 | 652,749.00 | 328,719.00 | - |
| Debt Service as previously reported | 493,803.00 | 516,736.00 | 517,661.00 | 516,689.00 | 507,078.00 |
| Debt Service as corrected | 644,393.00 | 648,056.00 | 645,256.00 | 646,668.00 | 645,518.00 |
| Difference | 150,590.00 | 131,320.00 | 127,595.00 | 129,979.00 | 138,440.00 |
| Explanation | | | | | |
| Principal payments not included in previously reported amounts. | 230,000.00 | 200,000.00 | 200,000.00 | 205,000.00 | 210,000.00 |
| Interest payments on the 2011B reported in the general fund that had not been previously reported. | 7,660.00 | 5,688.00 | 2,888.00 | - | - |
| Remove amortization of discount in previously reported amounts. | (9,178.00) | (9,178.00) | (9,178.00) | (9,145.00) | (8,951.00) |
| Adjustment from an accrual basis interest expenses as previously reported to a cash-paid basis | (11,878.00) | - | 117.00 | 1,025.00 | 1,050.00 |
| Removed subordinate debt service that was previously reported ⁽²⁾ | (66,014.00) | (65,190.00) | (66,232.00) | (66,901.00) | (63,659.00) |
| Total differences - Debt Service | 150,590.00 | 131,320.00 | 127,595.00 | 129,979.00 | 138,440.00 |

Sources: City Finance Department and Independent Auditor.

(1) Nonrecurring expenses incurred in 2013 as a result of the decommissioning of the Mt. Olive Shores Wastewater Treatment Plant and in 2014 as a result of the replacement of all City water meters, respectively.

(2) Represents interest on the City's FDEP Loan and water meter lease, which were reported as GAAP interest expenses but which are subordinate to and not payable on parity with the Series 2011 Bonds.

HISTORICAL DEBT SERVICE COVERAGE

| Description | Fiscal Year Ended September 30, | | | | | |
|-----------------------------------|---------------------------------|-----------|-------------|-------------|-------------|---------------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 ⁽¹⁾ |
| Primary | | | | | | |
| Available Revenues ⁽²⁾ | \$1,018,889 | \$995,708 | \$1,066,399 | \$1,136,298 | \$1,244,321 | \$1,130,124 |
| Debt Service ⁽³⁾ | 644,393 | 648,056 | 645,256 | 646,668 | 645,518 | 644,217 |
| Coverage | 1.58 | 1.54 | 1.65 | 1.76 | 1.93 | 1.75 |
| Minimum Required | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 | 1.25 |
| Subordinate | | | | | | |
| Available Revenues ⁽⁴⁾ | 311,980 | 217,044 | 402,936 | 516,133 | 784,506 | 721,244 |
| Debt Service ⁽⁵⁾ | 100,000 | 100,000 | 100,000 | 174,200 | 174,200 | 174,208 |
| Coverage | 3.12 | 2.71 | 4.03 | 2.96 | 4.50 | 4.14 |
| Minimum Required | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 | 1.15 |

Amounts in the table above have been rounded.

Sources: City Finance Department, Consulting Engineer and Independent Auditor.

Notes:

- (1) Unaudited.
- (2) Available revenues include Net Revenues of the System together with Public Service Tax Revenues. Net Revenues shall mean the Gross Revenues after deduction of the Cost of Operation and Maintenance. The Cost of Operation and Maintenance excludes expenses that are not annually recurring, any reserve for renewals and replacements, extraordinary repairs or any allowance for depreciation or bond service requirements.
- (3) Represents debt service on the Series 2011 Bonds.
- (4) Revenues used for calculation of the subordinate debt service coverage include Net Revenues of the System, less 1.25 times the debt service on the Series 2011 Bonds, plus Impact Fees. Public Service Tax Revenues (which are not pledged to the FDEP Loan) are not included.
- (5) Represents debt service on the City's FDEP Loan, which is Subordinate Debt pursuant to the Bond Resolution.