

**SEMINOLE COUNTY, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
September 30, 2002

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The County's Management Discussion and Analysis (the "MD&A") presents an overview of the County's financial activities for the fiscal year ended September 30, 2002. Please read it in conjunction with the Letter of Transmittal, in the Introductory Section, and the County's financial statements following the MD&A.

### **Financial Highlights**

- The assets of the County exceeded its liabilities at the close of fiscal year 2002 by \$955,135,868 (net assets). Of this amount, \$153,606,573 (unrestricted net assets) may be used to meet the County's ongoing obligations to citizens and creditors.
- At September 30, 2002, the County's governmental funds reported combined ending fund balances of \$376,253,936, an increase of \$52 million in comparison with the prior year.
- At September 30, 2002, unreserved fund balance for the General Fund was \$41,765,640 or 22.7% of total General Fund expenditures and transfers out.
- Governmental funds revenues decreased \$16 million or 5.5% over the prior fiscal year. The primary reason was the infrastructure surtax lapsed and was reinstated in January 2002.
- The County's outstanding long-term debt increased by \$61 million or 34.5% during fiscal year 2002. The key factor in this increase was the issuance of \$18.9 million in Environmental Sensitive Lands, Series 2001 bonds and the issuance of \$50 million in Sales Tax Revenue, Series 2001 bonds.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise 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*, which consist of the following two statements, are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during fiscal year 2002. All changes in net assets 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 and earned, but unused vacation leave).

Both of these financial statements distinguish functions of the County 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 County include general government, physical environment, public safety, transportation, economic environment, human services, culture/recreation, and court related activities. The business-type activities of the County include solid waste disposal and water and sewer utilities. The government-wide financial statements can be found immediately following the MD&A.

### **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 County, 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 County can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and the County Transportation Trust, Infrastructure Surtax, and Transportation Impact Fees Special Revenue Funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* in the other supplemental information section of this report.

The County adopts an annual appropriated budget for its general, special revenue, and debt service funds and project-length budgets for the capital projects funds. Budgetary comparison schedules have been provided for these funds to demonstrate budgetary compliance.

The basic governmental fund financial statements may be found immediately following the government-wide financial statements.

#### **Proprietary funds**

The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for the fiscal activities relating to solid waste disposal, and water and sewer utilities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses the internal service fund to account for its self-insurance and risk management program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

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 and Solid Waste funds, which are considered to be major funds of the County.

The basic proprietary fund financial statements follow the governmental fund financial statements.

**Fiduciary funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is similar to proprietary funds. The County only has agency funds.

The basic fiduciary fund financial statements can be after the component unit financial statements.

**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 after the fiduciary fund financial statements.

**Other information**

In addition to the basic financial statements and accompanying notes, *required supplementary information* is included which presents budgetary comparison schedules for the County's General Fund and other major governmental funds. Required supplementary information can be following the notes to the financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds and fiduciary funds are presented in the other supplemental information section of this report. Combining and individual fund schedules can be found after the required supplementary information.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$954,933,940 at the close of the fiscal year ended September 30, 2002.

At the end of fiscal year 2002, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**Seminole County, Florida**  
**Net Assets**

	<b>Governmental</b>	<b>Business-type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
Current and other assets	\$ 425,547,868	\$ 136,809,327	\$ 562,357,195
Capital Assets (Net)	488,449,568	215,755,764	704,205,332
Total Assets	<u>913,997,436</u>	<u>352,565,091</u>	<u>1,266,562,527</u>
Current and other liabilities	45,525,206	9,863,753	55,388,959
Long-term Liabilities	149,742,217	106,295,483	256,037,700
Total Liabilities	<u>195,267,423</u>	<u>116,159,236</u>	<u>311,426,659</u>
Net Assets:			
Invested in Capital Assets,			
Net of Related Debt	341,292,742	134,482,913	475,775,655
Restricted	289,660,091	36,093,549	325,753,640
Unrestricted	87,777,180	65,829,393	153,606,573
Total Net Assets	<u>\$ 718,730,013</u>	<u>\$ 236,405,855</u>	<u>\$ 955,135,868</u>

**SEMINOLE COUNTY, FLORIDA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued**  
September 30, 2002

The largest portion of the County's net assets (49.8%) reflects its investment in capital assets (e.g., land, buildings, and equipment); less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County has *restricted net assets* (\$325,753,640) for debt service, capital projects, and special revenues. The remaining balance of *unrestricted net assets* (\$153,606,573) may be used to meet the government's ongoing obligations to citizens and creditors.

There was a net increase of \$15,388,238 in net assets reported in connection with the County's business-type activities. This increase represents 23.4% of total unrestricted net assets for business-type activities at year end.

Governmental activities increased the County's net assets by \$40,287,751, thereby accounting for 45.9% percent of the total growth in the net assets of the County.

**Seminole County, Florida**  
**Changes in Net Assets**

	Governmental Activities	Business-type Activities	Total
<b>REVENUES</b>			
Program Revenues:			
Charges for Services	\$ 36,929,968	\$ 38,105,760	\$ 75,035,728
Operating Grants and Contributions	7,634,505	85,403	7,719,908
Capital Grants and Contributions	13,242,618	11,037,091	24,279,709
General Revenues:			
Property Taxes	107,374,884	-	107,374,884
Other Taxes	31,768,789	-	31,768,789
Other	79,931,666	3,739,258	83,670,924
<b>Total Revenues</b>	<b>276,882,430</b>	<b>52,967,512</b>	<b>329,849,942</b>
<b>EXPENSES</b>			
General Government	57,659,671	-	57,659,671
Court-Related	16,733,795	-	16,733,795
Public Safety	91,190,397	-	91,190,397
Physical Environment	13,655,917	-	13,655,917
Transportation	27,866,053	-	27,866,053
Economic Development	7,807,630	-	7,807,630
Human Services	6,853,448	-	6,853,448
Culture/Recreation	9,205,909	-	9,205,909
Interest on Long-term Debt	5,621,859	-	5,621,859
Water and Sewer	-	26,304,371	26,304,371
Solid Waste	-	11,274,903	11,274,903
<b>Total Expenses</b>	<b>236,594,679</b>	<b>37,579,274</b>	<b>274,173,953</b>
Change in Net Assets	40,287,751	15,388,238	55,675,989
Net Assets - 10/1/01	678,442,262	221,017,617	899,459,879
<b>Net Assets - 9/30/02</b>	<b>\$ 718,730,013</b>	<b>\$ 236,405,855</b>	<b>\$ 955,135,868</b>

**Expenses and Program Revenues – Governmental Activities**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>% of Total</b>	<b>Program Revenues</b>	<b>% of Total</b>	<b>Net (Expense) Revenue</b>
General Government	\$ 57,659,671	24.4%	\$ 8,891,449	15.4%	\$ (48,768,222)
Court-Related	16,733,795	7.1%	13,838,157	23.9%	(2,895,638)
Public Safety	91,190,397	38.5%	14,818,389	25.6%	(76,372,008)
Physical Environment	13,655,917	5.8%	512,022	0.9%	(13,143,895)
Transporation	27,866,053	11.8%	8,902,944	15.4%	(18,963,109)
Economic Development	7,807,630	3.3%	8,321,268	14.4%	513,638
Human Services	6,853,448	2.9%	1,153,304	2.0%	(5,700,144)
Culture/Recreation	9,205,909	3.9%	1,369,558	2.4%	(7,836,351)
Interest on Long-term Debt	5,621,859	2.4%	-	0.0%	(5,621,859)
	<u>\$ 236,594,679</u>	<u>100.0%</u>	<u>\$ 57,807,091</u>	<u>100.0%</u>	<u>\$ (178,787,588)</u>

**Revenue by Source – Governmental Activities**

<b>Description</b>	<b>Revenues</b>	<b>% of Total</b>
Charges for Services	\$ 36,929,968	13.3%
Operating Grants and Contributions	7,634,505	2.8%
Capital Grants and Contributions	13,242,618	4.8%
Property Tax	107,374,884	38.8%
Sales Tax	25,633,748	9.3%
Special Assessments	1,470,308	0.5%
Gas Tax	4,664,733	1.7%
State Revenue Sharing	32,094,729	11.6%
Franchise Fees	13,195,283	4.8%
Intergovernmental Revenues	9,291,466	3.4%
Interest Revenue	13,493,328	4.9%
Miscellaneous	11,856,860	4.3%
	<u>\$ 276,882,430</u>	<u>100.0%</u>

**Business-type activities**

Business-type activities increased the County's net assets by \$15 million, accounting for 26.8% of the total growth in the government's net assets. Key elements of this increase are as follows:

- Capital contributions were \$13 million.
- Revenues increased by \$4 million, due to growth and other factors.
- Water and sewer operating expenses increased by \$4 million.
- Solid waste operating expenses increased by \$1.3 million.

**Expenses and Program Revenues – Business-type Activities**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>% of Total</b>	<b>Program Revenues</b>	<b>% of Total</b>	<b>Net (Expense) Revenue</b>
Water and Sewer	\$ 26,304,371	70.0%	\$ 35,451,131	72.0%	\$ 9,146,760
Solid Waste	11,274,903	30.0%	13,777,123	28.0%	2,502,220
	<u>\$ 37,579,274</u>	<u>100.0%</u>	<u>\$ 49,228,254</u>	<u>100.0%</u>	<u>\$ 11,648,980</u>

**Revenues by Source – Business-type Activities**

<b>Description</b>	<b>Revenues</b>	<b>% of Total</b>
Charges for Services	38,105,760	71.9%
Operating Grants and Contributions	85,403	0.2%
Capital Grants and Contributions	11,037,091	20.8%
Interest Revenue	3,571,558	6.7%
Miscellaneous	167,700	0.3%
	<u>52,967,512</u>	<u>100.0%</u>

A comparative analysis of government-wide data will be presented in future years when the information is available.

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## Financial Analysis of the County's Funds

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

### Governmental funds

The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the County's financing requirements. In particular, *unreserved 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 the end of fiscal year 2002, the County's governmental funds reported combined ending fund balances of \$376 million, an increase of \$52 million in comparison with the prior year. *Unreserved fund balance* is \$330 million and is available for spending, subject to regulatory, Statutory, and budgetary restrictions. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period (\$42.5 million), 2) for inventories (\$2.3 million), 3) for prepaid items (\$46,795), and 4) to pay debt service (\$1.9 million).

The General Fund is the chief operating fund of the County. At the end of fiscal year 2002, unreserved fund balance of the General Fund was \$41.8 million, while total fund balance reached \$50.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 22.7% of the total general fund expenditures, while total fund balance represents 26.8% of that same amount.

The fund balance of the County's General Fund increased by \$1.1 million during the current fiscal year. Key factors in this growth are as follows:

- An increase in proceeds from notes payable of \$1.5 million.
- Expenditures and transfers out had nominal increases.

### Proprietary funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. All proprietary funds are reported as major funds.

Unrestricted net assets of proprietary funds at the end of the year amounted to:

Fund	Unrestricted Net Assets
Water and Sewer	\$ 42,033,321
Solid Waste	<u>23,796,072</u>
	<u>\$ 65,829,393</u>

Other factors concerning the finances of these funds have been addressed in the discussion of the County's business-type activities.

**General Fund Budgetary Highlights**

Differences between the General Fund's original budget and final amended budget, for expenditures and transfers out, increased by \$33.7 million for the year. These increases were appropriated from additional revenue sources and by \$23.2 million in additional unreserved fund balance that was available once the actual ending fund balance was determined as of September 30, 2001. The changes within functions are briefly summarized as follows:

- Increase in general governmental activities of \$2.8 million.
- Increase in court-related activities of \$1.6 million.
- Increase in public safety activities of \$3.1 million.
- Increase in physical environment activities of \$1.3 million.
- Increase in economic environment activities of \$2.1 million.
- Increase in human services activities of \$1.4 million.
- Increase in culture/recreation activities of \$400 thousand.
- Increase in transfers out of \$34 thousand.

**Capital Asset and Debt Administration**

**Capital Assets**

The County's investment in capital assets for its governmental and business-type activities as of September 30, 2002 amounts to \$697 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, leasehold improvements, equipment, infrastructure, and construction in progress. The total increase in the County's investment in capital assets for the current fiscal year was 11.0% (a 12.7% increase for governmental activities and 9.7% increase for business-type activities). Major capital asset events during the current fiscal year included the following:

- The bulk of the increase in capital assets related to governmental activities for various road and bridge infrastructure projects. Infrastructure was not previously reported by the County. At the end of fiscal year 2002 the County had infrastructure construction in progress of \$55 million.
- The Water and Sewer System had improvements totaling \$29.8 million for the fiscal year 2002.
- The Solid Waste System had improvements totaling \$2.5 million for the fiscal year 2002

**Seminole County, Florida**  
**Capital Assets**

	<u>Primary Government</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Land	\$ 225,386,210	\$ 21,219,275	\$ 246,605,485
Buildings and Improvements	90,693,293	215,806,040	306,499,333
Containment Equipment and Facilities	-	7,291,568	-
Machinery and Equipment	74,302,499	12,459,499	86,761,998
Infrastructure	124,004,909	-	124,004,909
Construction in Progress	<u>55,641,021</u>	<u>24,034,887</u>	<u>79,675,908</u>
	570,027,932	280,811,269	843,547,633
Less: Accumulated Depreciation	<u>(81,578,364)</u>	<u>(65,055,505)</u>	<u>(146,633,869)</u>
Capital Assets, net	<u>\$ 488,449,568</u>	<u>\$ 215,755,764</u>	<u>\$ 696,913,764</u>

Additional information on the County's capital assets can be found in Note 4 of this report.

**Long-term debt**

At the end of fiscal year 2002, the County had total bonded debt outstanding of \$227 million. Of this amount, \$31 million comprises debt backed by the full faith and credit of the government and \$196 million secured solely by specified revenue sources (i.e., revenue bonds). In addition, the County had outstanding \$9 million in notes payable and \$2 million in capital leases.

**Seminole County, Florida**  
**Outstanding Bonds, Notes Payable and Capital Leases**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
General Obligation Bonds	\$ 30,970,000	\$ -	\$ 30,970,000
Revenue Bonds	92,655,000	103,070,000	195,725,000
Notes Payable	9,056,995	-	9,056,995
Capital Leases	2,146,598	-	2,146,598
	<u>\$ 134,828,593</u>	<u>\$ 103,070,000</u>	<u>\$ 237,898,593</u>

The County's outstanding notes and bonded debt had a net increase of \$61 million or 34.5% during fiscal year 2002. The key factor in this increase was the issuance of \$18.9 million in Environmental Sensitive Lands, Series 2001 bonds and the issuance of \$50 million in Sales Tax Revenue, Series 2001 bonds. During the current fiscal year, the County advance refunded the 1992A Gas Tax Revenue Refunding Bonds, with a balance of \$13,370,000, with the proceeds from the issuance of the 2002 Gas Tax Revenue Refunding Bonds in the amount of \$14,130,000. The net proceeds from this bond issue were deposited into an irrevocable trust account with an escrow agent to fully pay the outstanding balance on the Series 1992A bonds. The County will benefit from a cash savings on the Series 1992A bonds of \$1,752,288. In addition the County received an economic gain (difference between the present value of the debt service payments on the old and new debt) on the advance refunding of \$1,245,658.

Additional information on the County's debt can be found in Note 5 of this report.

**Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the rate for the County at September 30, 2002 was 4.7 percent. The national unemployment rate for the same period was 5.8 percent.
- The taxable value of commercial and residential property increased 7.3 percent and 13.6 percent, respectively, in the 2002 fiscal year.
- Building permit activity included 2,106 commercial units for 2002 compared to 1,067 in 2001 and 4,721 residential units for 2002 compared to 2,800 in 2001.
- Population increased approximately 5.0 percent from the prior fiscal year to 387,626 at September 30, 2002.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$50.5 million. The County has appropriated \$15.3 million of this amount for spending in the 2003 fiscal year budget. The ad Valorem tax rate for the General Fund was not increased for the 2003 fiscal year budget.

### **Requests for Information**

This financial report is designed to present users with a general overview of the County's finances and to demonstrate the County's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact the County's Clerk of the Circuit Court, Finance Department, 1101 E. First Street, Sanford, Florida 32771.