SEMINOLE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2003
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Seminole County, Florida (the "County") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Significant County accounting policies are described below.

A. Reporting Entity

The County is a political subdivision of the State of Florida established by the Constitution of the State of Florida, Article VIII, Section 1(e). It is governed by an elected Board of County Commissioners (the "Board") which is governed by state statutes and regulations. In addition to the Board, there are five elected Constitutional Officers: Clerk of the Circuit and County Courts, Sheriff, Tax Collector, Property Appraiser, and Supervisor of Elections. The Constitutional Officers maintain separate accounting records and budgets. The Board funds a portion or, in certain instances, all of the operating budgets of the County's Constitutional Officers. The operations of the Constitutional Officers are combined with the Board of County Commissioners to properly reflect County operations taken as a whole.

As required by generally accepted accounting principles, the financial reporting entity consists of (1) the primary government (the County), (2) organizations for which the County is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The County is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County. The County may be financially accountable if an organization is fiscally dependent on the County regardless of whether the organization has (a) a separately elected governing board, (b) a governing board appointed by a higher level of government, or (c) a jointly appointed board. Based on these criteria, County management examined all organizations which were legally separate in order to determine which organizations, if any, should be included in the County's financial statements. Management determined that the 17-92 Community Redevelopment Agency, Seminole County Expressway Authority, the Fred R. Wilson Memorial Law Library, and the Seminole County Port Authority were the only organizations that should be included in the County's financial statements as component units.

1. Blended Component Units

17-92 Community Redevelopment Agency (17-92 CRA) – The 17-92 CRA was established by resolution pursuant to Part III, Chapter 163, Florida Statutes. The 17-92 CRA, although legally separate, provides all its services to the County. The 17-92 CRA is reported as a blended, special revenue fund within the governmental funds of the County.

Seminole County Expressway Authority – The Seminole County Expressway Authority ("Authority") is an independent special district established in 1974, pursuant to Chapter 348 of the Florida Statutes. A board made up of seven members, five of whom are the Seminole County Board of County Commissioners and two appointed by the Seminole County Board of County Commissioners, governs the Authority. The Authority has no funds and is fiscally dependent on the County. The Authority is reported in a blended, special revenue fund within the governmental funds of the County.

2. Discretely Presented Component Units

Fred R. Wilson Memorial Law Library (Law Library) – The Law Library was established by the laws of Florida, Chapter 59-1863. The Law Library provides approximately one-half of its services to the general public (primarily within the County) and one-half to the County judiciary. The Law Library is governed by a Board of Trustees appointed by the County Board. The Law Library cannot set user charges or issue bonded debt and therefore is fiscally dependent on the County.

Seminole County Port Authority (Port Authority) – The Port Authority was established by the Laws of Florida, Chapter 65.2270, for the purpose of constructing, equipping, and operating a port facility. The Board members of the Port Authority are appointed by the County Board, who approves the Port Authority budget, levies taxes (if necessary) and must approve any debt issuance.

Complete financial statement for the discretely presented component units may be obtained at their administrative offices:

Fred R. Wilson Memorial Law Library
301 North Park Avenue
Sanford, Florida 32771

Seminole County Port Authority
1510 Kastner Place, Suite 1
Sanford, Florida 32771

3. Related Organizations

The Board is responsible for appointing a voting majority of the governing board for the Seminole County Industrial Development Authority (Authority), which makes the Authority a related organization. However, the Authority is not considered a component unit since it is not financially accountable to or fiscally dependent on the County.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are 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, proprietary funds, discretely presented component units, and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

1. Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary 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. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

2. Fund Financial Statements

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 fees, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following 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 *County Transportation Trust Fund,* a special revenue fund, was created pursuant to the provisions of Section 129.02, Florida Statutes, to account for transportation related revenues and expenditures not more properly accounted for elsewhere. Examples of activities funded include road maintenance, traffic control, right-of-way acquisition and construction of new roadways. Funding is from local ad valorem property taxes and gas taxes collected and distributed by the State of Florida.

- The *Infrastructure Surtax Fund* is a special revenue fund used to account for the receipt and disbursement of voter approved referendums one-cent sales tax on July 9, 1991 and September 4, 2001, for a period of ten years. Proceeds are used to fund upgrading and construction of roads.

- The *Transportation Impact Fees* is a special revenue fund that accounts for revenues derived from fees paid by developers as outlined in the County's Impact Fee Ordinance. Use of these revenues is restricted to capital facilities that are attributable to new growth as set forth in the aforementioned Ordinance.

The County reports the following major proprietary funds:

- The *Water and Sewer Fund* accounts for the provision of water and sewer services to residents of the unincorporated areas of the County as well as portions of four municipalities.

Related activities include, but not limited to, administration, operation, maintenance, financing and related debt service, and billing and collection.

- The *Solid Waste Fund* accounts for the provision of solid waste disposal services to the general public on a user-charge basis. Related activities include, but not limited to, administration, operation, maintenance, financing and related debt service.

Additionally, the County reports the following fund types:

- *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

- *Debt Service Funds* account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

- *Capital Projects Funds* account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

- The *Internal Service Fund (Insurance Fund)* accounts for all types of insurance utilized by the County, including the self-insurance programs for workers' compensation, general and automotive liability, crime and property as well as employee group hospitalization and life insurance. These costs are allocated to departments according to department size.

- *Agency Funds* are custodial in nature and do not involve measurement of results of operations. They are excluded from the government-wide financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Based on the accounting and reporting standards set forth in GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County has opted to apply only the accounting and reporting pronouncements issued by the Financial Accounting Standards Board (FASB) on or before November 30, 1989 for business-type activities and enterprise funds.

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 County's enterprise funds and of the County's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use unrestricted resources first, and then restricted resources, as they are needed for their intended purposes.

D. Budgetary Requirements

The following procedures are utilized by the County in establishing and/or amending the budgetary information contained in the financial statements:

1) On or before June 1 of each year, the Clerk of the Circuit Court, Sheriff, Supervisor of Elections and Tax Collector each submit a proposed operating budget for the ensuing fiscal year to the Board.

2) The proposed operating budget of the Property Appraiser must be presented to the Board on or before June 1 of each year and is simultaneously submitted by the Property Appraiser to the State of Florida, Department of Revenue, from which the final approval of the budget of the Property Appraiser must emanate.

3) On or before July 15 of each year, or within 15 days after the receipt of certified taxable property values from the Property Appraiser, whichever occurs last, the County Manager, as the Board's designated budget officer, presents to the Board a proposed budget for the fiscal year commencing the following October 1. Pursuant to the provisions of Section 129.01, Florida Statutes, the proposed budgets as submitted contain balanced statements of estimated revenues (including unexpended fund balances to be carried forward) and proposed appropriations for each fund required to be presented by law or by sound financial practices, including the general, special revenue, debt service, and capital projects funds.

4) Following a preliminary review of the proposed budgets by the Board, whose members make such changes as are deemed necessary (provided that the proposed budget for each fund remains balanced), the Board causes a notice of proposed property taxes to be mailed to each County property taxpayer. Included in the notice is a statement of the Board's intent to hold a public hearing to consider adoption of the tentative millage rates and budgets, as well as a comparison of the taxpayer's proposed property tax bill with the actual tax bill of the preceding year.

5) Following successful completion of the above referenced public hearings, the Board advertises and subsequently conducts a second public hearing to finally adopt a millage rate and budget for each of the taxing entities under their jurisdiction. These public hearings are ordinarily held prior to October 1 each year. If, however, for some reason the Board is unable to finally adopt a budget prior to October 1, state law permits the readoption by resolution of the budget of the preceding year as an interim measure.

6) Pursuant to the provisions of Section 129.07, Florida Statutes, the Board is prohibited from expending or contracting for the expenditure of any amount in excess of the total amount budgeted in any fund. It is, however, legally permissible at the present time for the budgets of individual departments included within a particular fund to be over expended in total without requiring mandatory action by either the Board or the County Manager. Transfers of appropriate amounts between funds require approval of the Board.

7) Subsequent to final adoption of the budget by the Board, changes to the budget, as enacted, are only required (by either statutory law or current management practices) when revenues not anticipated in the original budget document are received which management wishes to have appropriated during the current year, resulting in an increase to the total appropriations of a fund.

8) Adoption and execution of the budgets are governed in accordance with applicable provisions of the Florida Statutes.

9) Formal budgetary integration at the object level is used as a management control device for all governmental funds of the County for which annual budgets are adopted, including the general, special revenue, debt service, and capital projects funds. Pro forma project length budgets are provided to the Board for certain capital projects for informational purposes only. The level at which expenditures may not legally exceed appropriations is the fund level.

10) Budgets for the general, special revenue, debt service and capital projects funds are adopted on a basis consistent with generally accepted accounting principles.

11) All appropriations lapse at the end of each fiscal year, although the County expects to honor purchase orders and contracts in process, subject to authority provided in the subsequent year's budget.

E. Property Taxes

Under Florida law, the assessment of all properties and the collection of all county, municipal and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide. State Statutes permit counties to levy property taxes at a rate of up to 10 mills.

The tax levy of the County is established by the Board prior to October 1 of each year and the Property Appraiser incorporates the millages into the total tax levy, which includes the municipalities, independent districts and the County School Board tax requirements.

All property is reassessed according to its fair market value on January 1 of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State Statutes.

All taxes are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. 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. Taxes paid in March are without discount.

On or prior to June 1 following the tax year, certificates are sold for all delinquent taxes on real property. Delinquent taxes on real property bear interest at 18% per year or as bid in a Public sale of tax certificates. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years. Unsold certificates are held by the County. Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the five-year statute of limitations.

The County does not accrue its portion of the County-held tax sale certificates or personal property tax warrants because such amounts are not considered to be material.

Key dates in the property tax cycle for the fiscal year ending September 30, 2003 are as follows:

Assessment Roll certified	June 2002
Beginning of fiscal year for which taxes are being levied	October 2002
Property taxes levied	October 2002
Tax bills issued	November 1, 2002
Property taxes due by:	
For maximum discount	November 30, 2002
Delinquent after	March 31, 2003
Tax certificates (liens) sold on unpaid property taxes	May 15, 2003

F. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are applicable to another fund, are recorded as expenditures/ expenses in the reimbursing fund, and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, are reported as transfers.

G. Interfund Payables and Receivables

Unpaid amounts of interfund transactions at year end are reflected as "due from other funds" or "due to other funds" in the related fund financial statements. Noncurrent portions of interfund payables and receivables are reported as advances. In governmental funds, advances are offset equally by a fund balance reserve which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

H. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include cash on hand, demand deposit accounts and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased.

I. Equity in Pooled Cash and Investments

The County maintains pooled cash and investment funds which allow the various funds of the County to pool monies for investment purposes. The County maintains records to identify the equity of each fund investing in the pools as well as amounts borrowed from the pools. Investments earnings of the pools are recorded as earned and are allocated to the participating funds based on the respective funds average daily balance.

J. Investments

The County's investments include repurchase agreements, U.S. government treasury and agency obligations, money market funds, and funds on deposit with the State Board of Administration (SBA). These investments are carried on the County's books at fair value.

K. Restricted Assets

The use of certain assets of the enterprise funds is restricted by specific provisions of the bond covenants. Assets so designated are identified as restricted assets on the balance sheet since their use is limited.

L. Utility Receivables

Water and sewer operating revenues are generally recognized on the basis of cycle billings rendered monthly. The County records estimated revenues for services rendered during the current fiscal year which will not be billed until the next fiscal year.

M. Special Assessment Receivables

The Board imposes special assessments against property located within specified areas, as set forth in the Assessment Resolution, for the construction of improvements. The assessment of each parcel is based upon the lineal feet of frontage along the areas to be improved. The assessments are collected on the ad valorem tax bill, as authorized by Section 197.3632 of the Florida Statutes.

N. Inventories

Inventories are stated at the lower of cost or market (first-in, first-out). Governmental inventories consist of expendable supplies held for consumption. Enterprise fund inventories consist primarily of meters, meter boxes and supplies held for use in maintaining and expanding the system.

O. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in applicable governmental or business-type activities columns in the government-wide financial statements. Plant and equipment with initial, individual costs that equal or exceed $5,000 and estimated useful lives of over one year are recorded as capital assets. Roads, bridges, and sidewalks are capitalized when their initial costs equal or exceed $5,000 and possess estimated useful lives of more than one year. Capital 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.

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.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

Buildings and Improvements	2 - 30 Years
Landfill and Water/Sewer Structures	10-30 Years
Machinery, Equipment and Vehicles	1 - 22 Years
Infrastructure	15-50 Years

Pursuant to GASB Statement No. 34, an extended period of deferral (fiscal year beginning October 1, 2005) is available before the requirement to record and depreciate infrastructure assets acquired before the implementation date becomes effective. As a result, the governmental activities column, in the government-wide financial statements, does not reflect those infrastructure asset projects completed before October 1, 2001. However, they do reflect those assets that were either completed or considered construction in progress at year-end during fiscal years 2002 and 2003. Note that infrastructure asset projects completed in fiscal year 2003 are considered completed on September 30, 2003, and, therefore, depreciation will not be reflected until the fiscal year beginning October 1, 2003.

P. Unamortized Capacity Rights

Capacity rights consist of purchased rights to specified percentages in existing and future water and sewer treatment capacity. The capacity rights are recorded at cost, including capitalized interest, and are amortized using the straight line method over the period expected to be benefited.

Q. Unamortized Landfill Design Costs

Unamortized landfill design costs consist of payments for engineering services to prepare a design for utilization of the County's landfill. The design costs are being amortized on a straight line basis over the estimated useful life of the landfill.

R. Compensated Absences

The County records compensated absences in governmental funds as expenditures for the amount accrued during the year that would normally be liquidated with expendable financial resources. The County accrues compensated absences in the period they are earned in the government-wide and enterprise fund financial statements.

S. Landfill Closure Costs

The Board recognizes municipal solid waste landfill closure and postclosure care costs under the State of Florida's Solid Waste Management Act of 1988, regulations of the Federal Environmental Protection Agency, and the Governmental Accounting Standards Board Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs.* The Board is required to place a final cover on closed landfills and to provide long-term care for up to thirty years after final cover. These obligations for closure and postclosure are recognized in the enterprise fund for the Board's landfill operations over the active life of the landfill, based on landfill capacity.

T. Long-Term Liabilities and Related Costs of Issuance

Long-term liabilities which are expected to be financed from governmental funds are accounted for as debt service expenditures in related funds. For proprietary fund types, long-term debt and other obligations are reported as liabilities in the fund financing the obligation. Bond discounts, insurance, legal fees, and other costs associated with the issuance of revenue bonds are amortized over the life of the bonds using the effective interest method. The unamortized amounts at year-end are offset against the long-term portion of revenue bonds payable.

U. Deferred Revenues

Deferred revenues reported on applicable governmental fund types represent unearned revenues or revenues which are measurable but not available in accordance with the modified accrual basis of accounting. The deferred revenues will be recognized as revenue in the fiscal year they are earned or become available.

V. Self-Insurance Claims

Liabilities for reported claims and incurred but not reported claims are estimated based on an actuarial review of historical experience and claims pending against the County.

W. Grants and Contributions

Program and capital grants received by governmental funds are recorded in the applicable governmental fund as receivables and revenues at the time reimbursable costs are incurred and all significant grant restrictions are satisfied. Grant revenues received in advance of meeting all major grant restrictions are deferred.

Contributed assets, including property and equipment, are recorded at fair market value at the time received. Depreciation expense on contributions, representing depreciation on donated fixed assets or on fixed asset additions financed by contributions, is reflected by the proprietary funds in the statement of revenues, expenses and changes in retained earnings.

X. Reserves of Fund Balance and Restricted Net Assets

Reserves of fund balances of governmental fund types represent portion of fund balance which are not available to be appropriated for expenditures or which have been segregated for specific future uses. The fund balances reserved in governmental fund types at September 30, 2003 are for encumbrances, inventories, debt service, and prepaid items.

Restrictions of net assets of the Solid Waste System enterprise fund are created by increases in assets restricted for landfill escrow deposits required by the State. Restrictions are not established for bond proceeds deposited into construction accounts.

NOTE 2 – CASH, EQUITY IN POOLED CASH AND INVESTMENTS

A. Cash

At September 30, 2003, the carrying amount of the County's deposits was $11,642,891. These deposits consisted of interest bearing and non-interest bearing demand accounts and certificates of deposit, which were entirely insured by federal depository insurance or by collateral held by the County's agent pursuant to the Public Depository Security Act of the State of Florida. This Act requires that the County maintain deposits only in "qualified public depositories". All qualified public depositories must deposit with the State Treasurer eligible collateral in such amounts as required by the Act. In addition, qualified public depositories are required under the Act to assume mutual responsibility against loss caused by the default or insolvency of other qualified public depositories of the same type. Should a default or insolvency occur, the State Treasurer will implement procedures for payment of losses according to the validated claims of the County. Therefore, the County's deposits are considered to be fully insured.

B. Investments

The Board's investment policy (adopted based upon the requirements established by Florida Statutes) and bond resolutions authorize the Board to invest in U.S. Treasury obligations, obligations unconditionally guaranteed by the U.S. government, time deposits and savings deposits of banks and savings and loans organized under the laws of the State of Florida or the United States and operating in Florida, specific obligations of U.S. government agencies, repurchase agreements, state and local government obligations and the State of Florida Local Government Surplus Funds Trust Fund.

Florida Statute 218.415(15) authorizes the Constitutional Officers to invest surplus public funds in the Local Government Surplus Funds Trust Fund administered by the Florida State Board of Administration (SBA), Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency, savings accounts and certificates of deposit in state-certified, qualified public depositories, direct obligations of the U.S. Treasury such as U.S. Treasury notes, bills and bonds, and direct obligations of federal agencies and instrumentalities such as bonds, notes and discount notes of the Federal Home Loan Mortgage Association, Federal National Mortgage Association, Federal Farm Credit, and Student Loan Marketing Association. Several of the Constitutional Officers have adopted investment policies in accordance with the Florida Statute and also authorizing investment in repurchase agreements.

The SBA investment pool consisting of short-term commercial paper, treasury bills, treasury notes, treasury bonds, repurchase agreements, federal agency obligations, floating and variable rate notes and certificates of deposit. These short-term investments are stated at cost, which approximates market value. Investment income is recognized as earned and is allocated to participants of the fund based on their equity portfolio.

The County's investments are categorized by type to give an indication of the level of credit risk assumed by the County at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the County's name. At September 30, 2003, all of the County's investments which can be classified have been categorized. The SBA investments are not required to be categorized since the investments are not evidenced by securities that exist in physical or book entry form.

The following is a summary of the County's cash and investments as of September 30, 2003:

	Category 1	Category 2	Category 3	Fair Value
U.S. Treasury Notes and Bonds	$ 132,267,481	$ -	$ -	$ 132,267,481
Collateralized Mortgage Obligations	76,179,249	-	-	76,179,249
Other Mortgage-Backed Securities	426,404	-	-	426,404
Repurchase Agreements	-	12,532,764	-	12,532,764
	$ 208,873,134	$ 12,532,764	$ -	221,405,898
SBA Investments				242,866,211
Money Market Funds				1,920,131
				$ 466,192,240

The County's investments in U.S. Government and Agency obligations are designed to maximize yields while retaining necessary liquidity to meet operation needs. All such investments have an established value at maturity. Maturity dates for the U.S. Treasury Notes and Bonds range from eleven years or less, with the exception of a $3 million U.S. Treasury Note that matures February 2023 and a $1 million Federal National Mortgage Association Note that matures June 2014 to coincide with a County's bonded debt obligation.

The maturity dates of the collateralized mortgage obligations vary due to the sensitivity of interest rates and mortgage prepayments. The current median average life estimate of this category is less than eight years. Other mortgage-backed securities consist of U.S. Government instrumentalities notes with fixed and variable interest rates and due dates ranging form 3 to 30 years.

The types of deposits and investments and their level of risk exposure as of September 30, 2003 were typical of these items during the fiscal year then ended.

NOTE 3 – INTERFUND TRANSFERS

Interfund transfers for the 2003 fiscal year consist of the following:

	Transfer In	Transfers Out
Major Funds:		
General Fund	$ 7,546,523	$ 5,044,479
Special Revenue Funds:		
County Transportation Trust Fund	3,739	9,737,040
Infrastructure Surtax Fund	4,000,000	5,094,600
Transportation Impact Fees	3,479,600	4,000,000
NonMajor Funds:		
Other Special Revenue Funds	885,073	660,282
Debt Service Funds	8,623,167	1,701
	$ 24,538,102	$ 24,538,102

An explanation of significant transfers is as follows:

- The General Fund transferred $4 million to Debt Service Funds, to meet debt service requirements.
- The County Transportation Trust Fund transferred $5.4 million to the General Fund, for stormwater and other transportation related projects and $4.36 million to Debt Service Funds to meet debt service requirements on transportation infrastructure related debt.
- The transfers out of the Infrastructure Surtax Fund were to the General Fund and Impact Fee Fund to be used for infrastructure improvement projects.
- The Transportation Impact Fee Fund transferred $4 million to the Infrastructure Surtax Fund to cover the cost of certain road improvements.

Transfers in and out of other funds related to smaller projects, matching requirements on grants, and cost sharing allocations.

NOTE 4 – CAPITAL ASSETS

A. Changes in Capital Assets

The following shows the changes in capital assets by governmental activities and business-type activities for both enterprise funds. Also shown is a summary of depreciation expense by function:

	Primary Government			
Governmental Activities	**Beginning Balance 10/1/2002**	**Increases**	**Decreases**	**Ending Balance 9/30/2003**
Capital Assets, Not Being Depreciated:				
Land	$ 225,386,210	$ 14,151,158	$ (83,455)	$ 239,453,913
Construction In Progress	55,641,021	64,123,468	(26,180,379)	93,584,110
Total Capital Assets, Not Being Depreciated	281,027,231	78,274,626	(26,263,834)	333,038,023
Capital Assets, Being Depreciated:				
Buildings and Improvements	90,693,293	3,504,822	-	94,198,115
Machinery and Equipment	74,302,499	11,047,428	(3,639,105)	81,710,822
Infrastructure	197,327,628	25,184,750	-	222,512,378
Total Capital Assets Being Depreciated	362,323,420	39,737,000	(3,639,105)	398,421,315
Less Accumulated Depreciation For:				
Buildings and Improvements	(34,375,756)	(2,341,993)	15,470	(36,702,279)
Machinery and Equipment	(47,202,608)	(6,907,827)	3,266,164	(50,844,271)
Infrastructure	(18,971,853)	(8,656,078)	-	(27,627,931)
Total Accumulated Depreciation	(100,550,217)	(17,905,898)	3,281,634	(115,174,481)
Total Capital Assets, Being Depreciated, Net	261,773,203	21,831,102	(357,471)	283,246,834
Governmental Activities Capital Assets, Net	$ 542,800,434	$ 100,105,728	$ (26,621,305)	$ 616,284,857

The following is a summary of governmental activities depreciation expense by function:

Governmental Activities:	
General Government	$ 11,753,443
Public Safety	2,877,820
Physical Environment	204,229
Transportation	1,063,200
Economic Environment	58,583
Human Services	115,885
Culture/Recreation	1,832,738
Total Depreciation Expense - Governmental Activities	$ 17,905,898

In accordance with provisions of Government Accounting Standards Board Statement 34, the County elected to include only infrastructure acquired in the year of adoption (Fiscal Year Ended September 30, 2002). In the current year additional infrastructure assets, acquired prior to the year of adoption, as well as current year infrastructure additions were included in capital assets. Accordingly, in order to include the assets acquired prior to October 1, 2001, in capital assets, the beginning balance of Infrastructure and

Infrastructure accumulated depreciation have been restated to increase the beginning balances by $73,322,719 and $18,971,853, respectively.

	Primary Government			
Business-type Activities	**Beginning Balance 10/1/2002**	**Increases**	**Decreases**	**Ending Balance 9/30/2003**
Water and Sewer System				
Capital Assets, Not Being Depreciated:				
Land	$ 13,127,516	$ 30	$ -	$ 13,127,546
Construction In Progress	23,765,589	17,809,313	(7,577,907)	33,996,995
Total Capital Assets, Not Being Depreciated	36,893,105	17,809,343	(7,577,907)	47,124,541
Capital Assets, Being Depreciated:				
Buildings and Improvements	200,633,148	10,866,760	-	211,499,908
Machinery and Equipment	5,440,916	328,911	(203,852)	5,565,975
Total Capital Assets Being Depreciated	206,074,064	11,195,671	(203,852)	217,065,883
Less Accumulated Depreciation For:				
Buildings and Improvements	(51,047,230)	(7,000,039)		(58,047,269)
Machinery and Equipment	(3,578,612)	(509,224)	197,874	(3,889,962)
Total Accumulated Depreciation	(54,625,842)	(7,509,263)	197,874	(61,937,231)
Total Capital Assets, Being Depreciated, Net	151,448,222	3,686,408	(5,978)	155,128,652
Water and Sewer System Capital Assets, Net	$ 188,341,327	$ 21,495,751	$ (7,583,885)	$ 202,253,193
Solid Waste System				
Capital Assets, Not Being Depreciated:				
Land	$ 8,091,759	$ -	$ -	$ 8,091,759
Construction In Progress	269,298	1,440,018	(1,365,739)	343,577
Total Capital Assets, Not Being Depreciated	8,361,057	1,440,018	(1,365,739)	8,435,336
Capital Assets, Being Depreciated:				
Buildings and Improvements	15,172,892	1,379,644	(23,054)	16,529,482
Machinery and Equipment	14,310,151	357,032	(25,112)	14,642,071
Total Capital Assets Being Depreciated	29,483,043	1,736,676	(48,166)	31,171,553
Less Accumulated Depreciation For:				
Buildings and Improvements	(5,329,938)	(881,511)	-	(6,211,449)
Machinery and Equipment	(5,099,725)	(966,601)	24,681	(6,041,645)
Total Accumulated Depreciation	(10,429,663)	(1,848,112)	24,681	(12,253,094)
Total Capital Assets, Being Depreciated, Net	19,053,380	(111,436)	(23,485)	18,918,459
Solid Waste System Capital Assets, Net	$ 27,414,437	$ 1,328,582	$ (1,389,224)	$ 27,353,795

The following is a summary of business-type activities depreciation expense by function:

Business-type activities:	
Water and Sewer System	$ 7,509,263
Solid Waste System	1,848,112
Total Depreciation Expense - Business-type Activities	$ 9,357,375

	Component Units			
	Beginning Balance 10/1/2002	Increases	Decreases	Ending Balance 9/30/2003
Seminole County Port Authority				
Capital Assets, Not Being Depreciated:				
Land	$ 323,007	$ -	$ -	$ 323,007
Construction In Progress	454,953	331,042	(785,995)	-
Total Capital Assets, Not Being Depreciated	777,960	331,042	(785,995)	323,007
Capital Assets, Being Depreciated:				
Buildings and Improvements	9,613,778	834,841	(26,570)	10,422,049
Machinery and Equipment	51,865	3,328	(3,212)	51,981
Total Capital Assets Being Depreciated	9,665,643	838,169	(29,782)	10,474,030
Less Accumulated Depreciation For:				
Buildings and Improvements	(3,518,566)	(298,144)	25,225	(3,791,485)
Machinery and Equipment	(35,881)	(6,618)	3,212	(39,287)
Total Accumulated Depreciation	(3,554,447)	(304,762)	28,437	(3,830,772)
Total Capital Assets, Being Depreciated, Net	6,111,196	533,407	(1,345)	6,643,258
Port Authority Capital Assets, Net	$ 6,889,156	$ 864,449	$ (787,340)	$ 6,966,265
Fred R. Wilson Memorial Law Library				
Capital Assets, Being Depreciated:				
Buildings and Improvements	$ 12,512	$ -	$ -	12,512
Machinery and Equipment	67,892	-	-	67,892
Total Capital Assets Being Depreciated	80,404	-	-	80,404
Less Accumulated Depreciation For:				
Buildings and Improvements	(10,001)	(625)	-	(10,626)
Machinery and Equipment	(53,466)	(4,624)	-	(58,090)
Total Accumulated Depreciation	(63,467)	(5,249)	-	(68,716)
Law Library Capital Assets, Net	$ 16,937	$ (5,249)	$ -	$ 11,688

The Following is a summary of component unit depreciation:

Component Units:	
Seminole County Port Authority	$ 304,762
Fred R. Wilson Memorial Law Library	5,249
	$ 310,011

B. Summary of Capital Assets

The following summarizes "Capital Assets, net" found on the Statement of Net Assets for governmental activities and business-type activities:

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Land	$ 239,453,913	$ 21,219,305	$ 260,673,218	$ 323,007
Buildings and Improvements	94,198,115	228,029,390	322,227,505	10,434,561
Machinery and Equipment	81,710,822	20,208,046	101,918,868	119,873
Infrastructure	222,512,378	-	222,512,378	-
Construction in Progress	93,584,110	34,340,572	127,924,682	-
	731,459,338	303,797,313	1,035,256,651	10,877,441
Less: Accumulated Depreciation	(115,174,481)	(74,190,325)	(189,364,806)	(3,899,488)
Capital Assets, net	$ 616,284,857	$ 229,606,988	$ 845,891,845	$ 6,977,953

C. Construction Commitments

The following is a summary of construction commitments outstanding at September 30. 2003:

Projects	Spent-to-Date	Remaining Commitment
Buildings		
Juvenile Justice Center Expansion	$ 3,135,694	$ 4,851,269
Courthouse	$ 17,548,177	$ 3,940,155
Transportation		
Advanced Traffic Management System	2,993,195	785,674
Airport Boulevard Phase II	1,432,172	256,348
Airport Boulevard Phase III	9,867,476	429,683
Bunnel Rd/Magnolia St.	564,815	505,888
C R 46A	2,270,327	247,302
C R 46A / County Club Road / Rinehart Rd	11,390,633	4,940,157
Countywide Safety/Railroad Contingency	2,144,161	374,542
CR 427 / SR 436 - Charlotte St	7,282,218	7,121,849
CR427 Phase V	8,501,781	11,491,692
Dodd Road	5,015,618	7,830,180
Doublas / Markham Wood Road Intersect	4,361,806	2,854,731
East Lake Mary Blvd Segment I	10,960,321	9,186,573
Eden Park Road	512,122	186,911
Engr C-15	301,378	620,697
Howell Branch Rd / Lake Howell Rd	4,882,539	101,371
Lake Drive	2,555,535	1,028,611
Lake Emma Road	3,508,471	514,278
Lake Emma Road	294,479	252,488
Landscaping Major Road Projects	2,675,491	572,855
Montgomery Road/SR 436/SR 434	9,375,240	7,121,899
Sand Lake Road	690,801	544,981
Silver Lake Drive Segment II	5,859,016	7,607,500
Wymore Road	3,192,879	367,024
Trails		
Multi Use Trail Bridge	276,128	1,724,205
Pedestrian Overpass (LAP Agreement)	2,500,000	1,130,421
Cross Seminole Trail Segments 1, 2, & 3	266,622	334,100
Trails Develop - Kewannee Trail	150,000	115,367
Environmental Services		
Dodd Road Utility Relocation	627,766	1,321,117
SR 46 Utilty Relocation	444,175	481,271
Markham Regional Water Treatment Plant	13,137,277	323,014
Lake Center Drive Utility Relocation	1,308,141	257,439
Ring Plant Refurbishment	1,653,990	193,038
NW Recalimed Water System Improvements	2,226,305	170,991
Total	$ 143,906,751	$ 79,785,624

NOTE 5 – LONG-TERM DEBT

A. Schedule of Changes in Long-term Debt

The County's outstanding long-term debt include bonds payable, notes payable, capital leases, claims payable, compensated absences, and accrued landfill closure costs. The following is a schedule of changes in the County's long-term debt for the fiscal year ended September 30, 2003.

	Primary Government				
	Balance 10/1/02	Additions	Reductions	Balance 9/30/03	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	$ 30,970,000	$ -	$ (2,265,000)	$ 28,705,000	$ 2,350,000
Revenue Bonds	92,655,000	-	(6,050,000)	86,605,000	1,525,000
Add: Premium	607,767	-	(30,933)	576,834	-
Less Deferred Amounts:					
For Issuance Discounts/Costs	(654,513)	(302,739)	151,802	(805,450)	-
On Refunding	(218,489)	-	21,517	(196,972)	-
Total Bonds Payable	123,359,765	(302,739)	(8,172,614)	114,884,412	3,875,000
Notes Payable	9,056,995	2,970,000	(1,361,766)	10,665,229	1,860,589
Less Deferred Amounts:					
For Issuance	-	(57,490)	-	(57,490)	-
On Refunding	-	(59,097)	-	(59,097)	-
Total Notes Payable	9,056,995	2,853,413	(1,361,766)	10,548,642	1,860,589
Capital Leases (Sheriff)	2,146,598	1,411,495	(1,294,477)	2,263,616	1,071,265
Claims Payable	2,585,391	3,154,518	(2,266,832)	3,473,077	2,300,000
Compensated Absences	12,593,468	6,418,860	(5,247,760)	13,764,568	5,120,000
Governmental Activity Long-term Liabilities	$149,742,217	$ 13,535,547	$ (18,343,449)	$144,934,315	$ 14,226,854

Business-type Activities:					
Bonds Payable:					
Revenue Bonds	$103,070,000	$ -	$ (3,225,000)	$ 99,845,000	$ 1,525,000
Less Deferred Amounts:					
For Issuance Discounts/Costs	(2,331,324)	-	204,040	(2,127,284)	-
Total Bonds Payable	100,738,676	-	(3,020,960)	97,717,716	1,525,000
Compensated Absences	750,090	581,922	(432,795)	899,217	430,000
Landfill Closure Costs	4,806,717	2,337,235	-	7,143,952	-
Business-type Activity Long-term Liabilities	$106,295,483	$ 2,919,157	$ (3,453,755)	$105,760,885	$ 1,955,000

	Component Units				
	Balance 10/1/02	Additions	Reductions	Balance 9/30/03	Due Within One Year
Seminole County Port Authority					
Notes Payable	$ 1,251,937	$ -	$ (324,115)	$ 927,822	$ 153,523

B. Bonds Payable

The County has general obligation, special assessment, and revenue bonds outstanding at year end. Special assessment bonds are secured by liens on real property, governmental revenue bonds are secured by the general revenue of the County and enterprise revenue bonds are secured by the revenues generated by the issuing fund.

The following is a schedule of bonds outstanding at September 30, 2003:

	Primary Government			
	Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rates
Governmental Activities:				
General Obligation Bonds:				
Environmental Sensitive Lands Refunding Bonds, Series 1996	Refunding	$ 19,130,000	$ 12,485,000	4.65%-5.125%
Environmental Sensitive Lands, Series 2001	Land acquistion for parks and conservation	18,900,000	16,220,000	3.00%-4.375%
Total General Obligation Bonds			28,705,000	

Revenue Bonds:				
Gas Tax Revenue Refunding Bonds, Series 2002	Refunding	14,130,000	13,455,000	3.00%-4.75%
Sales Tax Revenue Bonds, Series 1996	Building improvements and equipment acquistions	25,750,000	1,645,000	5.00%-5.75%
Sales Tax Revenue Refunding Bonds, Series 1998	Refunding	24,060,000	23,530,000	3.30%-4.63%
Sales Tax Revenue Bonds, Series 2001	Building improvements and equipment acquistions	47,975,000	47,975,000	2.6%-4.750%
Total Revenue Bonds			86,605,000	
Total Bonds Payable - Governmental Activities			$115,310,000	
Business-type Activities:				
Revenue Bonds:				
Water and Sewer Revenue Refunding and Improvement Bonds, Series 1992	Refunding and system improvements	$ 79,185,000	$ 37,120,000	2.75%-6.00%
Water and Sewer Revenue Bonds, Series 1999	Utility acquisitions and system improvements	43,435,000	42,490,000	3.40%-5.38%
Solid Waste Disposal Revenue Refunding Bonds, Series 1996	Refunding and system improvements	26,360,000	20,235,000	2.70%-5.25%
Total Bonds Payable - Business-type Activities			$ 99,845,000	

Component Units

	Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rates
Seminole County Port Authority:				
Notes Payable	Capital improvements	Various	$ 927,822	7%-8.2%

C. Notes Payable and Capital Leases

The County has various notes, contracts and installment agreements outstanding at year end. The following is a summary of notes outstanding at September 30, 2003:

Governmental Activities:			
Tourist Development Note	Bond Refunding	3.90%	$ 1,470,000
Commercial paper loan	Sheriff Building Improvements	3.12%	9,000,000
Hunt's End note	Land Acquisition	6.00%	145,270
MSBU note	Capital improvements	5.69%	49,959
Total Notes Payable			$ 10,665,229

See F. below for future debt service requirements for notes payable. Future debt service requirements for capital leases are as follows:

Fiscal Year	Principal	Interest	Total
2004	$1,071,265	$106,183	$1,177,448
2005	665,273	52,705	717,978
2006	258,055	22,401	280,456
2007	269,023	11,433	280,456
	$2,263,616	$192,722	$2,456,338

D. Compensated Absences

Compensated absences are accrued in proprietary funds at year end. The County does not accrued compensated absences in governmental funds. However, compensated absences paid in governmental funds are charged to the fund and function it which the employee was related. The following is a summary schedule of compensated absences as of September 30, 2003:

	Balance 10/1/2002	Additions	Reductions	Balance 9/30/2003
Governmental Activities:				
Board of County Commissioners	$ 6,328,021	$ 6,199,189	$ (5,123,548)	$ 7,403,662
Clerk of the Circuit Court	527,657	29,030	-	556,687
Sheriff	5,171,460	78,824	-	5,250,284
Tax Collector	184,628	356	-	184,984
Property Appraiser	297,951	-	(20,762)	277,189
Supervisor of Elections	83,751	111,461	(103,450)	91,762
	$ 12,593,468	$ 6,418,860	$ (5,247,760)	13,764,568
Less: current portion				(5,120,000)
				$ 8,644,568

	Balance 10/1/2002	Additions	Reductions	Balance 9/30/2003
Business -type Activities:				
Solid Waste	$ 330,538	$ 240,813	$ (181,543)	$ 389,808
Water & Sewer	419,552	341,109	(251,252)	509,409
	$ 750,090	$ 581,922	$ (432,795)	899,217
Less: current portion				(430,000)
				$ 469,217

Landfill Closure Costs

The Florida Department of Environmental Protection (FDEP) requires the Fund to place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the landfill stops accepting waste, the Fund reports a portion of these closure and postclosure care costs as an operating expense in each year based on landfill capacity used as of each balance sheet date. The amounts reported as landfill closure and Postclosure care liability represent the cumulative portion of estimated closure and postclosure care costs as of September 30, 2003, based on use of 20.5% of the estimated capacity of the landfill. The Fund will recognize the remaining $29,962,647 as the remaining estimated capacity is filled. These amounts are based on what it presently would cost to perform all closure and postclosure care at September 30, 2003. The Fund expects to close the landfill in 2040. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The Fund is required by the FDEP to annually calculate and maintain funds required to finance closure and postclosure care. The Fund is in compliance with these requirements and, at September 30, 2003, cash and investments of $4,889,241 were held for these purposes. This amount is reported as a restricted asset on the Statement of Net Assets.

F. Debt Service Requirements

The following schedules show debt service requirements to maturity for the County's general obligation bonds, special assessment bonds, revenue bonds, and notes payable:

Governmental Activities:

Fiscal Year	General Obligation Bonds		Revenue Bonds		Notes Payable		Total
	Principal	Interest	Principal	Interest	Principal	Interest	
2004	$ 2,350,000	$ 1,187,779	$ 1,525,000	$ 4,028,550	$ 1,860,589	$ 98,890	$ 11,050,808
2005	2,445,000	1,098,673	1,630,000	3,976,305	2,073,369	184,244	11,407,591
2006	2,545,000	1,001,731	1,890,000	3,915,638	3,371,271	144,258	12,867,898
2007	2,655,000	895,855	2,525,000	3,844,998	2,475,000	80,390	12,476,243
2008	2,775,000	780,111	2,620,000	3,755,965	165,000	34,515	10,130,591
2009-2013	15,935,000	1,867,699	14,740,000	15,123,601	720,000	71,565	48,457,865
2014-2018	-	-	18,485,000	13,817,642	-	-	32,302,642
2019-2023	-	-	16,670,000	9,488,988	-	-	26,158,988
2024-2028	-	-	17,440,000	5,262,737	-	-	22,702,737
2029-2033	-	-	9,080,000	1,514,000	-	-	10,594,000
Total	$28,705,000	$ 6,831,848	$86,605,000	$64,728,424	$10,665,229	$ 613,862	$ 198,149,363

Business-type Activities:

Fiscal Year	Revenue Bonds		Total
	Principal	Interest	
2004	$ 3,400,000	$ 5,529,155	$ 8,929,155
2005	3,580,000	5,348,664	8,928,664
2006	3,775,000	5,154,216	8,929,216
2007	3,980,000	4,943,944	8,923,944
2008	4,215,000	4,719,036	8,934,036
2009-2013	24,975,000	19,665,739	44,640,739
2014-2018	32,950,000	11,680,938	44,630,938
2019-2023	22,970,000	2,801,200	25,771,200
Total	$ 99,845,000	$ 59,842,892	$ 159,687,892

G. Defeased Debt

The County advance refunds and defeases debt primarily as a means of reducing debt service requirements. During the current fiscal year, the County advance refunded the 1992 Tourist Revenue Bonds Bonds, with a balance of $1,820,000, with the proceeds from the issuance of the 2003 Tourist Development Notes in the amount of $1,470,000. The net proceeds from this note were deposited into an irrevocable trust account with an escrow agent to fully pay the outstanding balance on the Series 1992 bonds. As a result, the Series 1992 bonds have been advanced refunded and the liability for those bonds has been removed from the applicable statement of net assets. The County will benefit from a cash savings on the Series 1992 bonds of $166,006. 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 $90,868.

As of September 30, 2003, the County had the following outstanding bonds, originally issued by the County, which were funded by the placement of assets in an irrevocable trust to be used for satisfying debt service requirements:

Description of Bonds	Amount Originally Issued	Balance Outstanding
1992A Gas Tax Revenue Refunding Bonds	$ 17,510,000	$ 13,370,000
1996 Sales Tax Revenue Bonds	25,750,000	23,570,000
1992 Tourist Development Bonds	2,895,000	1,820,000

NOTE 6 – RISK MANAGEMENT PROGRAM

The County maintains a risk management program whereby the County is responsible for specific worker's compensation claims, general property and casualty, and automobile liabilities. The activities of the risk management program are account for in an internal service fund. The program covers individual workers' compensation claims up to $200,000. Excess coverage of up to $200,000 per incident has been purchased from an outside carrier. The County allocates costs to funds and functions based on standard workers' compensation premium schedules. The program covers individual property damage claims up to $200,000 and $100,000 for general liability and automobile liability claims. Excess coverage of up to $4,000,000 per incident has been purchased from an outside carrier for general liability, and the scheduled value of approximately $246 million for property liability. There has been no significant reduction in insurance coverage from the prior year. In addition, there have been no settlements which exceeded the County's insurance coverage for each of the past three fiscal years.

All departments of the County participate in the program. Payments are made by various funds to the self-insurance fund based on past experience of the amounts needed to pay current year claims. For the year ended September 30, 2003, the County obtained actuarially determined estimates of the total claims loss reserves for workers' compensation/liability self insurance risks. The claims liability of $3,473,077 reported in the governmental activities statement of net assets as of September 30, 2003 is based on the requirements of generally accepted accounting principles which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued when insured events occur.

The risk management program is also used to account for the amounts collected and disbursed to a third party insurer for the County employees' major medical, disability income, and life insurance.

Changes in the risk management program's claims liability, for the past two fiscal years, are as follows:

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Current Year Claims Payments	Ending Balance
2001-2002	$ 1,985,030	$ 2,292,409	$ (1,692,048)	$ 2,585,391
2002-2003	2,585,391	3,154,518	(2,266,832)	3,473,077

NOTE 7 – RETIREMENT SYSTEM

Plan Description: The County's employees participate in the Florida Retirement System (FRS), a cost-sharing multiple-employer defined benefit public employee retirement system, administered by the State of Florida Department of Administration. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Florida Statutes Chapter 121, as may be amended from time to time by the state legislature provides the methodology for determining contribution rates for the various membership classes of the FRS. The FRS issues a publicly available financial report that includes financial statements, ten-year historical trend information, and other required supplementary information.

That report may be obtained by writing to the:

State of Florida Department of Administration
Division of Retirement
Cedars Executive Center, Building C
2639 North Monroe Street
Tallahassee, FL 32399-1560

Funding Policy: The FRS has five classes of membership, which apply to the County, with descriptions and contribution rates in effect at September 30, 2003 as follows (contribution rates are in agreement with the actuarially determined rates):

Regular Class – Members who do not qualify for other classes.	7.39%
Senior Management Service Class – Members of senior management who do not elect the optional annuity retirement program.	9.37%
Special Risk Class – Members employed as law enforcement officers, firefighters, or correctional officers and who meet the criteria set to qualify for this class.	18.53%
Special Risk Administrative Support Class – Special risk members who are transferred or reassigned to non-special risk and meet the criteria.	9.92%
Elected County Officer's Class – Certain elected county officials.	15.23%

The contribution rate of current year covered payroll was approximately 9.17 percent. For the years ending September 30, 2003, 2002, and 2001, total contributions made by the County were $10,715,708, $10,426,805, and $11,304,649, respectively. For the same periods, the component units had combined contributions of $12,000, $14,000, and $17,029, respectively. The County and its component units made 100 percent of their required contributions for each year.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

A. Litigation

The County is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. Claims covered by the risk management self insurance program are reviewed and losses are accrued as required in the judgment of management. In the opinion of management, based on the advice of legal counsel, the ultimate disposition of lawsuits and claims will not have a material adverse effect on the financial position of the County.

B. Grants

Amounts received or receivable from the grantor agencies are subject to audit and adjustment by grantor agencies. If expenditures are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the County. In the opinion of management, any such adjustments would not be significant.

C. Operating Leases

The County has various noncancelable lease commitments for facilities and computer equipment. The following are the future minimum lease payments under these lease agreements by fiscal year:

Fiscal Year	Amount
2004	$2,095,664
2005	1,374,082
2006	335,402
	$3,805,148

D. South Seminole and North Orange County Wastewater Transmission Authority

The County is a member of the South Seminole and North Orange County Wastewater Transmission Authority (Authority) enacted by the state legislature to oversee the transmission of wastewater through the Northerly Interceptor System to the City of Orlando, Florida's Iron Bridge Facility. In accordance with the terms of the uniform interlocal agreement between the Authority and the County dated September 10, 1981, the County has agreed to establish a user charge system sufficient to pay those charges to the Authority, including system operation and maintenance costs, system administrative costs, debt service requirements and other payments necessary to meet covenants and hydraulic parking factor surcharge, if any.

The following summarizes the charges paid to the Authority, which are included as expenses of the Fund during the year ended September 30, 2003:

Debt Service	$ 151,746
Operation and maintenance	135,852
Penalties	44,904
Total expense	$ 332,502

The future committed costs for debt service related to the authority are as follows:

Fiscal Year	Principal	Interest	Total
2004	$144,028	$ 7,057	$151,085

NOTE 9 – RESTATEMENT OF GOVERNMENTAL ACTIVITIES NET ASSETS

As previously reported in Note 4, the County is phasing in its implementation of the provisions of GASB 34 related to infrastructure capital assets. The net impact on beginning net assets for governmental activities is as follows:

Beginning Net Assets, as previously reported	$718,730,013
Net Infrastructure Assets acquired in prior years	54,350,866
Beginning Net Assets, as restated	$773,080,879

NOTE 10 – SUBSEQUENT EVENTS

On October 16, 2004, the County issued $122 million Solid Waste Refunding Bonds, maturing on October 1, 2017. The proceeds of this issue along with available funds of approximately $9 million were deposited with an escrow agent to defease the Solid Waste Revenue Bonds, Series 1996. The Series 1996 bonds will be called at a premium of 104 resulting in a deferred charge of $404,000 and a present value savings of $1.9 million. The deferred charges and related bond issue costs will be amortized over the life of the new issue (which is the same as the remaining life of the defeased issue) using the interest method.