

SEMINOLE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

September 30, 2004

INDEX TO NOTES

	PAGE
NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNT POLICIES	
Reporting Entity	34
Government-wide and Fund Financial Statements	35
Measurement Focus, Basis of Accounting, and Financial Statement Presentation.....	35
Budgetary Requirements.....	38
Property Taxes	39
Interfund Transactions.....	39
Interfund Payables and Receivables	40
Cash and Cash Equivalents	40
Equity in Pooled Cash and Investments.....	40
Investments	40
Restricted Assets.....	40
Utility Receivables	40
Special Assessment Receivables.....	40
Inventories	40
Capital Assets.....	40
Unamortized Capacity Rights	41
Unamortized Landfill Design Costs	41
Compensated Absences	41
Landfill Closure Costs.....	41
Long-Term Liabilities and Related Costs of Issuance.....	42
Deferred Revenues	42
Self-Insurance Claims	42
Grants and Contributions.....	42
Reserves of Fund Balance and Restricted Net Assets	42
Reclassifications.....	42
NOTE 2 – CASH, EQUITY IN POOLED CASH AND INVESTMENTS	
Cash	42
Investments	43
NOTE 3 – INTERFUND AND TRANSFERS.....	44
NOTE 4- CAPITAL ASSETS	
Changes in Capital Assets	45
Summary of Capital Assets	48
Construction Commitments	48
NOTE 5 – LONG-TERM DEBT	
Schedule of Changes in Long-Term Debt	49
Bonds Payable.....	50
Notes Payable and Capital Leases	51
Compensated Absences	51
Landfill Closure Costs.....	52
Debt Service Requirements.....	52
Defeased Debt.....	53
NOTE 6 – RISK MANAGEMENT PROGRAM	53
NOTE 7 – RETIREMENT SYSTEM.....	54
NOTE 8 - COMMITMENTS AND CONTINGENCIES.....	55
NOTE 10 – SUBSEQUENT EVENTS.....	57

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") whose powers are limited 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 U. S. 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

U. S. 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 referenda 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 Fund* 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 *Fire Protection Fund* is a special revenue fund that accounts for expenditures for fire protection and emergency medical services financed with revenues generated by ad valorem taxes as well as service fee revenues.

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 three municipalities. Related activities include, but are 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, 2004 are as follows:

Assessment Roll certified	June 2003
Beginning of fiscal year for which taxes are being levied	October 2003
Property taxes levied	October 2003
Tax bills issued	November 1, 2003
Property taxes due by:	
For maximum discount	November 30, 2003
Delinquent after	March 31, 2004
Tax certificates (liens) sold on unpaid property taxes	May 15, 2004

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 estimated useful lives of the assets. The estimated useful lives are reviewed regularly. Any changes in the estimated life of an asset is reflected in current and future depreciation. Following are the current 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 implementation (fiscal year beginning October 1, 2005) is available before the requirement to record and depreciate infrastructure assets acquired becomes effective. As a result, the governmental activities column, in the government-wide financial statements, does not reflect all infrastructure assets required to be capitalized. However, they do reflect those assets that were either completed or considered construction in progress subsequent October 1, 2001. Note that infrastructure asset projects completed in fiscal year 2004 are considered completed on September 30, 2004, and, therefore, depreciation will not be reflected until the fiscal year beginning October 1, 2004.

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, 2004 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.

Y. Reclassifications

Certain amounts in the 2003 financial statements have been reclassified to conform to the 2004 presentation.

NOTE 2 – CASH, EQUITY IN POOLED CASH AND INVESTMENTS

A. Cash

At September 30, 2004, the carrying amount of the County's deposits was \$25,261,968. 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

SEMINOLE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS – Continued
September 30, 2004

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, 2004, 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, 2004:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
U.S. Treasury Notes and Bonds	\$ 211,480,841	\$ -	\$ -	\$ 211,480,841
Collateralized Mortgage Obligations	60,770,694	-	-	60,770,694
Other Mortgage-Backed Securities	293,968	-	-	293,968
	<u>\$ 272,545,503</u>	<u>\$ -</u>	<u>\$ -</u>	<u>272,545,503</u>
Overnight Repurchase Agreements				12,367,352
SBA Investments				147,614,840
Money Market Funds				2,126,999
				<u>\$ 434,654,694</u>

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.

SEMINOLE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS – Continued
September 30, 2004

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 from 3 to 30 years.

The types of deposits and investments and their level of risk exposure as of September 30, 2004 were typical of these items during the fiscal year then ended.

NOTE 3 – INTERFUND TRANSFERS

Interfund transfers for the 2004 fiscal year consist of the following:

	Transfer In	Transfers Out
Major Funds:		
General Fund	\$ 7,093,196	\$ 1,032,922
Special Revenue Funds:		
County Transportation Trust Fund	54,520	8,952,729
Infrastructure Surtax Fund	13,438,741	5,662,224
Transportation Impact Fees	4,257,224	13,438,741
Fire Protection Fund	86,146	1,868,821
Non-major Funds:		
Debt Service Funds	4,527,631	51,222
Special Revenue Funds	2,137,403	588,202
	<u>\$ 31,594,861</u>	<u>\$ 31,594,861</u>

An explanation of significant transfers is as follows:

- The County Transportation Trust Fund transferred \$5.2 million to the General Fund, for stormwater and other transportation related projects and \$1.2 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 Transportation Impact Fee Fund to be used for infrastructure improvement projects.
- The Transportation Impact Fee Fund transferred \$13.4 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.

SEMINOLE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS – Continued
September 30, 2004

NOTE 4 – CAPITAL ASSETS

A. Changes in Capital Assets

The following shows the changes in capital assets for governmental activities, which includes the capital assets of the internal service fund:

Governmental Activities	Beginning Balance 10/1/2003	Increases	Decreases	Ending Balance 9/30/2004
Capital Assets, Not Being Depreciated:				
Land	\$ 239,455,038	\$ 15,895,669	\$ (311,380)	\$ 255,039,327
Construction In Progress	<u>93,580,615</u>	<u>59,920,612</u>	<u>(52,010,258)</u>	<u>101,490,969</u>
Total Capital Assets, Not Being Depreciated	<u>333,035,653</u>	<u>75,816,281</u>	<u>(52,321,638)</u>	<u>356,530,296</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	97,119,324	2,312,797	(26,807)	99,405,314
Machinery and Equipment	78,791,984	7,191,164	(9,781,221)	76,201,927
Infrastructure	<u>222,512,378</u>	<u>50,057,111</u>	<u>-</u>	<u>272,569,489</u>
Total Capital Assets Being Depreciated	<u>398,423,686</u>	<u>59,561,072</u>	<u>(9,808,028)</u>	<u>448,176,730</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(37,766,880)	(3,723,634)	10,412	(41,480,102)
Machinery and Equipment	(49,779,671)	(7,886,080)	9,317,357	(48,348,393)
Infrastructure	<u>(27,627,931)</u>	<u>(10,507,649)</u>	<u>-</u>	<u>(38,135,580)</u>
Total Accumulated Depreciation	<u>(115,174,481)</u>	<u>(22,117,363)</u>	<u>9,327,769</u>	<u>(127,964,076)</u>
Total Capital Assets, Being Depreciated, Net	<u>283,249,204</u>	<u>37,443,709</u>	<u>(480,259)</u>	<u>320,212,654</u>
Governmental Activities Capital Assets, Net	<u>\$ 616,284,857</u>	<u>\$ 113,259,990</u>	<u>\$ (52,801,897)</u>	<u>\$ 676,742,950</u>

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

Governmental Activities:	
General Government	\$ 2,827,082
Public Safety	4,903,358
Physical Environment	264,625
Transportation	11,759,479
Economic Environment	38,937
Human Services	205,513
Culture/Recreation	<u>2,118,369</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 22,117,363</u>

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) and subsequent years. Additionally, certain infrastructure assets which were acquired prior to that time have been included in the above totals. The remaining infrastructure assets which were placed in service prior to October 1, 2001 and subsequent to October 1, 1979, will be included in the fixed asset schedules during future periods.

SEMINOLE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS – Continued
September 30, 2004

The following shows the changes in capital assets for business activities:

Business-type Activities	Beginning Balance 10/1/2003	Increases	Decreases	Ending Balance 9/30/2004
<u>Water and Sewer System</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 13,127,546	\$ 30	\$ -	\$ 13,127,576
Construction In Progress	<u>33,996,995</u>	<u>9,659,270</u>	<u>(25,515,347)</u>	<u>18,140,918</u>
Total Capital Assets, Not Being Depreciated	<u>47,124,541</u>	<u>9,659,300</u>	<u>(25,515,347)</u>	<u>31,268,494</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	211,499,908	35,548,103	(1,939,787)	245,108,224
Machinery and Equipment	<u>5,565,976</u>	<u>668,918</u>	<u>(257,387)</u>	<u>5,977,507</u>
Total Capital Assets Being Depreciated	<u>217,065,884</u>	<u>36,217,021</u>	<u>(2,197,174)</u>	<u>251,085,731</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(58,047,268)	(7,464,459)	1,397,850	(64,113,877)
Machinery and Equipment	<u>(3,889,964)</u>	<u>(528,870)</u>	<u>255,339</u>	<u>(4,163,495)</u>
Total Accumulated Depreciation	<u>(61,937,232)</u>	<u>(7,993,329)</u>	<u>1,653,189</u>	<u>(68,277,372)</u>
Total Capital Assets, Being Depreciated, Net	<u>155,128,652</u>	<u>28,223,692</u>	<u>(543,985)</u>	<u>182,808,359</u>
Water and Sewer System Capital Assets, Net	<u>\$ 202,253,193</u>	<u>\$ 37,882,992</u>	<u>\$ (26,059,332)</u>	<u>\$ 214,076,853</u>
<u>Solid Waste System</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 8,091,759	\$ -	\$ -	\$ 8,091,759
Construction In Progress	<u>343,577</u>	<u>1,369,818</u>	<u>(843,421)</u>	<u>869,974</u>
Total Capital Assets, Not Being Depreciated	<u>8,435,336</u>	<u>1,369,818</u>	<u>(843,421)</u>	<u>8,961,733</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	16,529,482	834,164	(493,538)	16,870,108
Machinery and Equipment	<u>14,642,070</u>	<u>850,744</u>	<u>(637,449)</u>	<u>14,855,365</u>
Total Capital Assets Being Depreciated	<u>31,171,552</u>	<u>1,684,908</u>	<u>(1,130,987)</u>	<u>31,725,473</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(6,211,449)	(924,514)	477,149	(6,658,814)
Machinery and Equipment	<u>(6,041,644)</u>	<u>(974,766)</u>	<u>618,107</u>	<u>(6,398,303)</u>
Total Accumulated Depreciation	<u>(12,253,093)</u>	<u>(1,899,280)</u>	<u>1,095,256</u>	<u>(13,057,117)</u>
Total Capital Assets, Being Depreciated, Net	<u>18,918,459</u>	<u>(214,372)</u>	<u>(35,731)</u>	<u>18,668,356</u>
Solid Waste System Capital Assets, Net	<u>\$ 27,353,795</u>	<u>\$ 1,155,446</u>	<u>\$ (879,152)</u>	<u>\$ 27,630,089</u>

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

Business-type activities:	
Water and Sewer System	\$ 7,993,329
Solid Waste System	<u>1,899,280</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 9,892,609</u>

SEMINOLE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS – Continued
September 30, 2004

The following is a summary of changes in capital assets for discretely presented component units:

	Beginning Balance 10/1/2003	Increases	Decreases	Ending Balance 9/30/2004
<u>Seminole County Port Authority</u>				
Capital Assets, Not Being Depreciated:				
Land	\$ 323,007	\$ -	\$ -	\$ 323,007
Construction In Progress	-	23,700	-	23,700
Total Capital Assets, Not Being Depreciated	<u>323,007</u>	<u>23,700</u>	<u>-</u>	<u>346,707</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	10,422,049	557,362	-	10,979,411
Machinery and Equipment	51,981	-	-	51,981
Total Capital Assets Being Depreciated	<u>10,474,030</u>	<u>557,362</u>	<u>-</u>	<u>11,031,392</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(3,791,485)	(297,019)	-	(4,088,504)
Machinery and Equipment	(39,287)	(20,044)	-	(59,331)
Total Accumulated Depreciation	<u>(3,830,772)</u>	<u>(317,063)</u>	<u>-</u>	<u>(4,147,835)</u>
Total Capital Assets, Being Depreciated, Net	<u>6,643,258</u>	<u>240,299</u>	<u>-</u>	<u>6,883,557</u>
Port Authority Capital Assets, Net	<u>\$ 6,966,265</u>	<u>\$ 263,999</u>	<u>\$ -</u>	<u>\$ 7,230,264</u>
<u>Fred R. Wilson Memorial Law Library</u>				
Capital Assets, Being Depreciated:				
Buildings and Improvements	\$ 12,512	\$ -	\$ -	12,512
Machinery and Equipment	67,892	1,200	-	69,092
Total Capital Assets Being Depreciated	<u>80,404</u>	<u>1,200</u>	<u>-</u>	<u>81,604</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(10,625)	(624)	-	(11,249)
Machinery and Equipment	(58,090)	(4,263)	-	(62,353)
Total Accumulated Depreciation	<u>(68,715)</u>	<u>(4,887)</u>	<u>-</u>	<u>(73,602)</u>
Law Library Capital Assets, Net	<u>\$ 11,689</u>	<u>\$ (3,687)</u>	<u>\$ -</u>	<u>\$ 8,002</u>

The following is a summary of component unit depreciation:

Component Units:	
Seminole County Port Authority	\$ 317,063
Fred R. Wilson Memorial Law Library	<u>4,887</u>
	<u>\$ 321,950</u>

SEMINOLE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS – Continued
September 30, 2004

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:

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	
Land	\$ 255,039,327	\$ 21,219,335	\$ 276,258,662	\$ 323,007
Buildings and Improvements	99,405,314	261,978,332	361,383,646	10,991,923
Machinery and Equipment	76,201,927	20,832,872	97,034,799	121,073
Infrastructure	272,569,489	-	272,569,489	-
Construction in Progress	<u>101,490,969</u>	<u>19,010,892</u>	<u>120,501,861</u>	<u>23,700</u>
	804,707,026	323,041,431	1,127,748,457	11,459,703
Less: Accumulated Depreciation	<u>(127,964,076)</u>	<u>(81,334,489)</u>	<u>(209,298,565)</u>	<u>(4,221,437)</u>
Capital Assets, net	<u>\$ 676,742,950</u>	<u>\$ 241,706,942</u>	<u>\$ 918,449,892</u>	<u>\$ 7,238,266</u>

C. Construction Commitments

The following is a summary of construction commitments outstanding at September 30, 2004:

Projects	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Transportation		
Misc Road Resurfacing Projects	511,250	3,771,349
Silver Lake Drive / Airport Entrance	5,791,414	1,965,419
Markham Woods Road	131,816	1,843,841
Airport Boulevard II & III		1,514,457
Dodd Road / Red Bug Lake Road	7,344,658	1,215,436
SR 434 / Montgomery to I-4	231,910	845,478
East Lake Mary Road	9,349,978	176,179
Silver Lake Drive / US 17/92	1,706,711	953
Trails		
Trails Development	444,991	1,366,016
Kewanee Trail	1,073,874	10,800
Environmental Services		
Markham Water Treatment Plant	268,960	1,846,845
Dodd Road Utility Relocation	1,747,222	339,895
Lift Station Improvements	1,508,226	299,477
North West Water Distribution Improvements	1,499,797	190,645
Consumers Water Treatment Plant	3,196,109	174,786
CR 427 Phase V Utility Relocation	1,644,550	10,936
Refurbishment of Water/Sewer Facility	1,955,246	8,122
46A Reclaimed Water Line	<u>1,657,732</u>	<u>5,658</u>
Total	<u>\$ 40,064,444</u>	<u>\$ 15,586,292</u>

SEMINOLE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS – Continued
September 30, 2004

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, 2004.

	Primary Government				
	Balance 10/1/03	Additions	Reductions	Balance 9/30/04	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 28,705,000	\$ -	\$ (2,350,000)	\$ 26,355,000	\$ 2,445,000
Revenue Bonds	86,605,000	-	(1,525,000)	85,080,000	1,630,000
Add: Premium	576,834	-	(30,932)	545,902	
Less Deferred Amounts:					
For Issuance Discounts/Costs	(805,450)	-	93,576	(711,874)	-
On Refunding	<u>(196,972)</u>	<u>-</u>	<u>-</u>	<u>(196,972)</u>	<u>-</u>
Total Bonds Payable	114,884,412	-	(3,812,356)	111,072,056	4,075,000
Notes Payable	10,665,229	-	(1,149,990)	9,515,239	2,783,969
Less Deferred Amounts:					
For Issuance	(57,490)	-	-	(57,490)	-
On Refunding	<u>(59,097)</u>	<u>-</u>	<u>-</u>	<u>(59,097)</u>	<u>-</u>
Total Notes Payable	10,548,642	-	(1,149,990)	9,398,652	2,783,969
Capital Leases (Sheriff)	2,263,616	1,469,491	(1,252,764)	2,480,343	1,124,120
Claims Payable	3,473,077	3,308,909	(2,917,458)	3,864,528	-
Compensated Absences	<u>13,764,568</u>	<u>10,800,512</u>	<u>(5,120,000)</u>	<u>19,445,080</u>	<u>3,904,218</u>
Governmental Activity					
Long-term Liabilities	<u>\$ 144,934,315</u>	<u>\$ 15,578,912</u>	<u>\$ (14,252,568)</u>	<u>\$ 146,260,659</u>	<u>\$ 11,887,307</u>
Business-type Activities:					
Bonds Payable:					
Revenue Bonds	\$ 99,845,000	\$ 11,685,000	\$ (22,870,000)	\$ 88,660,000	\$ 3,535,000
Less Deferred Amounts:					
For Issuance Discounts/Costs	(2,127,284)	(1,227,636)	\$ 837,461	(2,517,459)	-
Total Bonds Payable	97,717,716	10,457,364	(22,032,539)	86,142,541	3,535,000
Compensated Absences	899,217	(430,000)	354,239	823,456	412,000
Landfill Closure Costs	<u>7,143,952</u>	<u>386,351</u>	<u>-</u>	<u>7,530,303</u>	<u>-</u>
Business-type Activity					
Long-term Liabilities	<u>\$ 105,760,885</u>	<u>\$ 10,413,715</u>	<u>\$ (21,678,300)</u>	<u>\$ 94,496,300</u>	<u>\$ 3,947,000</u>

SEMINOLE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS – Continued
September 30, 2004

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 outstanding debt of the discretely presented component units is not significant.

The following is a schedule of bonds outstanding at September 30, 2004:

		Primary Government		
		Amount	Amount	Interest
Purpose of Issue		Issued	Outstanding	Rates
Governmental Activities:				
General Obligation Bonds:				
Environmental Sensitive Lands Refunding Bonds, Series 1996	Refunding	\$ 19,130,000	\$ 11,345,000	4.65%-5.125%
Environmental Sensitive Lands, Series 2001	Land acquisition for parks and conservation	18,900,000	<u>15,010,000</u>	3.00%-4.375%
Total General Obligation Bonds			<u>26,355,000</u>	
Revenue Bonds:				
Gas Tax Revenue Refunding Bonds, Series 2002	Refunding	14,130,000	12,765,000	3.00%-4.75%
Sales Tax Revenue Bonds, Series 1996	Building improvements and equipment acquisitions	25,750,000	1,125,000	5.00%-5.75%
Sales Tax Revenue Refunding Bonds, Series 1998	Refunding	24,060,000	23,415,000	3.30%-4.63%
Sales Tax Revenue Bonds, Series 2001	Building improvements and equipment acquisitions	47,975,000	<u>47,775,000</u>	2.6%-4.750%
Total Revenue Bonds			<u>85,080,000</u>	
Total Bonds Payable - Governmental Activities			<u>\$ 111,435,000</u>	
Business-type Activities:				
Revenue Bonds:				
Water and Sewer Revenue Refunding and Improvement Bonds, Series 1992	Refunding and system improvements	\$ 79,185,000	\$ 34,765,000	2.75%-6.00%
Water and Sewer Revenue Bonds, Series 1999	Utility acquisitions and system improvements	43,435,000	42,210,000	3.40%-5.38%
Solid Waste Disposal Revenue Refunding Bonds, Series 2003	Refunding and system improvements	11,685,000	<u>11,685,000</u>	2.00%-4.27%
Total Bonds Payable - Business-type Activities			<u>\$ 88,660,000</u>	

SEMINOLE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS – Continued
September 30, 2004

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, 2004:

Governmental Activities:

Commercial paper loan	Sheriff Building Improvements	3.12%	\$ 7,370,000
Tourist Development Note	Bond Refunding	3.90%	1,335,000
Public Safety Note	Land Acquisition	N/A	675,000
Hunt's End note	Land Acquisition	6.00%	99,639
MSBU note	Capital improvements	5.69%	<u>35,600</u>
Total Notes Payable			<u>\$ 9,515,239</u>

See F. below for future debt service requirements for the notes payable listed above. Future debt service requirements for the Sheriff's capital leases are as follows:

Fiscal Year Ending	Principal	Interest	Total
<u>September 30,</u>			
2005	\$ 1,124,120	\$ 98,054	\$ 1,222,174
2006	733,181	51,471	784,652
2007	<u>623,041</u>	<u>23,647</u>	<u>646,688</u>
	<u>\$ 2,480,341</u>	<u>\$ 173,172</u>	<u>\$ 2,653,514</u>

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, 2004:

	Balance			Balance
	<u>10/1/2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>9/30/2004</u>
Governmental Activities:				
Board of County Commissioners	\$ 7,403,662	\$ 7,614,525	\$ (6,445,502)	\$ 8,572,685
Clerk of the Circuit Court	556,687	184,087	(30,681)	710,093
Sheriff	5,250,284	5,167,382	(861,230)	9,556,436
Tax Collector	184,984	42,408	(7,068)	220,324
Property Appraiser	277,189	5,195	(866)	281,518
Supervisor of Elections	<u>91,762</u>	<u>121,764</u>	<u>(157,042)</u>	<u>56,484</u>
	<u>\$ 13,764,568</u>	<u>\$ 13,135,361</u>	<u>\$ (7,502,389)</u>	19,397,540
Less: current portion				<u>(3,880,000)</u>
				<u>\$ 15,517,540</u>

SEMINOLE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS – Continued
September 30, 2004

	<u>Balance</u> <u>10/1/2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>9/30/2004</u>
Business-type Activities:				
Solid Waste	\$ 389,808	\$ 110,900	\$ (182,000)	\$ 318,708
Water & Sewer	509,409	245,339	(250,000)	504,748
	<u>\$ 899,217</u>	<u>\$ 356,239</u>	<u>\$ (432,000)</u>	823,456
Less: current portion				(412,000)
				<u>\$ 411,456</u>

E. 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, 2004, based on use of 22.4% of the estimated capacity of the landfill. The Fund will recognize the remaining \$30,091,411 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, 2004. 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, 2004, cash and investments of \$5,324,913 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						Total
	Obligation Bonds		Revenue Bonds		Notes Payable		
	Principal	Interest	Principal	Interest	Principal	Interest	
2005	\$ 2,445,000	\$ 1,098,673	\$ 1,630,000	\$ 3,976,305	\$ 2,783,968	\$ 80,287	\$ 12,014,232
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	12,476,242
2008	2,775,000	780,111	2,620,000	3,755,965	165,000	34,515	10,130,591
2009	2,900,000	656,096	2,720,000	3,658,700	170,000	28,080	10,132,876
2010-2014	13,035,000	1,211,603	14,380,000	16,541,699	550,000	43,485	45,761,787
2015-2019	-	-	19,145,000	12,507,920	-	-	31,652,920
2020-2024	-	-	17,490,000	8,214,813	-	-	25,704,813
2025-2029	-	-	16,480,000	3,815,088	-	-	20,295,088
2030-2033	-	-	6,200,000	468,750	-	-	6,668,750
Total	<u>\$ 26,355,000</u>	<u>\$ 5,644,069</u>	<u>\$ 85,080,000</u>	<u>\$ 60,699,874</u>	<u>\$ 9,515,239</u>	<u>\$ 411,014</u>	<u>\$ 187,705,196</u>

SEMINOLE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS – Continued
September 30, 2004

Business-type Activities:

<u>Fiscal Year</u>	<u>Revenue Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2005	\$ 3,535,000	\$ 4,701,996	\$ 8,236,996
2006	3,700,000	4,534,611	8,234,611
2007	3,880,000	4,353,301	8,233,301
2008	4,085,000	4,155,231	8,240,231
2009	4,290,000	3,943,156	8,233,156
2010-2014	25,210,000	15,970,996	41,180,996
2015-2019	30,435,000	8,456,569	38,891,569
2020-202	13,525,000	1,479,200	15,004,200
Total	\$ 88,660,000	\$ 47,595,061	\$ 136,255,061

G. Defeased Debt

On October 6, 2003, the County issued \$12,210,000 in Solid Waste Disposal System Revenue Refunding Bonds (Series 2003) to refund all of the outstanding Series 1993 Solid Waste Disposal System Refunding Bonds. The County used the proceeds of this bond issue plus approximately \$9 million of available funds to completely refund the Series 1993 Solid Waste Disposal System Refunding Bonds. As a result, the liability for the refunded bonds was removed from the business-type column of the Statement of Net Assets. The reacquisition price exceeded the carrying value of the old debt by \$404,700. This amount is being netted against the new debt and amortized over the life of the new debt using the effective interest rate method. The transaction resulted in an economic gain of \$1.9 million and a reduction in future debt service of \$15.4 million. On January 14, 2004, the Series 1993 bonds were called resulting in an outstanding amount of \$0 as of September 30, 2004.

As of September 30, 2004 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, Property, casualty and automobile liabilities. The activities of the risk management program are accounted for in an internal service fund. The program covers individual workers' compensation claims up to \$200,000. Excess coverage of up to the Florida Statutory limits per incident has been purchased from an outside carrier for Workers' Compensation claims. The program covers Property claims up to \$200,000 per occurrence. Excess Property coverage is purchased for claims that exceed the \$200,000 up to the values on schedule with the Broker and excess carrier which is currently \$299 million. The County relies on Sovereign Immunity for general liability claims. The program covers up to \$100,000 per occurrence and purchases excess coverage for \$100,000 per occurrence. The program covers up to \$100,000 per occurrence for Federal and Out of State claims and purchases excess coverage of \$4,000,000 per occurrence/aggregate.

SEMINOLE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS – Continued
 September 30, 2004

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, 2004, the County obtained actuarially determined estimates of the total claims loss reserves for workers' compensation/liability self insurance risks. The claims liability of \$3,864,528 reported in the governmental activities statement of net assets as of September 30, 2004 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
2002-2003	2,585,391	3,154,518	(2,266,832)	3,473,077
2003-2004	3,473,077	3,308,909	(2,917,458)	3,864,528

Beginning October 1, 2004, the Sheriff's Department is no longer part of the County's self insured program for workers compensation. The Sheriff's Department is still a part of the program for property coverage.

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

SEMINOLE COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS – Continued
September 30, 2004

Funding Policy: The FRS has five classes of membership, which apply to the County, with descriptions and contribution rates in effect at September 30, 2004 as follows (contribution rates are in agreement with the actuarially determined rates):

<u>Regular Class</u> – Members who do not qualify for other classes.	7.39%
<u>Senior Management Service Class</u> – Members of senior management who do not elect the optional annuity retirement program.	9.37%
<u>Special Risk Class</u> – Members employed as law enforcement officers, firefighters, or correctional officers and who meet the criteria set to qualify for this class.	18.53%
<u>Deferred Retirement Option Program</u> – Members whose planned retirement date is within five years..	9.11%
<u>Elected County Officer’s Class</u> – Certain elected county officials.	15.23%

The contribution rate of current year covered payroll was approximately 11.75 percent. For the years ending September 30, 2004, 2003, and 2002, total contributions made by the County were \$12.9 million, \$ 10.7 million, and \$ 10.4 million, respectively. For the same periods, the component units had combined contributions of \$46,000, \$ 12,000, and \$ 14,000, 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. The following are the future minimum lease payments under these lease agreements by fiscal year:

Fiscal Year Ending:	
September 30, 2005	792,149
September 30, 2006	506,611
September 30, 2007	146,979
September 30, 2008	146,979
Subsequent Years	698,151
Total	<u><u>2,290,869</u></u>

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, 2004:

Dept Service	\$ 151,746
Operation and maintenance	134,712
Depreciation	11,226
Total expense	<u>\$ 297,684</u>

The interlocal agreement shall remain in force until all of the City of Orlando, Florida’s Sewer Revenue Bond Series 2004 shall be paid in full. The County is committed to provide 20.798% of the debt service for these bonds maturing in fiscal year 2034. The County’s portion of the future committed costs for debt service related to these bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 29,117	\$ 78,835	\$ 107,952
2006	34,317	73,373	107,690
2007	35,357	72,515	107,872
2008	36,397	71,631	108,028
2009	37,436	70,722	108,158
2010-2014	204,860	334,986	539,846
2015-2019	246,456	294,466	540,922
2020-2024	300,531	239,734	540,265
2025-2029	375,404	165,506	540,910
2030-2034	<u>471,075</u>	<u>69,153</u>	<u>540,228</u>
Total	<u>\$ 1,770,950</u>	<u>\$ 1,470,921</u>	<u>\$ 3,241,871</u>

E. Iron Bridge Facility

The County and the City of Orlando, Florida, (“Orlando”) entered into an intergovernmental agreement on June 8, 1977. This agreement, as amended, provides for the establishment of the Iron Bridge Facility, which is owned and operated by Orlando. The County has agreed to pay user charges on a monthly basis. During the year ended September 30, 2004 the County paid user charges of approximately \$1,656,000.

F. Hurricane Disasters

During the months of August and September 2004, Hurricanes Bonnie, Charley, Francis, Ivan and Jeanne damaged most of the State of Florida. Seminole County was directly impacted by Hurricanes Charley, Frances, and Jeanne.

The President of the United States of America declared the entire State of Florida a federal disaster area and issued relief to the State through Public Assistance Grants issued by the Department of Homeland Security, Federal Management Agency (“FEMA”). These grants were awarded through the Florida Department of Community Affairs (“DCA”) as the State’s Emergency Agency and passed through to the local governments. FEMA’s reimbursement rate for allowable expenses was determined to be 90% and DCA’s reimbursement rate was established at 5%. The Florida Department of Transportation (“FDOT”) also reimburses 100% of certain debris removal costs. Expenses were incurred by the County several days before the first hurricane (preparation of the Emergency Operations Center) and extend to the present and beyond.

During the year ended September 30, 2004, the total costs incurred by the County were \$12,663,238 in the governmental funds and \$5,268,310 in the proprietary funds. Of these amounts, it is anticipated that at least \$11,516,604 in the governmental funds and \$4,735,443 in the proprietary funds will be reimbursed. These amounts are reflected on the financial statements.

Subsequent to the year end and through the beginning of April 2005, an additional \$8,202,984 has been expended for hurricane related expenditures. The County has entered into commitments for hurricane related expenditures. As of the beginning of April, 2005, \$3,277,922 of outstanding commitments remain open. It is impossible to determine how much, if any, of these expenditures will be allowed for reimbursement by FEMA, DCA, or FDOT.

NOTE 9 – SUBSEQUENT EVENTS

On March 23, 2005, the County issued \$40.7 million Water and Sewer Revenue Refunding Bonds (Series 2005), maturing on October 1, 2022. The proceeds of this issue along with available funds of approximately \$1.2 million were deposited with an escrow agent to defease the Water and Sewer Revenue Bonds, Series 1999. The Series 1999 bonds will be called in accordance with the bond resolution, resulting in a present value savings of \$1.6 million. The remaining Series 1999 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 effective interest method.

On March 29, 2005, the County issued \$6 million Limited General Obligation Bonds, maturing on April 1, 2013. The proceeds of this issue are to be used to provide funds for financing the cost of acquisition and purchase by the County of natural/environmental lands, preserving such lands or improving the same or other land within the County for recreation purposes, including, without limitation, the construction of trails, greenways and blueways. The bond issue costs will be amortized over the life of the issue using the effective interest method.