

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY:

Polk County is a political subdivision of the State of Florida governed by the State Constitution and general laws of the State of Florida.

The legislative and governing body of the County is the five-member Board of County Commissioners. Each County Commissioner is elected on a county-wide basis for a four year term of office and each County Commissioner is a resident of their Commission District. Polk County became a Home Rule Charter County on January 1, 1999, with an appointed County Manager, and with separate legislative and executive functions. The County Manager is the head of the administrative branch of county government and is responsible to the Board of County Commissioners for the proper administration of all affairs of the County, except for those powers, duties and functions residing, as specified by law, with the elected constitutional officers.

There are six offices elected countywide which are as follows: Board of County Commissioners, composed of five (5) members, Clerk of the Circuit Court, Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector.

The Board of County Commissioners and all Constitutional Officers maintain their accounts in accordance with the uniform classification of accounts required by Section 218.33, Florida Statutes. Pursuant to Section 125.17, Florida Statutes, the Clerk of the Courts of the County is designated as clerk, auditor and accountant for the Board.

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The County is financially responsible if it appoints a voting majority of the organization's governing body and (a) 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. If a component unit is, in substance, part of the government's operations, it should be reported as a blended component unit. Otherwise, a component unit should be discretely presented. Based on these criteria, the County management determined that the Eloise Community Redevelopment Agency should be included in the County's financial statements as a discretely presented component unit and it is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Unit – The Eloise Community Redevelopment Agency, created pursuant to Chapter 163.387, Florida Statutes, and by County Ordinance 00-34, the Eloise Community Redevelopment Trust Fund provides for rehabilitation, conservation, or a combination thereof within the Eloise Community in the interest of the public health, safety, morals, or welfare of the residents in the Eloise Community which is an unincorporated area of Polk County. The County manages and administers the Fund on behalf of the Agency. The Eloise Community Redevelopment Agency is presented as a governmental fund type. Separate financial statements for the Eloise Community Redevelopment Agency are not presently developed.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

The basic financial statements of the County are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

Government-wide Financial Statements - Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government, as well as its discretely presented component unit. 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 the legally separate component unit for which the primary government is financially accountable.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*.

Program revenues derive directly from the program itself or from parties outside the reporting government's taxpayers or citizenry, as a whole; they reduce the cost of the function to be financed from the government's general revenues. Program revenues include charges for services, program specific operating grants and contributions, and program specific capital grants and contributions. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The County chooses to eliminate the indirect costs between governmental activities to avoid a "doubling up" effect.

Fund Financial Statements – The underlying accounting system of the County is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

POLK COUNTY, FLORIDA

**NOTES TO FINANCIAL STATEMENTS
September 30, 2002**

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING: (Continued)

Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. The fiduciary statement includes financial information for the agency fund. The agency fund of the County primarily represents assets held by the County in a custodial capacity for other individuals or governments.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources and then from unrestricted resources.

Governmental Funds

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Property taxes, intergovernmental revenues and interest earned associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the County.

Under the current financial resources measurement focus, only current assets and current liabilities are generally included on the balance sheet. The reported fund balance is considered to be a measure of "available spendable resources". Governmental funds operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of long-term receivables (special assessment) due to governmental funds are reported on their balance sheets in spite of their spending measurement focus.

Because of their spending measurement focus, expenditure recognition for governmental fund types exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING: (Continued)

Proprietary Funds

The County's enterprise funds and internal service funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. The Board applies all Statement of Financial Accounting Standards and Interpretations issued before November 30, 1989, except those that conflict with or contradict Statements of Government Accounting Standards. The County has elected not to apply Financial Accounting Standards Board Pronouncements issued after November 30, 1989.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as grants, investment earnings and miscellaneous other revenues result from nonexchange transactions or ancillary activities.

Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

BASIS OF PRESENTATION:

GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The County has used GASB Statement No. 34 minimum criteria for major fund determination. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

Governmental Major Funds:

General Fund – The General Fund is the general operating fund of the County. It is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Grants Fund - This fund accounts for the various federal and state grants obtained by the County.

Road Construction Fund – This fund is used to account for the acquisition, construction and reconstruction and maintenance of certain roads in the County which are funded by Public Service Taxes, Second Local Option Gas Taxes and Bond Proceeds.

Proprietary Major Funds:

Utilities Fund – This fund accounts for all activities necessary to provide water and sewer services to residents in certain unincorporated areas of the county.

Solid Waste Management Program (Landfill) Fund – This fund accounts for all activities necessary to provide solid waste management services to public and private refuse collection operations and to residents of the County.

POLK COUNTY, FLORIDA

**NOTES TO FINANCIAL STATEMENTS
September 30, 2002**

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING: (Continued)

Other Fund Types:

Internal Service Funds – Internal Service Funds account for Fleet Management and Employee Health Insurance services provided to other departments of the County on a cost reimbursement basis.

Agency Fund – The Agency Fund accounts for all assets held by the County in its capacity as custodian or agent for individuals, other governmental units, and non-public organizations. The Agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Non-current Governmental Assets/Liabilities:

GASB Statement No. 34 requires non-current governmental assets, such as land and buildings, and non-current governmental liabilities, such as general obligation bonds and capital leases, be reported in the governmental activities column in the government-wide statement of net assets.

CASH AND CASH EQUIVALENTS:

All funds participate in the pooled cash investment program. Interest earned is allocated on a monthly basis to individual funds based upon their average monthly balance in the cash pool.

In accordance with GASB Statement No. 9, each fund's equity in the County's investment pool is considered to be a cash equivalent since the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

INVESTMENTS:

Investments, which are comprised of treasury notes and other U.S. obligations and amounts invested with the State Board of Administration, are recorded at fair value.

Revenue from investments owned by the individual funds is recorded in the respective funds as it is earned.

The various funds of the Board of County Commissioners are partially combined into an investment pool for the purpose of maximizing investment yields.

ALLOWANCE FOR DOUBTFUL ACCOUNTS:

The County provides an allowance for water and sewer accounts, solid waste management, nursing home and ambulance receivables that may become uncollectible. At September 30, 2002, this allowance was \$899,258, \$12,453, \$53,540 and \$5,421,045 respectively. No other allowances for doubtful accounts are maintained since other fund accounts receivable are considered collectable as reported at September 30, 2002.

RECEIVABLES AND PAYABLES:

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

INVENTORY:

Inventories are stated at cost using the first-in, first-out, (FIFO) method for all inventory except Central Supply which uses the weighted average method. Inventories in the General Fund, special revenue funds, and expendable trusts funds consist of expendable supplies held for consumption (consumption method). Governmental fund inventories are offset by a reserve of fund balance which indicates that they do not constitute available spendable resources.

RESTRICTED ASSETS:

Certain funds of the County are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

CAPITAL ASSETS:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, right-of-ways, water and sewer distribution systems and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. For the fiscal year 2002, only the infrastructure assets acquired or constructed during the current year are reported and depreciated. Retroactive reporting will be implemented by fiscal year 2006 in accordance with the requirements of GASB Statement No. 34.

Capital assets are defined by the County as assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Capital assets are valued at historical cost or estimated historical cost if actual is not available. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Capital assets acquired by lease/purchase agreements or multiple year installment purchase contracts are recorded in the governmental funds in the year acquired as capital outlay expenditures and as other financing sources in the amount of the discounted present value of the total stipulated payments.

The Sheriff is accountable for and thus maintains capital asset records pertaining only to equipment used in his operations. These assets have been combined with the Board's governmental activities capital assets in the statement of net assets.

Property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10, 40 - 45
Equipment	5 - 15
Infrastructure	10 - 75

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2002

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

AD VALOREM TAXES:

The property tax calendar for 2002 is as follows:

Lien date	January 1, 2002
Levy date	January 1, 2002
Due dates	November 1, 2002 through March 31, 2003
Delinquent date	April 1, 2003
Tax certificate sale	Not later than June 1, 2003

No accrual for the property tax levy becoming due in November of 2002 is included in the accompanying financial statements since such taxes are collected to finance expenditures of the subsequent period.

LONG TERM DEBT:

Bonds payable at September 30, 2002 are serviced as follows:

Utility System Revenue Bonds, Series 1997A - Serviced annually by the Utilities Fund with net revenues derived from operations and connection fees of the water and sewer system.

Utility System Revenue Refunding Bonds, Series 1997B - Serviced annually by the Utilities Fund with net revenues derived from operations and connection fees of the water and sewer system.

Capital Improvement Revenue Bonds, Series 2000, Capital Improvement Refunding Revenue Bonds, Series 1994, and Capital Improvement Refunding Revenue Bonds, Series 1992 - Serviced annually by the Debt Service Fund with the half-cent sales tax revenues received by the County under the provisions of Chapter 212, Part I, Florida Statutes.

Constitutional Fuel Tax Revenue Refunding Bonds, Series 1996 - Serviced annually by the Debt Service Fund with Constitutional Fuel Tax Revenues received by the County under the provisions of Chapter 206, Florida Statutes.

Transportation Improvement Revenue Bonds, Series 2000 - Serviced annually by the Debt Service Fund with revenues from a 5 cents per gallon local option fuel tax and a 2% public service tax.

Interlocal Agreement - Lakeland - Serviced by the 4th cent tourism tax revenue collected by the County.

Interlocal Agreement - Winter Haven - Serviced by the 4th cent tourism tax revenue collected by the County.

Capital Improvement and Refunding Revenue Bonds, Series 2002 - Serviced annually by the Debt Service Fund with revenues from the half-cent sales tax collected in the County by the State of Florida and remitted to the County by the State pursuant to Chapter 218 Part VI, Florida Statutes.

Interlocal Agreement - Joker Marchant - Serviced by the 4th cent tourism tax revenue collected by the County.

CAPITALIZED LEASE OBLIGATIONS:

Assets acquired under capitalized lease obligations for governmental and enterprise fund types are accounted for as assets and liabilities in the government-wide statement of net assets. In the individual fund statements, these lease obligations are included in the enterprise funds, but not in the governmental funds. The capitalized lease obligations are stated at the original fair market value of leased assets capitalized, less payments since the inception of the lease discounted at the implicit rate in the lease.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

ACCUMULATED UNPAID VACATION AND SICK PAY:

The amounts of unpaid vacation and sick leave accumulated by employees are accrued as expenses when incurred in the government-wide statement of activities and the proprietary funds. Therefore, the entire unpaid liability for vacation and sick leave is recorded in the government-wide statement of net assets.

In the governmental funds, only the amounts that normally would be liquidated with expendable available financial resources are accrued as current year expenditures. Total available vacation and sick leave hours are multiplied by the current pay rate to determine the accrued liability. The Board uses the last-in, first-out (LIFO) method of recognizing the use of vacation and sick leave hours. Employees are charged for the last day of vacation or sick leave earned when the leave is used. Thus, unless it is anticipated that vacation or sick leave will be used in excess of a normal year's accumulation, no additional expenditures are accrued.

DEFERRED REVENUE:

Property Appraiser - Chapter 218, Florida Statutes, requires that any excess of revenues over expenditures held by a property appraiser shall be allocated to each governmental unit which was billed and paid for the operation of the Property Appraiser's office. This excess shall be treated as an advance on the following year's bill. Generally accepted accounting principles require that revenues collected in advance of the fiscal year be recorded as revenue of the period to which they apply. Therefore, the excess of revenues over expenditures at the end of each fiscal year is reflected as deferred revenue on the balance sheet.

Special Assessments - Special assessments are recognized in governmental funds as revenue only to the extent that individual installments are considered current assets. Non-current special assessments receivable are reflected as deferred revenue on the balance sheet. Revenue from the deferred installment receivables will be recognized when it becomes measurable and available as current assets.

Grants - Revenue related to federal and state financial assistance programs is recognized when the funds are expended. Unexpended funds received are reported as deferred revenue.

AMORTIZATION:

Debt issue costs are amortized over the life of the issue using the straight-line method. Bond premiums and discounts are presented as additions or reductions of the face amount of bonds payable while issuance costs are recorded as deferred charges. Deferred amounts on refunding are amortized over the lesser of the life of the new bond or the defeased issue.

CONTRIBUTIONS:

Contributions of cash or property received from other County funds, other governmental units and from contractors or developers are credited directly to the contribution accounts in the proprietary funds. Transfers between funds, which arise from non-routine transfers of capital from one fund to another, are accounted for as direct transfers of fund equity. Property and equipment contributed for general governmental purposes are recorded in the government-wide statement of net assets.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

OTHER SIGNIFICANT ACCOUNTING POLICIES:

Chapter 218, Florida Statutes, requires that the Constitutional Officers make an annual report to the Board of County Commissioners, within 31 days of the close of their fiscal year, reflecting the excess of revenues over expenditures or the unexpended budget balance as of the close of the fiscal year. In order to comply with the State Statute, it is the policy of the Constitutional Officers that the accounting records be held open several days after the close of their fiscal year in order that all receipts and expenditures applicable to the fiscal year can be recorded in the records. The financial statements prepared on a GAAP basis reflect any receipts or disbursements made after the close of the fiscal year as receivables or payables, as applicable.

Other significant accounting policies are set forth in the financial statements and the notes thereto.

NEW ACCOUNTING STANDARDS:

In the fiscal year ended September 30, 2002, the County implemented four statements approved by the Governmental Accounting Standards Board (GASB) between June 1999 and June 2002:

Statement No. 34 – *Basic Financial Statements and Management’s Discussion and Analysis – for State and Local Governments*. This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phased implementation (based on size of government) beginning with the fiscal year ending 2002. As part of this Statement, there is a new reporting requirement regarding the local government’s infrastructure (roads, bridges, traffic signals, etc.). This requirement permits an optional four-year further delay for implementation of the infrastructure related portion to the fiscal year ending in 2006. The County implemented the basic model in fiscal year 2002 and will retroactively implement the infrastructure reporting requirement by fiscal year 2006.

Statement No. 36 – *Recipient Report for Certain Shared Nonexchange Revenues – an amendment of GASB Statement No. 33*.

Statement No. 37 – *Basic Financial Statements-and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*.

Statement No. 38 – *Certain Financial Statement Note Disclosures*.

B - BUDGETS AND BUDGETARY ACCOUNTING

The Board follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) Prior to July 15, the County Manager, as County Budget Officer, submits to the Board of County Commissioners a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted to obtain taxpayer comments.
- 3) Prior to October 1, the budget is legally enacted through passage of a resolution.
- 4) Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue funds, debt service funds and capital projects funds.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

B - BUDGETS AND BUDGETARY ACCOUNTING – (Continued)

- 5) Budgets for the general, certain special revenue, debt service and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- 6) The County Budget Officer approves budget changes at the departmental level within a fund. All other budget changes are approved by the Board. Supplemental appropriations were necessary and the budgetary data presented herein was amended by the Board during the year in a legally permissible manner.
- 7) Florida Statute 129, Section 7, as amended in 1978, provides that only expenditures in excess of total fund budgets are unlawful. However, because the Board acts on all budget changes between departments, the lower of fund or department becomes the level of control.
- 8) Unused appropriations lapse at the end of each fiscal year. However, some amounts may be carried forward to the following fiscal year in the form of a new appropriation which must be approved by the County Commission.

For the year ended September 30, 2002, Chapter 195, Florida Statutes, governs the preparation, adoption and administration of the Tax Collector and Property Appraiser's annual budgets. The annual budget of the Tax Collector and the Property Appraiser must be submitted to and approved by the Department of Revenue, State of Florida.

The Property Appraiser's Special Revenue Fund was created through interlocal agreements and is only managed by the Property Appraiser under said agreement. The Department of Revenue does not require this fund to be budgeted.

The budget for the Clerk of the Circuit Court is prepared, adopted and administered in accordance with Sections 129.03 and 218.35, Florida Statutes, which also requires separation of the part pertaining to the court system from that pertaining to the Clerk, Auditor and Accountant of the Board of County Commissioners.

The budget for the Sheriff is prepared, adopted and administered in accordance with Section 218.35, Florida Statutes.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

C – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets:

“Total fund balances” of the County’s governmental funds (\$235,315,237) differs from “net assets” of governmental activities (\$270,580,144) reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet.

Capital related items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets included those capital assets among the assets of the County as a whole.

Cost of capital assets	\$ 330,512,611
Accumulated depreciation	<u>(99,857,017)</u>
Total capital assets added	<u>\$ 230,655,594</u>

Long-term debt transactions

Long-term liabilities applicable to the County’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets. Balances as of September 30, 2002 were:

Bonds Payable	\$ (175,399,664)
Interlocal agreements	(4,115,000)
Capital leases	(5,118,846)
Compensated absences	(24,327,832)
Long-term notes payable	(10,578,000)
Self-insurance claims payable	<u>(14,648,396)</u>
Total	<u>\$ (234,187,738)</u>

Accrued interest

Accrued liabilities in the statement of net assets differs from the amount reported in governmental funds due to accrued interest on revenue bonds.

Accrued interest on revenue bonds	<u>\$ (2,706,520)</u>
-----------------------------------	-----------------------

Deferred revenues

Deferred revenues in the statement of net assets differs from the amount reported in governmental funds due to special assessment receivables. Governmental fund financial statements report unearned revenues or revenues which are measurable but not available as deferred revenues. However, deferred revenues in governmental funds are susceptible to full accrual on government-wide financial statements.

Deferred revenues reduced	<u>\$ 931,779</u>
---------------------------	-------------------

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

C – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (Continued)

Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets: (Continued)

Internal service funds

Internal service funds are used by management to charge the costs of fleet management and insurance activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets because they primarily serve governmental activities of the County.

Internal service funds	\$ <u>30,598,268</u>
------------------------	----------------------

Allocation of internal service funds operating loss

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets because they primarily serve governmental activities of the County. The operating loss is allocated between governmental activities and business-type activities based on usage of the services. In fiscal year 2002, internal service funds sustained a total net operating loss of \$94,350.

Internal service funds operating income allocated to business-type activities	\$ <u>32,617</u>
--	------------------

Accrued revenues

Some interest revenues are not recognized in the current period because the resources are not available, therefore these revenues are not reported in the fund.

Ambulance receivables	\$ 9,084,078
Accrued interest revenues	<u>856,829</u>
Total	\$ <u>9,940,907</u>

Elimination of interfund receivables/payables

Interfund receivables and payables in the amount of \$1,186,756 between governmental funds must be eliminated for the statement of net assets.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

C – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (Continued)

Explanation of Differences Between the Governmental Fund Operating Statement and the Statement of Activities:

The “net change in fund balances” for governmental funds (\$22,477,841) differs from the “change in net assets” for governmental activities \$25,700,540 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

As a result, fund balances decrease by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital outlay	\$ 54,884,688
Depreciation expense	<u>(12,628,368)</u>
Difference	<u>\$ 42,256,320</u>

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.

Sale of capital assets	<u>\$ (2,609,125)</u>
------------------------	-----------------------

Long-term debt transactions

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Debt issued or incurred:	
Issuance of refunding revenue bonds	\$ (27,757,623)
Principal repayments:	
Revenue bonds	6,949,615
Notes payable	3,139,000
Capital leases	930,429
Payment to escrow agent on refunding	25,854,343
Interlocal agreement	<u>(2,000,000)</u>
Net adjustment	<u>\$ 7,115,764</u>

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

C – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS – (Continued)

Explanation of Differences Between the Governmental Fund Operating Statement and the Statement of Activities: (Continued)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds.

Net change in self-insurance claims	\$ (1,382,968)
Net change in compensated absences	(1,615,549)
Net change in bond interest payable	<u>439,262</u>
Net adjustment	<u>\$ (2,559,255)</u>

Internal service funds operating loss

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets because they primarily serve governmental activities of the County. But the operating loss is allocated between governmental activities and business-type activities based on usage of the services. In fiscal year 2002, internal service funds sustained a total loss of \$94,350.

Internal service funds operating income	
allocated to governmental activities	\$ 1,205,018
Internal service funds non-operating revenues	<u>731,294</u>
Net adjustment	<u>\$ 1,936,312</u>

Accrued revenues

Some revenues are not recognized in the current period because the resources are not available and, therefore these revenues are not reported in the fund.

Ambulance receivables	\$ 1,181,536
Accrued interest revenues	<u>856,829</u>
Total	<u>\$ 2,038,365</u>

Reclassification and Eliminations

The general fund recognizes revenues in the amount of \$3,029,358 for the general administrative charges to the public safety and transportation functions. These revenues and expenditures must be eliminated to avoid double counting. Transfers in and transfers out in the amount of \$48,170,398 between governmental activities are eliminated.

D - CASH AND INVESTMENTS

DEPOSITS:

On September 30, 2002, the County's book balance of cash was \$386,586,282 and the bank balance was \$27,044,325. Deposits were entirely covered by federal depository insurance or by collateral pledged with the State Treasurer pursuant to Chapter 280, Florida Statutes. Under this Chapter, in the event of default by a participating financial institution (a qualified public depository), all participating institutions are obligated to reimburse the governmental entity for the loss.

The carrying amount of deposits of the Lake Eloise CRA, a discretely presented component unit, was \$20,116 with a bank balance of \$20,116. This deposit was entirely covered by Federal Depository Insurance or by collateral pledged with the State Treasurer pursuant to Chapter 280, Florida Statutes.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2002

D - CASH AND INVESTMENTS - (Continued)

INVESTMENTS:

The County is authorized to invest surplus funds in accordance with Florida Statute 125.31. This investment policy formally established guidelines and authorized the County to invest in the following:

- a) the Local Government Surplus Funds Trust Fund under the management of the State Board of Administration;
- b) negotiable direct or indirect obligations of, or obligations in which the principal and interest are unconditionally or implicitly guaranteed by, the United States Government;
- c) interest bearing time deposits or savings accounts in banks and savings and loans organized under state laws or doing business in and situated in the state, provided collateral requirements are met.

There were no violations of legal or contractual provisions for deposits and investments during the year.

The investments held by the various funds as of September 30, 2002 are classified according to type of credit risk. These credit risk categories are defined as follows:

Category A- Insured or registered securities held by the County or its agents in the County's name.

Category B- Uninsured and unregistered securities held by the counterparty's trust department or agent in the County's name.

Category C- Uninsured and unregistered securities held by the counterparty or by its trust department or agent but not in the County's name.

These broad categories do not apply to all types of investments owned by the County. The investments with the State Board of Administration pool and money market funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Investments held by the various fund types as of September 30, 2002, are as follows:

	<u>Category</u>	<u>Interest (%)</u>	<u>Matures</u>	<u>Fair Value</u>
U.S. Government Agencies Securities	A	3.00- 9.00	2002-2031	\$133,736,732
Repurchase agreements	C	VAR	N/A	1,305,031
Investment with the State Board of Administration, in the County's name	N/A	VAR	N/A	174,597,346
Investment with the Florida Local Governmental Investment Trust, in the County's name	N/A	VAR	N/A	<u>44,934,428</u>
				<u>\$354,573,537</u>

Repurchase agreements are collateralized by Federal National Mortgage Association securities totaling \$1,305,031.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

D - CASH AND INVESTMENTS - (Continued)

INVESTMENTS: - (Continued)

The County invests funds throughout the year with the Local Government Surplus Funds Trust Fund (SBA), an investment pool administered by the State Board of Administration, under the regulatory oversight of the State of Florida. Throughout the year and as of September 30, 2002, the SBA contained certain floating and adjustable rate securities which were indexed based on the prime rate and/or one and three month LIBOR rates. These investments represented .07% of the SBA's portfolio at September 30, 2002. In accordance with GASB Statement No. 31, the SBA has reported that the Local Government Investment Trust, which it operates, is a "2A-7 like" pool, and thus, these investments are valued using the pool share price.

Investments with the SBA may be made or liquidated by wire on a same-day basis. Based on the SBA's investment structure and its availability to all local governmental units, individual unit perfection is not provided.

The County's investment pool also includes investment in the Florida Local Government Investment Trust (FLGIT), which is a public entity investment trust organized under the laws of the State of Florida. At September 30, 2002, the FLGIT portfolio included certain floating and adjustable rate securities. These securities amounted to 7.6% of the FLGIT portfolio and included four investments indexed on the one month LIBOR and/or the one-year CMT index. The Florida Local Government Investment Trust reports all share information at Net Asset Value (NAV) and reflects fair value accounting in accordance with GASB Statement No. 31.

E - RESTRICTED NET ASSETS - PROPRIETARY FUNDS

Revenue bond ordinances and certain other agreements generally require the restriction of certain fund assets for specific purposes. Reserves, representing the excess of amounts provided for certain restricted asset accounts over the liabilities payable therefrom, are established by a reduction of unrestricted net assets.

Restricted net assets as of September 30, 2002, consist of the following:

	Revenue Bonds	Renewal Replacement and	Customer	
<u>UTILITIES FUND</u>	<u>Debt Service</u>	<u>Improvements</u>	<u>Deposits</u>	<u>Total</u>
Equity in pooled cash	\$ 3,089,586	\$ 4,481,170	\$ 1,923,596	\$ 9,494,352
Liabilities, payable from restricted assets	-	-	<u>(1,923,596)</u>	<u>(1,923,596)</u>
Restricted net assets	<u>\$ 3,089,586</u>	<u>\$ 4,481,170</u>	<u>\$ -</u>	<u>\$ 7,570,756</u>

POLK COUNTY, FLORIDA

**NOTES TO FINANCIAL STATEMENTS
September 30, 2002**

E - RESTRICTED NET ASSETS - PROPRIETARY FUNDS - (Continued)

SOLID WASTE MANAGEMENT PROGRAM (LANDFILL) FUND	Landfill <u>Closure</u>	Customer <u>Deposits</u>	<u>Total</u>
Equity in pooled cash and investments	\$ 49,707,400	\$ 112,802	\$ 49,820,202
Interest receivable	<u>196,117</u>	<u>-</u>	<u>196,117</u>
Restricted assets	49,903,517	112,802	50,016,319
Liabilities, payable from restricted assets	<u>(40,267,756)</u>	<u>(112,802)</u>	<u>(40,380,558)</u>
Restricted net assets	<u>\$ 9,635,761</u>	<u>\$ -</u>	<u>\$ 9,635,761</u>

Rule 17-701 of the Florida Administrative Code requires owners or operators of existing landfills to establish and maintain a landfill management escrow account or an alternative financial mechanism to show proof of financial responsibility for future landfill closure costs. The reserve for landfill closure represents funds restricted by the County for this purpose. A summary of activity in the landfill closure reserve for the year ended September 30, 2002 follows:

Restricted net assets, September 30, 2001	\$ 47,472,422
Additions (net)	<u>2,431,095</u>
Restricted net assets, September 30, 2002	<u>\$ 49,903,517</u>

F - INTERFUND BALANCES

Interfund balances at September 30, 2002, consisted of the following:

Due to General Fund from:	
Grants	\$ 10,709
Non-major Special Revenue Funds	535,070
Solid Waste Management	<u>76,545</u>
Total	<u>\$ 622,324</u>
Due from General Fund to:	
Internal Service Fund	<u>\$ 130,900</u>

Amounts due to and from the General Fund arise from timing differences as a result of transactions with constitutional officers.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2002

G – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2002 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 24,152,291	\$ 5,776,857	\$ (2,274,885)	\$ 27,654,263
Construction in progress	2,609,357	15,184,378	(4,966,728)	12,827,007
Right-of-way	<u>-</u>	<u>8,421,873</u>	<u>(1,685)</u>	<u>8,420,188</u>
Total capital assets, not being depreciated	<u>26,761,648</u>	<u>29,383,108</u>	<u>(7,243,298)</u>	<u>48,901,458</u>
Capital assets, being depreciated:				
Buildings & improvements	191,698,153	9,054,731	(576,953)	200,175,931
Equipment	113,707,429	21,528,692	(11,505,067)	123,731,054
Infrastructure	<u>-</u>	<u>10,173,612</u>	<u>-</u>	<u>10,173,612</u>
Total capital assets, being depreciated	<u>305,405,582</u>	<u>40,757,035</u>	<u>(12,082,020)</u>	<u>334,080,597</u>
Less accumulated depreciation for:				
Building & improvements	(56,140,672)	(4,809,944)	111,023	(60,839,593)
Equipment	(66,719,434)	(15,254,121)	8,591,537	(73,382,018)
Infrastructure	<u>-</u>	<u>(24,224)</u>	<u>-</u>	<u>(24,224)</u>
Total accumulated depreciation	<u>(122,860,106)</u>	<u>(20,088,289)</u>	<u>8,702,560</u>	<u>(134,245,835)</u>
Total capital assets, being depreciated, net	<u>182,545,476</u>	<u>20,668,746</u>	<u>(3,379,460)</u>	<u>199,834,762</u>
Governmental activities capital assets, net	<u>\$ 209,307,124</u>	<u>\$ 50,051,854</u>	<u>\$(10,622,758)</u>	<u>\$ 248,736,220</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 7,392,666	\$ 2,734,213	\$ -	\$ 10,126,879
Construction in progress	<u>631,973</u>	<u>410,441</u>	<u>(563,273)</u>	<u>479,141</u>
Total capital assets, not being depreciated	<u>8,024,639</u>	<u>3,144,654</u>	<u>(563,273)</u>	<u>10,606,020</u>
Capital assets, being depreciated:				
Buildings, distribution systems, & improvements	168,185,398	26,628,012	-	194,813,410
Equipment	<u>5,225,174</u>	<u>1,007,095</u>	<u>(1,091,018)</u>	<u>5,141,251</u>
Total capital assets, being depreciated	<u>173,410,572</u>	<u>27,635,107</u>	<u>(1,091,018)</u>	<u>199,954,661</u>
Less accumulated depreciation for:				
Buildings, distributions systems & Improvements	(24,874,379)	(4,949,916)	-	(29,824,295)
Equipment	<u>(3,421,169)</u>	<u>(498,527)</u>	<u>474,483</u>	<u>(3,445,213)</u>
Total accumulated depreciation	<u>(28,295,548)</u>	<u>(5,448,443)</u>	<u>474,483</u>	<u>(33,269,508)</u>
Total capital assets, being depreciated, net	<u>145,115,024</u>	<u>22,186,664</u>	<u>(616,535)</u>	<u>166,685,153</u>
Business-type activities capital assets, net	<u>\$ 153,139,663</u>	<u>\$ 25,331,318</u>	<u>\$(1,179,808)</u>	<u>\$ 177,291,173</u>

POLK COUNTY, FLORIDA

**NOTES TO FINANCIAL STATEMENTS
September 30, 2002**

G – CAPITAL ASSETS – (Continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 2,901,509
Public safety	7,582,934
Physical environment	131,309
Transportation	509,725
Economic environment	145,358
Human services	860,483
Culture/recreation	497,051
Capital assets held by the government's internal service funds	<u>5,964,244</u>
Total depreciation expense – governmental activities	<u>\$ 18,592,613</u>
Business-type activities:	
Water and sewer	\$ 1,625,252
Solid waste	3,795,652
Nursing home	<u>16,645</u>
Total depreciation expense – business-type activities	<u>\$ 5,437,549</u>

H - CONTRACTS PAYABLE (UTILITIES FUND)

Contracts payable consist of non-interest bearing contracts for the acquisition of certain water and sewer systems by the Utilities Fund. An analysis of changes in contracts payable for the year ended September 30, 2002 is as follows:

	Balance, September 30, <u>2001</u>	Add New Contracts During Year	Less Connection Fees Remitted, Due, or Expired	Balance, September 30, <u>2002</u>
Bridgewater	\$ 85,922	\$ -	\$ 14,081	\$ 71,841
McDonald Development	64,400	-	16,800	47,600
Mt. Olive Shores N.	326,783	-	40,080	286,703
Lily Lake	3,975	-	-	3,975
Four Corners	141,200	-	18,000	123,200
Summer Oaks	-	18,000	9,200	8,800
Tiffany Oaks	-	2,000	800	1,200
Twin Oaks	-	20,000	4,000	16,000
Amanda Oaks	-	17,600	400	17,200
Canterbury Phase II	-	21,600	3,600	18,000
Preserve at Sundance	-	<u>43,600</u>	<u>-</u>	<u>43,600</u>
	<u>\$ 622,280</u>	<u>\$ 122,800</u>	<u>\$ 106,961</u>	<u>\$ 638,119</u>

The contracts contain repayment provisions based on connection fees collected by the County.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2002

I – LONG-TERM LIABILITIES

The following is a summary of the changes in long-term debt of the County for the year ended September 30, 2002:

	Payable at September 30, <u>2001</u>	<u>Additions</u>	<u>Deletions</u>	Payable at September 30, <u>2002</u>	Due Within <u>One Year</u>
Governmental Activities:					
Revenue bonds	\$ 180,400,000	\$ 26,435,000	\$ 34,000,000	\$ 172,835,000	\$ 7,900,000
Plus deferred amounts:					
For issuance premium	-	1,322,623	-	1,322,623	132,262
On refunding	<u>-</u>	<u>1,242,041</u>	<u>-</u>	<u>1,242,041</u>	<u>124,204</u>
Total bonds payable	180,400,000	28,999,664	34,000,000	175,399,664	8,156,466
Interlocal agreements	2,400,000	2,000,000	285,000	4,115,000	289,250
Notes payable	13,717,000	-	3,139,000	10,578,000	4,339,000
Capitalized lease obligations	6,879,447	-	925,897	5,953,550	1,098,908
Unpaid vacation & sick pay	22,712,283	1,817,350	-	24,529,633	-
Self-insurance claims	<u>13,265,428</u>	<u>5,039,480</u>	<u>3,656,512</u>	<u>14,648,396</u>	<u>4,955,848</u>
Governmental activities long-term liabilities	<u>\$ 239,374,158</u>	<u>\$ 37,856,494</u>	<u>\$ 42,006,409</u>	<u>\$ 235,224,243</u>	<u>\$ 18,839,472</u>
Business-type Activities:					
Revenue bonds	33,190,000	-	1,420,000	31,770,000	1,480,000
Less deferred amounts:					
For issuance discounts	(458,404)	-	(28,650)	(429,754)	(28,650)
On refunding	<u>(1,415,270)</u>	<u>-</u>	<u>(134,754)</u>	<u>(1,280,516)</u>	<u>(134,754)</u>
Total bonds payable	31,316,326	-	1,256,596	30,059,730	1,316,596
Contracts payable	622,280	122,800	106,961	638,119	46,480
Capitalized lease obligations	54,034	-	54,034	-	-
Post-closure care	35,789,844	4,477,912	-	40,267,756	-
Unpaid vacation & sick pay	<u>600,793</u>	<u>5,654</u>	<u>-</u>	<u>606,447</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 68,383,277</u>	<u>\$ 4,606,367</u>	<u>\$ 1,417,591</u>	<u>\$ 71,572,052</u>	<u>\$ 1,363,076</u>

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2002

I - LONG TERM LIABILITIES - (Continued)

Revenue bonds payable and interlocal agreements at September 30, 2002, are comprised of the following individual issues:

Business Type Activities Revenue Bonds Payable:

\$38,210,000 in Utility System Revenue Bonds, Series 1997A and Utility System Revenue Bonds, Series 1997B; due in annual installments of \$2,939,088 to \$3,027,106, including interest, through October 1, 2017; interest ranged from 4.0% to 5.0%; collateralized by an irrevocable senior lien on gross revenues derived from the operation of the system and certain connection charges. \$ 31,770,000

Total Enterprise Funds revenue bonds payable 31,770,000

Governmental Activities Revenue Bonds Payable:

\$45,415,000 in Capital Improvement Refunding Revenue Bonds, Series 1992 due in annual installments of \$3,779,531 to \$3,960,887 including interest, through December 2011; interest ranged from 3.5% to 6.375%; collateralized by a pledge of local government half-cent sales tax accruing to the County under provisions of Part VI of Chapter 218, Florida Statutes. \$26,440,000 of this issue was refunded on September 30, 2002. The remaining liability represents the final December 2002 payment, which was not defeased with the refunding issue. 2,235,000

\$32,335,000 in Capital Improvement Refunding Revenue Bonds, Series 1994 due in annual installments of \$2,624,000 to \$2,654,633, including interest, through December 2011; interest ranged from 2.5% to 5.0%; collateralized by a pledge of local government half-cent sales tax accruing to the County under provisions of Part VI of Chapter 218, Florida Statutes. 20,950,000

\$24,365,000 in Constitutional Fuel Tax Revenue Refunding Bonds, Series 1996 due in annual installments of \$1,903,693 to \$1,937,108, including interest, through December 2016; interest ranged from 4.0% to 5.25%; collateralized by a pledge of Constitutional Fuel Tax Revenues accruing to the County under provisions of Section 206.41, Florida Statutes. 20,140,000

\$41,925,000 in Capital Improvement Revenue Bonds, Series 2000 due in annual installments of \$3,240,563 to \$3,306,589, including interest, through December 2021; interest ranged from 3.85% to 5.75%; collateralized by a pledge of local government half-cent sales tax accruing to the County under provisions of Part VI of Chapter 218, Florida Statutes. 39,810,000

POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

I - LONG TERM LIABILITIES - (Continued)

\$65,000,000 in Transportation Improvement Revenue Bonds, Series 2000 due in annual installments of \$4,220,456 to \$4,964,033, including interest, through December 2025; interest ranged from 4.1% to 5.625%; collateralized by a pledge of revenues from a 5-cents per gallon local option fuel tax and a 2% public service tax accruing to the County under provisions of Chapter 125, Florida Statutes, Sections 336.025 and 166.231. 63,265,000

\$26,435,000 in Capital Improvement and Refunding Revenue Bonds, Series 2002, due in annual installments of \$1,042,116 to \$3,817,963, including interest, through December 2011; interest ranged from 5.25% to 5.50%; collateralized by a pledge of local government half-cent sales tax accruing to the County under provisions of Part VI of Chapter 218, Florida Statutes 26,435,000

Total Governmental Activities revenue bonds payable 172,835,000

Total revenue bonds payable \$ 204,605,000

Governmental Activities - Interlocal Agreements:

\$2,000,000 interlocal agreement with the City of Lakeland due in annual installments not to exceed \$100,000, through December 2013; collateralized by one-half of the local 4th cent tourism tax accruing to the County under provisions of Chapter 125, Florida Statutes \$ 1,100,000

\$2,000,000 interlocal agreement with the City of Winter Haven due in annual installments not to exceed \$100,000, through December 2013; collateralized by one-half of the local 4th cent tourism tax accruing to the County under provisions of Chapter 125, Florida Statutes 1,100,000

\$2,000,000 interlocal agreement with the City of Lakeland due in annual installments not to exceed \$201,958, through September 2016; collateralized by a portion of the local 4th cent tourism tax accruing to the County under provisions of Chapter 125, Florida Statutes 1,915,000

Total interlocal agreements \$ 4,115,000

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2002

I - LONG TERM LIABILITIES - (Continued)

Annual debt service requirements to maturity for bonds and interlocal agreements are as follows:

Year Ended <u>September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 10,649,250	\$ 8,751,609	\$ 1,480,000	\$ 1,607,106
2004	8,788,713	8,300,311	1,545,000	1,540,506
2005	9,073,398	7,934,482	1,625,000	1,463,581
2006	9,493,318	7,471,282	1,705,000	1,382,613
2007	9,933,734	7,021,951	1,790,000	1,297,587
2008-2012	52,870,637	27,327,147	10,350,000	5,085,563
2013-2017	31,680,950	16,590,541	13,275,000	2,162,213
2018-2022	29,235,000	8,261,538	-	-
2023-2027	<u>15,225,000</u>	<u>1,036,388</u>	<u>-</u>	<u>-</u>
	<u>\$176,950,000</u>	<u>\$ 92,695,249</u>	<u>\$ 31,770,000</u>	<u>\$ 14,539,169</u>

There are a number of limitations and restrictions contained in the various bond indentures. As of September 30, 2002, all funds are being maintained in accordance with the ordinances and resolutions.

During 1992, the Board defeased the Capital Improvement Refunding Revenue Bonds, Series 1986 by depositing funds in an irrevocable trust with an escrow agent to provide for all future debt service payments on these bonds. For financial reporting purposes the debt has been considered defeased and, therefore, removed as a liability of the Board. As of September 30, 2002, the amount of this defeased debt outstanding but removed as a liability is \$25,620,825.

During 1994, the Board defeased the Capital Improvement Revenue Bonds, Series 1990 by depositing funds in an irrevocable trust with an escrow agent to provide for all future debt service payments on these bonds. For financial reporting purposes the debt has been considered defeased and, therefore, removed as a liability of the Board. As of September 30, 2002, the amount of this defeased debt outstanding but removed as a liability is \$3,905,000.

During 1997, the Board defeased the Utility System Revenue Bonds, Series 1991 by depositing funds in an irrevocable trust with an escrow agent to provide for all future debt service payments on these bonds. For financial reporting purposes the debt has been considered defeased and, therefore, removed as a liability of the Board. As of September 30, 2002, the amount of this defeased debt outstanding but removed as a liability is \$16,315,000.

During 1997, the Board defeased the State of Florida Full Faith and Credit, Polk County Road Refunding Bonds, Series 1990 by depositing funds in an irrevocable trust with an escrow agent to provide for all future debt service payments on these bonds. For financial reporting purposes the debt has been considered defeased and, therefore, removed as a liability of the Board. As of September 30, 2002, the amount of this defeased debt outstanding but removed as a liability is \$6,540,000.

During 2002, the Board defeased the Capital Improvement Refunding Revenue Bonds, Series 1992 by depositing funds in an irrevocable trust with an escrow agent to provide for all future debt service payments on these bonds. For financial reporting purposes the debt has been considered defeased and, therefore, removed as a liability of the Board. As of September 30, 2002, the amount of this defeased debt outstanding but removed as a liability is \$26,440,000.

POLK COUNTY, FLORIDA

**NOTES TO FINANCIAL STATEMENTS
September 30, 2002**

I - NOTES PAYABLE

The County has obtained loans from the Tax Exempt Commercial Paper Loan Program which is administered by the Florida Association of Counties. They are scheduled to mature as follows:

<u>Year Ended September 30,</u>	
2003	\$ 4,339,000
2004	239,000
2005	<u>6,000,000</u>
	<u>\$ 10,578,000</u>

K - CAPITALIZED LEASE OBLIGATIONS

The County has capitalized certain equipment under leases with options to purchase.

The following is an analysis of the leased property and equipment under capital leases by fund and major asset class:

<u>Class of Property</u>	<u>Asset Balances at September 30, 2002</u>
Governmental Activities:	
Building and equipment	\$ 8,039,382
Less: Accumulated depreciation	<u>(2,085,832)</u>
Total	<u>\$ 5,953,550</u>

The following is a schedule by years of future minimum lease payments under capital leases by fund together with the present value of the net minimum lease payments as of September 30, 2002:

<u>Year Ended September 30,</u>	<u>Governmental Activities</u>
2003	\$ 1,270,773
2004	1,290,570
2005	836,720
2006	843,978
2007	851,463
2008-2012	<u>1,726,322</u>
Total minimum lease payments	6,819,826
Less amounts representing interest at rates ranging from 4.56% to 8.0%	<u>866,276</u>
Present value of net minimum lease payments	<u>\$ 5,933,550</u>

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

L – DEFEASANCE OF DEBT – CAPITAL IMPROVEMENT REFUNDING REVENUE BONDS, SERIES 1992

In September, 2002, the County issued \$26.44 million in Capital Improvement and Refunding Revenue Bonds, Series 2003 with an average interest rate of 5.25% - 5.50%. This issue, combined with other County funds, was used to refund \$26.44 million of outstanding Capital Improvement Refunding Revenue Bonds, Series 1992 with an average interest rate of 3.5% - 6.375%. Net proceeds of \$25.9 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the 1992 Series Bonds. As a result, the 1992 Series Bonds are considered to be defeased. One principal payment remained, to be paid in December, 2002.

The County advance refunded the 1992 Series Bonds, which will decrease debt service payments over the next ten years by \$1,855,545. The County obtained an economic gain of \$1,294,193.

M - PENSION PLAN

All full-time employees are participants in the Florida Retirement System (FRS), a multiple employer, cost-sharing public retirement system. The FRS, which is controlled by the State Legislature and administered by the State of Florida, Division of Retirement, covers approximately 600,000 full-time employees of various governmental units within the State of Florida.

The FRS provides for vesting of benefits after six years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with six or more years of service. Early retirement is available after six years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation, and years of service credit where average compensation is computed as the average of an individual's five highest years of earnings. Employees are not required to contribute to the retirement system.

The County has no responsibility to the FRS other than to make the periodic payments required by the state statutes. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The report may be obtained by writing to Florida Division of Retirement, 2639 Monroe Street, Building C, Tallahassee, Florida 32399-1560.

Participating employer contributions are based upon state-wide rates established by the State of Florida. These rates, which include the health insurance subsidy contributions of 1.11% and an investment plan fee of 0.15%, are applied to employee salaries as follows: regular employees – 5.76%; special risk – 16.01%; senior management – 6.06%; and elected officials – 11.86%. The County's contributions made during the years ending September 30, 2002, 2001 and 2000 were \$15,088,695, \$16,271,291 and \$15,933,822, respectively, equal to the actuarially determined required contribution requirements for each year. The County has determined, in accordance with GASB Statement No. 27, that there was no pension liability before or at transition.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS
September 30, 2002

M - PENSION PLAN – (Continued)

For fiscal year ended June 30, 2002, employers of the retirement system contributed 1.11% of each covered employee's salary to finance the Retiree Health Insurance Subsidy program which was established in 1987 by the Florida Legislature to assist retirees of all state administered retirement systems in paying health insurance costs (Section 112.363, Florida Statutes).

The 0.15% Investment Plan fee is for implementing the FRS Investment Plan and providing educational services to FRS members for the 2003 fiscal year. The statutory name for this plan is the Public Employee Optional Retirement Program, or PEORP.

N - POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the County provides certain health care and life insurance benefits for retired employees as authorized by County Ordinance 70-1, as amended by County Ordinance 85-22. Substantially all of the County's employees may become eligible for those benefits if they reach normal retirement age while working for the government and have at least ten years of service. The cost of retiree health care insurance benefits is recognized as an expenditure as premiums are paid. For the year ended September 30, 2002, there were 204 retirees who participated in the plan, incurring costs of approximately \$346,000.

O - OPERATING LEASES

The following is a schedule by years of future minimum rental payments required under operating leases for certain land, buildings and equipment used in governmental operations that have initial or remaining noncancelable lease terms in excess of one year as of September 30, 2002:

Year Ended September 30,	
2003	\$ 850,935
2004	657,297
2005	554,984
2006	438,025
2007	425,838
Later years	<u>152,413</u>
Total minimum payments required	<u>\$ 3,079,492</u>

Rent expenditures under cancelable and noncancelable lease arrangements for the year ended September 30, 2002 were \$817,099. The leases generally provide for automatic termination in any year in which the County fails to appropriate funds for rental payments.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

P - GUARANTEED BUY BACKS (LANDFILL FUND)

The County has entered into agreements with equipment vendors on certain pieces of heavy equipment whereby the vendor agrees to repurchase the equipment at the expiration of a specified period, normally five years, for a guaranteed amount. The resale of this equipment to the vendor is at the option of the Board of County Commissioners and the guaranteed value is not contingent upon the County purchasing replacement equipment from the vendor. At September 30, 2002, equipment with a net book value of \$1,818,266 had been purchased by the Landfill Fund under the guaranteed buy back agreements. The vendors have guaranteed to buy back this equipment, at the expiration of the period specified in the agreements, for \$1,948,797.

Q – PROPERTY TAX REVENUES

Taxable values for all property are established as of January 1, which is the date of lien, for the fiscal year starting October 1. Property tax revenues recognized for the 2001-2002 fiscal year were levied in October 2001. All taxes are due and payable on November 1, or as soon as the assessment roll is certified and delivered to the Tax Collector. Discounts are allowed for early payment at the rate of 4% in November, 3% in December, 2% in January, and 1% in February. Taxes paid in March are without discount. All unpaid taxes become delinquent as of April 1. Virtually all unpaid taxes are collected via the sale of tax certificates on or prior to June 1; therefore, there were no material taxes receivable at fiscal year end.

R - RISK MANAGEMENT

SELF-INSURANCE PROGRAMS:

In an effort to combat the rising cost of insurance premiums and the unavailability of coverage, the County has initiated self-insured worker's compensation and automobile liability programs. The programs effectively interrelate between an independent risk manager, a loss control consultant, an excess reinsurer, and County management.

Worker's Compensation - The County has established retention limits in the self-insurance program for worker's compensation as follows:

Specific claims retention (per occurrence)	\$ 1,000,000
Excess insurance limit	\$ 10,000,000

General Liability and Medical Malpractice - Effective October 1, 1994, the County obtained general liability and medical malpractice insurance coverage with Genesis Underwriting Management Company. General liability has a self-insured retention of \$250,000 and a limit of \$4,750,000 per occurrence. Medical malpractice has a self-insured retention of \$100,000 with a limit of \$4,900,000.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

R - RISK MANAGEMENT – (Continued)

Employee Health Insurance - In 1993 the County established the Employee Health Insurance Fund as an Internal Service Fund. This fund was created to self-insure County employees and their dependents for group medical costs. Medical claims are paid from premiums contributed by employees and by the County. Premiums and contributions are determined by projected claims based on historic and actuarial experience. The self-insurance plan assumes all risk for claims up to \$300,000 per individual, per year, and has purchased a reinsurance policy to cover claims in excess of this amount. There were no claims against the reinsurance policy for the last three fiscal years.

Claim liabilities are recorded when it is probable to determine that liability has been incurred and the amount can be reasonably estimated, including an estimate for claims incurred but not reported. This estimate is based on historical experience and current trends.

The following table shows the changes in aggregate liabilities for claims:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Incurred Claims</u>	<u>Payments</u>	<u>Ending Balance</u>
1993	\$ -	\$ 4,243,521	\$ 2,464,568	\$ 1,778,953
1994	\$ 1,778,953	\$ 8,392,479	\$ 8,601,929	\$ 1,569,503
1995	\$ 1,569,503	\$ 8,962,280	\$ 9,431,783	\$ 1,100,000
1996	\$ 1,100,000	\$ 9,152,392	\$ 9,152,392	\$ 1,100,000
1997	\$ 1,100,000	\$ 9,589,019	\$ 9,546,997	\$ 1,142,022
1998	\$ 1,142,022	\$10,946,876	\$10,405,518	\$ 1,683,380
1999	\$ 1,683,380	\$10,797,411	\$10,686,830	\$ 1,793,961
2000	\$ 1,793,961	\$16,524,704	\$16,538,682	\$ 1,779,983
2001	\$ 1,779,983	\$20,277,867	\$19,931,850	\$ 2,126,000
2002	\$ 2,126,000	\$23,175,143	\$22,557,143	\$ 2,744,000

S - COMMITMENTS AND CONTINGENCIES

FEDERAL GRANT PROGRAMS:

The County participates in a number of federal programs. Grant programs are subject to financial and compliance audits by the grantors or their representatives. The grantor audits of all programs for or including the year ended September 30, 2002 have not been completed. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies, cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

S - COMMITMENTS AND CONTINGENCIES – (Continued)

LARGE CONTRACTUAL COMMITMENTS:

The County has large contractual commitments at September 30, 2002, for the following:

Gus Steward Road GSR Project	\$ 1,398,000
Country Class WWTF and The Pines WWTF Force Main Improvements	1,232,898
Roadway Asset Management Project	1,100,000
Meadowlands WWTF/Force Main and Fountain of Youth Palo Alto WWTF	976,966
GIS Point Data for Emergency Services, 911 Addressing, and GIS Services For Structure Maintenance and Road Verification	965,016
N.W. Regional WWTF Phase I Expansion	666,502
Airport, Drane Field and Waring Roads Grant Funded Roadway Widening And Intersection Improvement Projects	840,647
Florence Villa Phase III	770,327
S.W. Regional WWTF Phase II Expansion	555,146
CR 542 from 34 th Street to Lake Howard Drive, NW	530,109
Banana Road Utility Improvements	507,860
Household Hazardous Waste Building Expansion	479,550
Turner Road WTP GSE & High Service Pumps for Southwest Regional Utility Service Area	477,306
North Central Landfill Exposed Geomembrane Cover and Temporary Closure Class I Facility	447,091
East Central Park Phase III	414,655
Griffin Road Widening from West Kathleen Road to US 98	388,527
N.W. Regional WWTF Operations Building	352,800
CR 540A Widening from Old Highway 37 to Glenn Drive	338,036
Management Planning and Land Management Services for Polk County Natural Areas	334,417
Kathleen Road Widening from South of I-4 to Galloway Road	331,546
Utility System Hydraulic Modeling and Analysis	309,975
Management Support Consultant Technical Assistance for Capacity Bond Projects	306,484
Gus Steward, Van Fleet, and Polo Davenport Water Supply Wells	283,570
Program Management 2002 General Engineering	278,947
Roadway Improvement Assessment Project Assistance	268,388
Spirit Lake Road and CR 540A Utility Relocation	250,916
Southeast and Northeast Landfill Ditch Liners	214,880
N.W. Elevated Water Tank at Cherry Hill and Central Elevated Water Tank at Dinner Lake	207,405
CR 542 and Combee Road Intersection Improvements	197,228
Waverly Wastewater Treatment Facility Engineering Services	191,956
Concurrency Management System Development Regulation Software Building Division	189,583

POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

S - COMMITMENTS AND CONTINGENCIES – (Continued)

LARGE CONTRACTUAL COMMITMENTS: - (Continued)

Architect Services Agreement for New Utilities Administration Building	188,050
Van Fleet Water Production Facility Expansion	187,330
Utility Relocation Coordination Services for General Engineering Consultant	173,312
Utilities Division Master Plan FY 2002 Update	168,387
Country Class/Pines WWTF Force Main Easement Acquisition	134,539
Eloise Area Community Center	132,677
Utilities GIS Development and Implementation	122,899
Gator Creek Flood Protection and Stormwater Management Plan	114,648
Computerized Maintenance Management System	109,269
Spirit Lake Road Widening from SR 540 to North of CR 542	107,052
Marcum Road – North Socrum Loop Road Widening	68,894
N.E. Regional Wastewater Treatment Facility – Design, Bidding, And Construction Phase	<u>67,638</u>
TOTAL	<u>\$ 17,381,426</u>

LITIGATION:

Various suits and claims involving disputed ad valorem real property taxes are pending against Polk County. Portions of these taxes have been voluntarily paid, others have been paid under protest, and in certain instances, there are unpaid balances.

Various suits and claims arising in the ordinary course of County operations, some of which may involve substantial amounts, are pending against the County. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the County, the liabilities which may arise from such action would not result in losses which would materially affect the financial position of Polk County or the results of its operations.

CONTINGENCIES:

No accrual has been made in the financial statements for contingencies related to claims not yet asserted, because the amount cannot be reasonably estimated. In management's opinion, any such claims, if asserted, would not have a material adverse effect on the operations or financial position of the County.

POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

T – TRANSFERS

Transfers for the year ended September 30, 2002, consisted of the following:

Transfers to the general fund from:	
Grants	\$ 19,984
Solid Waste	545,000
Non-major governmental funds	<u>456,225</u>
	<u>\$ 1,021,209</u>
Transfers to the grants fund from:	
General	<u>\$ 887,984</u>
Transfers to road construction fund from:	
Non-major governmental funds	<u>\$40,878,124</u>
Transfers to internal service funds from:	
General	\$ 3,280,000
Utilities	307,545
Solid Waste	48,956
Non-major governmental funds	<u>163,000</u>
	<u>\$ 3,799,501</u>
Transfers to non-major governmental funds from:	
General	\$ 2,454,073
Utilities	155,041
Solid Waste	662,050
Internal service	<u>31,008</u>
	<u>\$ 3,302,172</u>

Transfers are used to 1) move revenues from the fund that state law required to collect them to the fund that state law requires to expend them, 2) provide matching funds for grants, 3) use unrestricted General Fund and other fund revenues to finance transportation or other activities which must be accounted for in another fund.

POLK COUNTY, FLORIDA

NOTES TO FINANCIAL STATEMENTS

September 30, 2002

U - CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that a final cover be placed on all landfill sites when they are no longer accepting waste and that certain maintenance and monitoring functions are performed at the respective sites for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, a portion of these closure and postclosure care costs are reported as an operating expense in each period based on the landfill capacity used as of each balance sheet date. The \$40,267,756 reported as landfill closure and postclosure care liability at September 30, 2002 represents the cumulative amount reported to date based on the use of 73.6 percent of the estimated capacity for all landfill sites. The remaining \$11,180,644 will be recognized as the remaining estimated capacity is filled. These amounts are estimated based on what it would cost to perform all closure and postclosure care in 2002. Expected closure dates for County landfills range from 2003 to 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

State and federal laws and regulations require that annual contributions be made to a trust to finance closure and postclosure care. At September 30, 2002, cash, investments and interest receivable of \$49,903,517 are held for these purposes, therefore the County is in compliance with financial assurance requirements. These assets are reported as restricted assets on the balance sheet. Future inflation costs are expected to be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

V – RESTATEMENT OF PRIOR YEAR FUND EQUITY

For fiscal year 2002, the County has implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. GASB 34 creates new basic financial statements for reporting the County’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements that present information for individual funds rather than by fund type. The transition from proprietary fund equity balances to net assets of governmental activities is as follows:

Fund equity, September 30, 2001		
Enterprise funds	\$ 185,908,210	
Internal service funds	<u>28,694,573</u>	
Total fund equity		214,602,783
 GASB 34 Adjustments		
Internal service funds		<u>(28,694,573)</u>
 Beginning net assets, business-type activities, October 1, 2001		<u>\$ 185,908,210</u>

As required by GASB 34, certain fiduciary funds have been reclassified as special revenue funds. The September 30, 2001 fund balances of \$8,297,680 have been added to the beginning October 1, 2001 governmental fund balance. In addition, the government decided that certain functions previously reported in the General fund should be reflected as special revenue fund activity. Therefore, \$3,292,799 of the September 30, 2001 General fund balance has been recast. This results in a General fund beginning fund balance on October 1, 2001 of \$48,961,785. The transition from governmental and fiduciary fund type equity balances to the net assets of governmental activities is as follows:

POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
September 30, 2002

V – RESTATEMENT OF PRIOR YEAR FUND EQUITY – (Continued)

Fund equity, September 30, 2001		
General fund funds	\$ 52,254,584	
Special revenue funds	40,249,729	
Debt service funds	23,104,343	
Capital project funds	133,886,742	
Trust funds	<u>8,297,680</u>	
Total fund equity		257,793,078
 GASB 34 Adjustments		
Capital assets – net		191,008,399
Internal service funds		28,694,573
Deferred revenue		7,902,542
Ambulance receivables		931,779
Accrued interest payable		(3,145,782)
Accrued compensated absences		(22,712,283)
Notes payable and capital leases		(35,192,702)
Bonds payable		<u>(180,400,000)</u>
 Beginning net assets, governmental activities, October 1, 2001		<u>\$ 244,879,604</u>

W – SUBSEQUENT EVENTS

On November 6, 2002, the Board of County Commissioners amended the Utilities Policy and Action Plan and approved to proceed with the issuance of the Utility System Revenue Bonds, Series 2003 to (i) finance the cost of the repair, acquisition, and construction of additions, extensions and improvements to the County's water distribution and wastewater collection and treatment system, and (ii) finance the cost and expenses incurred in connection with the issuance of the Series 2003 Bonds, including the premium for a municipal bond insurance policy.