Board of County Commissioners
Budget Discussion Item

Date of Meeting:	June 27, 2007
Date Submitted:	June 20, 2007
To:	Honorable Chairman and Members of the Board
From:	Parwez Alam, County Administrator Alan Rosenzweig, Assistant County Administrator
Subject:	Fund Balance

Statement of Issue:
Acceptence of staff's report regarding Fund Balance including establishing appropriate levels to be utilized for appropriation during the current year budget process.

Background:
This budget discussion item provides a detailed review regarding the purpose of fund balance, analysis of the County's fund balances, and recommended changes to the existing policies.

Analysis:
The analysis section is divided as follows:

1. Definition of fund balance
2. Purpose of fund balance
3. Determination of appropriate levels
4. Recommended changes to County policy
5. Other Funds

1. Definition of Fund Balance
The financial activities of the County are recorded in separate funds. Each fund is considered a separate self-balancing accounting entity. Each fund has its own set of revenues and its own set of expenditures. All funds can be categorized as governmental, proprietary or fiduciary. Within these categories, there are different types of funds as outlined below:

Governmental Funds:
General Fund - General operations of the County.
Special Revenue Funds - Specific revenue sources and the related expenditures.
Debt Service Funds - Payment of general long-term debt principal and interest.
Capital Project Funds - Acquisition or construction of major capital facilities.

Proprietary Funds:
Enterprise Funds - Similar to a private business where the goods or services provided are financed primarily by user charges.

Internal Service Funds - Goods or services provided by various Board departments to other Board departments on a cost-reimbursement basis.

Fiduciary Funds - Assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental entities and/or other funds.

Each of the governmental funds can accumulate a fund balance which is the difference between assets and liabilities. Positive fund balance is when assets are greater than liabilities. The balance in a fund can be either reserved or unreserved. Reserved fund balance is not available for spending because it is either committed or restricted for a particular purpose. Unreserved fund balance, however, is the uncommitted amount of money available for spending (appropriable in the budget).

2. Purpose of Fund Balance

Maintaining unreserved fund balance is important to all sizes of government. There are five discrete reasons most often noted on how governments utilize unreserved fund balance:

A. For cash flow purposes
B. Invested to earn interest
C. To deal with current and future risks such as revenue shortfalls and unanticipated expenditures
D. Means of funding capital expenditures
E. Enhancing the government's credit rating.

A. Cash flow purposes: To balance a fiscal year, revenues and expenditures must be equal. However, this only means that they are equal by the end of the fiscal year. There are times during a particular fiscal year that expenditures will exceed revenues. This is because expenditures needed to operate government activities occur continually regardless of the fiscal year. Revenues, on the other hand, generally have collection cycles and are not always received in a continuous manner. For example, property tax notices do not get mailed out until November which means there are no property tax revenues being collected in the first month of a fiscal year, October. Operations do not stop to wait for these revenues which means expenditures are occurring in October. Unreserved fund balance accumulations from prior years would typically be used to fund these expenditures. As revenues come in, of course, these funds are restored to the fund balance as long as the County is living within its budget and revenues meet projections. Without unreserved fund balance, the County would have to borrow money and pay interest and fees on the borrowings just to cover basic cash flow issues.

B. Invested to earn interest: This interest income is an additional revenue source that the County utilizes in order to fund operations to help maintain a lower tax rate. For example, in FY06, in the general fund and fine and forfeiture fund the County earned a total of approximately $2.7 million in additional revenue from investing fund balance. Without unreserved fund balance, the County would be losing interest earnings as a revenue source.

C. To deal with current and future risks such as revenue shortfalls and unanticipated expenditures. Revenues are budgeted based on a forecast with some degree of uncertainty. At any time during a fiscal year, something can happen to alter these projections and leave the County with a revenue shortfall. The same is true for expenditures. Emergencies or unanticipated events can arise causing the County to need more than the budgeted amount for expenditures. For example, if a hurricane were to hit Leon County, the debris would have to be removed and repairs to roads, buildings, etc. would have to be made. Although a significant portion of these expenditures may ultimately be reimbursed by the Federal/State government or be covered by insurance, there will still be matching requirements. In addition, the reimbursements often take months and sometimes years to recover thereby putting a further strain on the local government. These costs are not budgeted. Without unreserved fund balance, the County would not have immediate access to cash to assist in revenue or expenditure emergencies.

D. Means of funding capital expenditures. It can eliminate the need for entering into debt or at least reduce the amount of debt needed. The varying amounts of capital expenditures from fiscal year to fiscal year cause a spiking effect in the budget. Unreserved fund balance can help to plan ahead for major expenditures and to smooth the budget out as much as possible. Without unreserved fund balance, the County would have to reduce operating expenditures in order to fund capital projects.

E. Enhancing the government's credit rating. In the above reasons for maintaining unreserved fund balance, the need to borrow money as a result of inadequate unreserved fund balance was discussed. Unfortunately, without unreserved fund balance, it is difficult to borrow money because it either preserves or enhances the county's credit rating. Unreserved fund balance demonstrates financial stability and shows lenders that the County can afford to pay its debt. Without unreserved fund balance, the County's credit rating may decrease resulting in borrowing difficulties or higher debt issuance costs. According to the Fitch credit rating agency, "Maintaining an operating reserve or rainy day fund is perhaps the most effective practice an issuer can use to enhance its credit rating." (Attachment 1). According to Moody's, one sign of credit distress is drawing down fund balances.

3. Determination of Appropriate Levels

While there are many reasons for the County to maintain an adequate fund balance, it is also possible to accumulate an excessively large fund balance. An excessively large fund balance would be one beyond the contingency and cash flow needs of the community in the short term and one which lacks any planned use for other longer term projects or expenditures.

Determining an adequate amount of unreserved fund balance is a complex decision and is unique to every local government. There are resources that provide guidelines as to what are appropriate levels:

Government Finance Officers Association (GFOA): GFOA provides recommendations for the general fund for all governments regardless of size. It is recommended that general fund unreserved fund balances are a minimum of 8 to 17 percent of regular general fund operating expenditures (Attachment #2).

Florida Statutes: The statutes provided a threshold of 30%. The County may provide reserves for contingencies at 10% of the total budget and an additional 20% for cash flow purposes. Reserves being accumulated for a specific purpose are not considered unreserved and therefore are not included in these calculations.

Moody's: Moody's Investors Service published statistics in May of 2007 averages for unreserved general fund balance as a percent of revenues (Attachment #3). For Florida Counties with a population between 100,000 and 500,000, the average percentage was 25.7%. This compares to a national average of 25.4% for similar sized counties.

Other Florida Counties: In reviewing other Florida County financial policies, many reference Florida Statutes as the basis for establishing maximum rates. The majority of the policies differentiate between contingency and cash balances. Table 1 provides a brief summary:

Table 1: Florida Counties Fund Balance/Reserve Policies

	Contingency	Cash Balance
Alachua	5% to 10%	No specific amount; separate from contingency
Escambia	No specific targets; goal to maintain an adequate undesignated reserve to buffer against revenue shortfalls.	
Lee	2% to 5%	90 days of operation, or 20% of the fund budget, whichever is greater
Leon	Not to exceed 10%	No less than 10%
Polk	2% to 10%	12% or an amount necessary to meet an individual funds needs necessary to avoid borrowing
St. Lucie	5%	5%
Brevard	No less than 10%	No less than 10%

4. Recommended Changes to County Policy

Leon County Policy No. 99-3 (Attachment 4), provides the following:

1. The general reserves for contingency will be budgeted at an amount not to exceed 10% of projected general revenues for the ensuing fiscal year.

2. The County will maintain an annual unappropriated fund balance at a level sufficient to maintain adequate cash flow and to eliminate the need for short-term borrowing. The unappropriated fund balance shall be no less than ten (10) percent of general operating revenues and shall be separate from the reserves for contingency.

As noted above, the County Policy is consistent with Florida Statutes. While the Florida Statutes provides a maximum threshold, the County policy provides a minimum. Utilizing both of these resources creates a range of 20% to 30%.

As part of FY98 annual audit, the audit report recommend the County increase the general fund unreserved fund balance in the following note: "During the fiscal year ended September 30, 1998, the Board succeeded in increasing its general fund balance by approximately 10% or $791,000. Continued strengthening of these reserves will better equip the Board to respond to unplanned financial requirements and other unexpected issues as they arise. The Board has demonstrated a commitment to continue increasing the general fund balance reserves. We believe this important commitment is necessary to maintain the fiscal strength of the County. Appropriate reserves will also provide flexibility in dealing with changing circumstances and addressing the increasing public service requirements." As reflect in Table 1 below, the County has since been increasing its unreserved fund balance.

Table1: General Fund and Fine/Forefeiture Fund
Unreserved Year End Fund Balance

	Year Ending Fund Balance	% of Adopted Budget
FY02	$19,647,580	24%
FY03	$21,462,618	24%
FY04	$22,322,450	24%
FY05	$26,885,117	27%
FY06	$37,130,130	35%
FY07 (estimated)	$35,653,766	29%

The projected fund balance for the end of the current fiscal year is $35.6 million. As discussed earlier, fund balance supports a number of purposes. Given the impact (and potential impact) of the current property tax reform efforts, it is recommended that the County fund balance policy be revised to address the following; the policy will apply to the aggregate balances of both the general fund and fine/forefeiture funds (Attachment #5):

1. Maintain a minimum of a 10% unappropriated fund balance for the purposes of supporting cash flow purposes, with a maximum to not exceed 20%. 16.6% equates to approximately two (2) months of operating expenditures.
2. Maintain a minimum of a 5% unappropriated fund balance as an emergency reserve for contingency, with a maximum not to exceed 10%.
3. Fund balances in excess of the amounts allocated in 1 and 2 above can be utilized to support capital project funding. As part of the annual budget process, a review will be made to determine the amount of fund balance available to support capital project funding without decreasing levels below the minimums established in 1 and 2.
4. The Board shall only utilize fund balance to support operating expenditures if it supports a one-time expenditure or to address unforeseen revenue shortfalls.

Given the nature of budgeting, the County's fund balance on an annual basis will normally increase. The increase is a function of under expenditure of appropriation and revenue collections in excess o f the budget. With regard to revenues, pursuant to Florida Statute, the County is required to budget revenues at 95% of the projection. Property tax payers can receive a 1% to 4% discount on their bills if paid early, this generally leads to property tax collections of approximately 96.5%. It is anticipated that although a portion of the fund balance will be used to support capital project funding next year, additional fund balance will be generated that could be utilized in subsequent budget cycles. If in the event the fund balance is not sufficient to support future cycles the County will have to look at recurring revenues and/or further operating reductions to support the capital program.

Table 2 provides an analysis of the existing fund balances and a range of funds available in each category.

Table 2: General & Fine/Forefeiture Fund
Allocation of Fund Balance under Proposed Policy Revisions

	Minimum	Mid-Point	Maximum
Cash Flow	10%	15%	20%
	$12.3 million	$18.5 million	$24.6 million
Emergency Contingency	5%	7.5%	10%
	$6.2 million	$9.2 million	$12.3 million
Available for Capital Improvement Program (CIP)	$17.2 million	$8.0 million	$0

Utilizing this proposal, a separate portion of the budget workshop will provide the Board with specific recommendations for the FY07/08 year as it relates to support of the CIP.

5. Other Funds
In addition to the general property tax supported funds, Leon County maintains a number of other funds for specific purposes. Each of these individual funds also can accumulate fund balances. Attachment #6 provides a listing of all funds and the projected fund balances for each.

Three specific funds have balances that could also be utilized to support general revenue related activities: Stormwater Utility ($3.8m), Non-Countywide General Revenue ($3.9m) and Municipal Services ($3.9m). The balances in these funds total approximately $11.6 million. As with the General Fund, individual funds also require fund balance to support cash flow, emergencies, etc. Given the uncertainty of the current property tax reform effort, staff recommends maintaining these existing balances for future budget cycles.

Options:

1. Adopt the following recommendations to be incorporated into the County's reserves policy:
    a. Maintain a minimum of a 10% unappropriated fund balance for the purposes of supporting cash flow purposes, with a maximum to not exceed 20%. 16.6% equates to approximately two (2) months of operating expenditures.
    b. Maintain a minimum of a 5% unappropriated fund balance as an emergency reserve for contingency, with a maximum not to exceed 10%.
    c. Fund balances in excess of the amounts allocated in a and b above can be utilized to support capital project funding. As part of the annual budget process, a review will be made to determine the amount of fund balance available to support capital project funding without decreasing levels below the minimums established in a and b.
    d. The Board shall only utilize fund balance to support operating expenditures if it supports a one-time expenditure or to address unforeseen revenue shortfalls.
2. Do not adopt recommended changes to the County's reserves policy.
3. Board direction.

Recommendation:

Option #1

Attachments:

1. FitchRatings – The 12 Habits of Highly Successful Finance Officers
2. Government Finance Officers Association Recommended Ranges for Unreserved Balances
3. Moody's Florida Local Government Medians
4. Leon County Policy No. 99-3 Use of Contingency Reserves
5. Proposed Revised Policy No. 99-3 Use of Contingency Reserves
6. Mid-Year Report Fund Balance Summary

Fitch Ratings

Public Finance

Criteria Report

The 12 Habits of Highly Successful Finance Officers

Management's and Disclosure's Impact on Municipal Credit Ratings

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■ Summary

In 1999, Fitch Ratings undertook a study of defaults of municipal debt, which resulted in the revision of its rating criteria for many sectors of public finance. During that process, Fitch came to the conclusion that management practices were more important in predicting favorable credit performance than had been appreciated in the past. Fitch's public finance group identified several preferred management practices and said on record that issuers who incorporate several of these best practices could see a difference of one to three rating notches above the ratings of similar issuers that do not incorporate such practices. In the subsequent review of Fitch's entire portfolio of debt ratings that occurred through 2000, many ratings were revised under the new criteria. Fitch changed about 27% of its tax-supported debt ratings and about half its water and sewer ratings, mostly upgrades. Fitch estimates that about three-quarters of the rating changes were a result of the emphasized consideration of management practices.

This report, while directed primarily at local governments' tax-backed governmental operations, serves as an overview for the entire spectrum of governmental debt issuance, for both tax-supported and user fee-based enterprise operations. It discusses the management practices that Fitch believes are conducive to strong creditworthiness and those that are detrimental to financial soundness. In updating its view on management's effect on creditworthiness, Fitch incorporates an assessment of disclosure and debt affordability practices. For the future, Fitch is in the process of disseminating similar reports for other sectors of public finance, such as health care, transportation, and higher education. Fitch will continue to evaluate and identify best practices and disclosure techniques so that management can be appropriately and objectively evaluated in assigning ratings.

■ Background

Prior to Fitch's default study, rating agencies had always considered financial management practices when assigning bond ratings. Policies that call for contingency operating reserve funds, pay-as you-go capital spending, and multiyear budgeting were encouraged, although their rating value was left vague in rating agencies' guidelines. Likewise, receiving budgeting and financial reporting awards from organizations like the Government Finance Officers Association (GFOA) was generally lauded by rating agencies but given the same indistinct response in assigning ratings. Most rating adjustments for management reasons occurred on a case-by-case basis, rather than based on consistent benchmarks that define management practices' worth in an issuer's ultimate rating assignment.

In analyzing actual financial crises of the past 25 years, it is clear that management has had a significant impact on salvaging, as well as exacerbating, situations. In the 1970s, New York City had more than its share of economic problems, with declining population, employment, and property values. However, its financial crisis was precipitated by cash basis accounting, poor management decisions, lack of internal controls, overspending, and poor record keeping. The default by the Washington Public Power Supply System was as much a result of unrealistic projections as of a national shift from nuclear power generation to conservation as a means of addressing energy shortages. Reliance on nonrecurring revenues and liberal growth forecasts contributed to Nassau County, NY's fiscal crisis in the late 1990s. Finally, the inappropriately speculative investment strategy and lack of internal controls of Orange County, CA caused the huge investment losses that led to the county seeking bankruptcy protection. In most of these cases, questions were raised about whether adequate disclosure practices were employed. Market participants expressed concern that lack of disclosure was a major contributor to the meltdowns, allowing issuers to mask their financial problems until it became too late to mount effective strategies to reverse their fortunes.

On the positive side, fiscal discipline and strong management practices have significantly benefited credits. Baltimore has been faced with long-term economic erosion and urban flight as much as any city in the country. However, its budgets are consistently balanced, and its bond ratings have been kept in the upper end of the 'A' category by all three major rating agencies. The cities of Detroit and New York have also employed management practices that have resulted in enhanced credit quality.

In summary, management practices and policies can add stability to weak credits, maximizing their credit rating potential. Conversely, weak financial management can negatively affect even the strongest economies and local government structures. In extreme cases, poor management can cause rating downgrades to below investment grade and, on rare occasions, bankruptcy or missed debt service payments. The increased pressure for better disclosure by issuers from regulators and municipal analysts is understandable because of the correlation between substandard disclosure and severe fiscal stress and default events.

Best Practices and Disclosure Standards

Best practices that promote efficiency in government and solvency in public finance have been identified by the GFOA; The National Association of State Auditors, Comptrollers and Treasurers; the National Association of State Budget Officers; the National Association of Counties; and the International City/County Management Association. In 1997, a group called the National Advisory Council on State and Local Budgeting (NACSLB) was created by these and numerous other government organizations and business leaders. NACSLB published a report in 1998 on approximately 60 best practices in budgeting and financial management for state and local governments. Its recommendations constitute many of the financial management practices that Fitch recognizes as superior and considers in its credit rating process.

Not all NACSLB's best practices deal with financial management; many concern taxpayer communications or assessing programs and services. Fitch believes that if taxpayers understand the services governments provide, they may be less likely to propose restrictive initiatives or force dramatic political or management changes through the electoral process. Coral Springs, FL and Scottsdale, AZ are recognized leaders in the identification of taxpayer concerns, needs, and priorities.

The national debate about increased disclosure by issuers of municipal debt began after New York City's financial crisis in 1975. Many governments still used cash basis accounting to report their operations, and many series of bonds were sold with little more than a four-page notice of sale and bidding instructions. To its credit, New York City fashioned improvements to its financial management system and oversight mechanisms (these were required by the credit markets before market access would be granted to the beleaguered city), which led to the widespread acceptance of generally accepted accounting principles (GAAP) as the minimum standard of financial reporting disclosure for state and local governments. This trend toward increased GAAP use was an important factor in Fitch's conclusion in its 1999 default study that there has been an improvement in safety and stronger creditworthiness in the municipal market.

Although the municipal market still enjoys relative freedom from regulation by the Securities and

Exchange Commission, self-policing structures, like the Municipal Securities Rulemaking Board, exist to ensure that an active debate regarding disclosure practices continues. In recent years, the National Federation of Municipal Analysts (NFMA) led the charge for more detailed disclosure by local governments. This organization issued or drafted comprehensive disclosure guidelines for nine municipal finance sectors and developed secondary market disclosure forms for another eight areas.

Related to the quality and amount of disclosure by issuers is the concept of timeliness. Rule 15c2-12 of the Securities Exchange Act of 1934 is intended to ensure timely disclosure of material events or developments defined by the rule. Annual audited financial reports are generally available within six to nine months after a fiscal year's end, according to accepted practice; however, there is no formal standard for this written into regulation. Rating agencies have a certain amount of influence because the failure to receive an audited financial report can result in the withdrawal or loss of a bond issuer's rating. However, such an action does not help investors make informed decisions; rating withdrawals only result in an absence of information. Fitch believes a delay in reporting that exceeds six to nine months after the close of a fiscal year is excessive.

In recent years, there has been a fair amount of controversy regarding the adequacy and operation of the disclosure repositories. With the expansion of the internet and its widespread acceptance as a means to transfer information, even the smallest issuer has a cost-effective platform for the dissemination and publication of debt disclosure information.

Fitch's last report on management presented a list of positive financial management practices that Fitch felt had the most beneficial effect on creditworthiness. Several of these items touched on disclosure, such as an issuer's receipt of awards for excellence in financial reporting and budgeting. Fitch indicated it would more favorably view ratings for issuers that were already meeting the newer demands for fixed asset and depreciation reporting resulting from Governmental Accounting Standards Board Statement No. 34 (GASB 34). Now that many governments have to meet the fiscal years 2002 and 2003 implementation deadlines for GASB 34, this form of disclosure will increasingly become the accepted standard, rather than the exceptional practice of a few forward-minded issuers. Fitch is updating its list of favorable practices to address the broader subject of disclosure, rather than focusing on fixed asset depreciation reporting. The box above lists those financial management practices in the government sector that Fitch believes are most positive in credit analysis.

Best Financial Management Practices for Governmental Issuers

- Fund balance reserve policy/working capital reserves
- Multiyear financial forecasting
- Monthly or quarterly financial reporting and monitoring
- Contingency planning policies
- Policies regarding nonrecurring revenue
- Debt affordability reviews and policies
- Superior debt disclosure practices
- Pay-as-you-go capital funding policies
- Rapid debt retirement policies (greater than 65% in 10 years)
- Five-year capital improvement plan integrating operating costs of new facilities
- Financial reporting awards
- Budgeting awards

Fund Balance Reserve Policy/Working Capital Reserves

Maintaining an operating reserve or rainy day fund is perhaps the most effective practice an issuer can use to enhance its credit rating. It is also the most frequently implemented practice, adopted by both large and small local government issuers. A financial reserve may be used to address unanticipated revenue shortfalls or unforeseen expenditures. This provides a first defense against deficit spending and helps maintain liquidity when budgeted drawdowns become inevitable. The appropriate size of such a reserve depends on the potential variability of the entity's revenues and expenses, as well as its working cash needs to handle seasonality of revenues or expenditures.

Governments can issue cash flow notes — tax anticipation notes or revenue anticipation notes — when revenue receipts and/or expenditure disbursements are uneven throughout the fiscal year or mismatched with one another. In such cases, short-term borrowings can be an effective means to even out lumpy or unbalanced cash flows. However, in several instances, governments have issued sizeable amounts of cash flow notes to compensate for unanticipated year-end cash and fund balance deficits. A need for notes in situations of fiscal stress may indicate weakened credit quality and is a leading cause of downgrades. Issuers that can meet their seasonal cash flow needs from working cash on hand can avoid all the potential problems that issuing notes in finance shortfalls might create.

Multiyear Financial Forecasting

The practice of forecasting operating revenues and expenditures over several years has generally developed from issuers experiencing severe fiscal stress and coming under the oversight of financial control boards, such happened in New York City, Washington, D.C., and Philadelphia. However, in these cases, multiyear financial forecasting has had beneficial effects long after the financial crises passed. A multiyear plan enables executives and legislators to anticipate potential budget stress that may result from projected revenue and expense imbalances, allowing them to take corrective action long before budgetary gaps develop into crises. The multiyear plans of New York City and Philadelphia serve as good models for larger local governments. Multiyear planning for general fund operations can be effectively employed by smaller issuers (with less than 50,000 people) too, such as Radnor Township, PA, at relatively low cost.

Monthly or Quarterly Financial Reporting and Monitoring

Interim financial reporting and monitoring can block the progress of impending fiscal stress if the financial management system is calibrated properly. The best interim reports give details on the issuer's major tax and revenue sources, with variance analysis that shows the factors that are affecting revenue inflow. Likewise, interim reports that present spending for the current month, for the year to date, and in comparison with the budget are also beneficial. For an interim report to be most meaningful, its format and basis of reporting should be consistent with the adopted budget, the past year's GAAP results, or both. The quarterly city manager's report put out by Philadelphia is an example of excellent interim reporting; in addition to providing updates on service delivery and important management initiatives, the report gives quarterly results for general fund operations, adjusted to GAAP and comparable with the city's annual financial statements.

Contingency Planning Policies

When evaluating credits, municipal credit analysts do not like to see surprises, particularly negative ones. Demonstration by an issuer of foresight and planning against unforeseen events is viewed positively. Many future challenges can be anticipated. Each year, in several states, a number of voter initiatives are presented that propose revenue limits or reductions and can potentially change issuers' financial flexibility dramatically. Issuers should have meaningful contingency plans against the possibility of voter-ordered tax cuts. Likewise, issuers located in zones with frequent hurricanes should have reasonable contingency plans for dealing with the financial, economic, and social challenges posed by a storm's destruction. Finally, local governments should consider making contingency plans for their proposed or adopted budgets, in the event that budget assumptions prove erroneous. Simply put, officials should think about creating a plan B. Early planning and timely communication of contingency plans can greatly help maintain creditworthiness in the face of unusual events.

The City of Federal Way, WA is an example of an issuer that employs good contingency planning techniques. In Fitch's 2000 comprehensive review of ratings and management practices, Federal Way was the Fitch-rated issuer with the greatest number of best practices implemented and maintained.

Policies Regarding Nonrecurring Revenue

Overreliance on nonrecurring revenues, or "one shots," to pay ongoing and recurring expenses is a credit concern, since it frequently contributes to budgetary stress and fiscal structural imbalances. One shots can be sales of fixed assets (such as surplus school buildings or properties), budgetary savings from a debt refinancing, court settlements, or tax collection windfalls resulting from state or federal government changes.

From a credit perspective, nonrecurring revenues are best used for one-time or discretionary spending that will not entail spending pressures in future years. Such uses include funding a pension fund's unfunded liability or providing pay-as-you-go capital expenditures, in turn reducing that year's debt issuance by a similar amount.

Knoxville, TN, among several best practices it employs, has adopted prudent fiscal policies regarding the use of nonrecurring revenue. These policies paved the way for an upgrade of the city's rating to 'AA+' in August 2001.

Debt Affordability Reviews and Policies

Strong debt management practices are evidenced by comprehensive debt policy statements that discuss the types and methods of financing employed by an issuer. These should include an issuer's policies regarding off balance sheet financings, such as certificates of participation (COPs) or lease debt, as well as bond anticipation notes, tax and revenue anticipation notes, and variable-rate demand obligations (VRDOs). Conduit debt need not be included unless it draws on taxes and/or fees levied and collected by the issuer as part of traditional government operations. Policy statements should also set forth any self-imposed debt limitations, such as those based on personal income, property market value, or annual recurring revenue or spending. Debt affordability policies, like those of the State of Maryland, Howard County, VA, and many other counties in Virginia and Maryland, are viewed as most valuable in Fitch's debt management analysis.

Also related to debt affordability, an issuer should consider its overall exposure between invested assets and external debt issuance. Increasingly, government issuers are balancing short- and long-term investments with a mix of short- and long-term debt. Fitch recognizes that prudent use of VRDOs and other interest rate risk management tools can benefit the balance sheets and long-term financial health of a tax-exempt debt issuer. However, inappropriate or excessive use of such financial instruments may have the opposite impact. A debt issuer engaged in such practices is encouraged to do so in conjunction with a comprehensive asset-to-liability management policy that includes:

- Identification of debt and investment management products and counterparty ratings acceptable to the debt issuer.
- Expected benefits of selected financial products in light of potential interest rate volatility.
- Strategies for responding to projected and unprojected changes in short- and long-term interest rates.
- Sources of funds available for potential swap termination payments.
- Designation of individuals responsible for negotiating, monitoring, and reporting market conditions and their impact on variable- and fixed-rate debt, interest rate hedges, investments, and any financial products under consideration or already implemented.
- Frequency of marking to market and monitoring investments and other financial products.

The City of Orlando, FL is a leader in the field of asset-to-liability management.

Superior Debt Disclosure Practices

Superior disclosure practices go beyond the documentation required to successfully undertake a new issuance of bonds or notes. Risk managers, analysts, and institutional investors provide a market mechanism that sets disclosure standards for favorable market access. Thus, the true measure of an issuer's disclosure practices comes when it has no future debt plans and holders of its securities are dependent on secondary market disclosure to make informed decisions to buy, sell, or hold debt.

The ongoing requirements of Rule 15c2-12 under the Securities Exchange Act of 1934 are the minimum for disclosure and, in many cases, are limited to calling for audited financial statements and publication of negative developments after they occur. In such cases, an investor may receive important information after the fact, when an issuer is experiencing fiscal stress or in default.

Although many VRDOs are exempt from the continuing disclosure provisions of Rule 15c2-12, superior disclosure practices should incorporate a commitment to ongoing disclosure of material events relating to VRDOs. Such material events include conversion of interest rate modes, mandatory tenders, draws on liquidity or credit facilities, changes in liquidity or credit support providers, significant amendments of bond and bank documents, and termination of related swaps.

For annual financial reports, while GASB 34 sets minimum new disclosure requirements (such as the new management's discussion and analysis section), nothing prohibits an issuer from choosing to disclose additional information. Additional disclosure can be presented in notes to the annual financial statement or in a supplementary information section or statistical section. These sections can contain the data on demographic trends, tax assessments, and utility customers that is found in most comprehensive annual financial reports awarded the GFOA's Certificate of Achievement for Excellence in Financial Reporting. Some larger states and cities have implemented an annual disclosure statement as a companion to the audited report, which basically updates all the key information and statistics originally supplied in new bond issue offering statements. The annual disclosure statement, when updated, can serve as a section of the new official statement for debt issued during the current fiscal year.

Some examples of superior disclosure that are not standard items in a financial report are:

- Delineation of financial management policies (such as the items listed in this report as best practices).
- Specific histories of pledged tax or revenue streams that back revenue bonds (which many times are obscured due to their inclusion in a larger, more general category such as local taxation).
- Charts depicting required and actual revenue bond coverage, calculated per the bond indenture formulas.
- Operating fund cash flows, broken out monthly, particularly for issuers that externally borrow for seasonal cash flow needs.
- Compliance with key indenture terms, such as covenants, reserve funds, and/or renewal and replacement funds.
- Use of short-term borrowings that occur within a fiscal year but are not reported because they are extinguished before the fiscal year-end audit reporting requirement.
- Use and performance of interest rate swaps, including marked-to-market value, occurrence of events of default or termination, and any termination payments made or received.
- Annual updates of operating data for enterprises, such as fees, customer trends, and service volume.
- Status of VRDOs, including the actual average interest rate paid during the previous year, current credit and/or liquidity support providers, and any plans to convert or swap debt to or from fixed or floating rate.

Fitch prefers that issuers regularly disclose all municipal debt and lease obligations — including general obligation bonds and debt supported by local tax or enterprise revenue sources. Fitch's tax-supported debt ratings take into account the level of all such debt relative to the size of the local tax base. Disclosure of whether any bonds are not fully supported on an annual basis by their intended source of payment (such as a sales tax or gas tax providing at least 1.0 times debt service coverage) is also needed in order for analysts and investors to consider all relevant credit pressures on the municipal entity.

In addition, disclosure of debt issued by off balance sheet entities, including shell leasing companies and entities created to facilitate securitization of tobacco settlement revenues, is helpful, although the decision of whether to include such debt in tax-supported debt ratios will vary, based on, among other factors, the intended source of debt payment, the receipt of legal opinions clarifying the recourse of off balance sheet bondholders to government resources, and whether pledged revenues are owned by the rated municipality. *(For more information on tobacco-related off balance sheet entities, see Fitch Research on "Revised Treatment of Tobacco Bonds in Government Debt Ratings," dated March 1, 2001, available on Fitch's web site at www.fitchratings.com.)*

Issuers considering improvements to their ongoing disclosure practices can find suggestions and examples in several places. Two good sources are the guidelines promulgated by the GFOA for its Certificate of Achievement for Excellence in Financial Reporting Program and the secondary market disclosure guidelines adopted and published by the NFMA.

A leader in the use of the internet as a means of ongoing disclosure is the City of Philadelphia, which incorporates copies of its annual financial report, annual budget in brief, and five-year financial plan for tax-supported funds on its web site.

Pay-As-You-Go Capital Funding Policies

In terms of credit analysis, the benefits of pay-as-you-go capital funding are several and profound. First, significant funding of capital costs from annual budget appropriations helps keep an issuer's debt low, which is always a positive credit factor. Second, pay-as-you-go capital appropriations improve an issuer's financial flexibility in the event of a sudden revenue shortfall or emergency spending. A temporary shift away from pay-as-you-go funding for recurring expenditures is not automatically viewed as negative if the issuer historically has demonstrated a propensity to return to pay-as-you-go funding when possible. In future years, some issuers may choose to increase their pay-as-you-go appropriations in response to GASB 34 (depreciation of general assets). Such a move would have positive implications for a local government credit. Finally, contribution of capital pay-as-you-go appropriations for a project financed with COPs provides insight on the leased project's essentiality to the issuer. Providing a substantial downpayment from annual resources demonstrates the government's commitment to the project and encourages the issuer to keep annual rent payments current so as not to lose the contributed capital of the pay-as-you-go appropriation through a

COP default and the project being taken over by a receiver or trustee.

Chattanooga, TN is a leader in using pay-as-you-go contributions for capital projects, which has allowed the city to keep its debt burden manageable despite a major downtown redevelopment project over the past two years.

Rapid Debt Retirement Policies

One tenet in credit analysis is that the life of debt should not exceed the useful life of the asset or project being financed. However, useful life should not be the only benchmark considered when structuring the maturity of an issuer's debt. An issuer that frequently sells 30-year debt or continually extends the existing maturities of its debt through refinancing and restructuring may still manage to match debt to useful life. However, from a credit perspective, an issuer that pays off its debt rapidly (65% or more of principal in 10 years) will be analyzed more favorably than a similar issuer that retires only 50% of its debt over 10 years. Retiring less than 35% of tax-backed debt in 10 years is considered a weak fiscal practice.

Of further credit value, rapid debt retirement usually results in a declining debt service schedule, thereby providing additional financial flexibility and debt capacity for future years. Issuers that stretch out their debt through ascending debt service maturities or heavy use of capital appreciation bonds reduce their financial flexibility. Back-ended debt can raise concern, particularly if repayment is expected to come from future revenue growth that may not be realized.

Hamilton County, TN restricts the final maturities on its tax-supported debt to 15 years, resulting in a debt amortization rate of 89% over the next 10 years. This gives the county a great deal of flexibility for future debt issuance, and the declining debt service schedule that results incorporates budgetary flexibility to meet rising service costs in other areas.

Five-Year Capital Improvement Plan that Integrates Operating Costs of New Facilities

The practice of creating a multiyear capital improvement plan has reached such widescale acceptance that absence of a plan may be viewed as a credit negative. Plans of the more sophisticated and foresighted government managers not only project future debt issuance but include the incremental operating costs of newly built facilities. Generally, five years is a good planning time frame, although for some communities, a longer range plan may be appropriate. Integrating future operating costs for capital construction in a capital plan implies that the issuer does multiyear forecasting for its operating fund. Doing both of these is viewed as cutting edge, contributing to more favorable rating consideration.

Since the early 1980s, New York City's four-year financial plan has incorporated not only the future debt costs for its capital plan, but the future capital plant operating costs in its four-year operating fund forecasts.

Financial Reporting and Budgeting Awards

Awards for excellence in financial reporting and budgeting are granted by the GFOA and, to school districts, by the Association of School Business Officials International (ASBO). Receipt of these awards does not imply financial strength; the City of Philadelphia continued to receive such awards in the early 1990s, when it was near bankruptcy. However, an issuer's achieving these awards gives investors and credit analysts increased confidence that the information disclosed in its financial reports and budgets is comprehensive and accurate.

Frequently, reporting items beyond those required by the GFOA and ASBO standards is helpful in fully describing an entity's financial operations. Additional items may include details of major operating fund transfers in and out and a breakdown of revenues categorized as taxes into specific components. Issuers that regularly disclose the management and internal control assessments received from their auditors are recognized as making the best efforts to present full and complete disclosure to rating agencies and other industry credit analysts.

Oak Ridge, TN has garnered the most GFOA awards over the 57 years of the GFOA's financial reporting award program and 18 years of its budget award program, with 57 (40 for its annual reports and 17 for its budgets). The cities of Boca Raton, FL, Eugene, OR, Fort Worth, TX, and San Antonio, TX and Montgomery County, OH are tied for the greatest number of GFOA budgeting awards, each with 18.

■ Accounting for Depreciation of General Governmental Fixed Assets

GASB 34 requires issuers to account for and report use and depreciation of capital assets not reported in utility enterprise funds. Initially, it seems local governments that did not fund depreciation of such assets on a pay-as-you-go basis are likely to report annual operating deficits in the new governmentwide financial statements under the new accounting model, even if all other normal expenses are funded or exceeded by normally recurring revenues. Because of the newness of GASB 34, Fitch does not expect to downgrade issuers in the near term due to deficits resulting solely from new depreciation expenses for general infrastructure, provided that the normal revenue and expenditure balance in the general operating fund continues and the liquidity and financial position of the general fund is not compromised. However, as depreciation accounting becomes more standardized and accepted, Fitch and other municipal credit analysts will expect governments to account for infrastructure maintenance in compliance with GASB 34 requirements and to take actions to keep their infrastructures in good repair.

Orlando, FL reported its fiscal 1999 financial operations in accordance with the GASB 34 guidelines, several years before the deadline for cities of its size.

Best Practices and Their Impact on Debt Ratings

Historically, analysts have given only limited weight to best practices when assessing a government's credit. Their concern was always that when economic conditions turn tough, government financial managers may loosen their standards and policies, reverting to acts of fiscal or political expediency to maintain or increase services without raising taxes.

However, after reviewing the historical performance data, it is clear that most issuers that garnered executive and legislative support for best practices did not discard their policies when revenues fell short of budget. Furthermore, the discipline that these issuers adopted as part of long-range financial management improvements helped them during tough times. While some such issuers' fund balances were drawn down, they were rarely fully depleted. For some, pay-as-you-go financing was curtailed temporarily, but generally resumed when revenue collection improved. Also, self-imposed debt affordability restraints were generally not abandoned during recession. Rather, best practices provided such issuers with a steady set of guidelines to see them through troubled economic times, shored up investor confidence, and assured continued access to the debt markets. As such, Fitch believes it is appropriate to explicitly give greater weight in the credit rating process to such standards.

Record bankruptcies in the corporate world, combined with past fiscal meltdowns in the state and local government sector, all serve to demonstrate that poor disclosure practices can magnify and lengthen fiscal stress, if not actually contribute to the fiscal problems. Superior disclosure practices help issuers to form capital and avoid financial stress before it occurs.

Assessing management can be very subjective; one analyst's view of what constitutes strong managers may substantially differ from another's. However, the management practices cited in this report are all tangible evidence of good management and, in one form or another, have been viewed positively by credit analysts in the public finance sector. Recognition of management practices, rather than merely managers, helps provide an objective means to assess this sector in credit analysis.

The best practices beneficial to an issuer's creditworthiness are weighted in the table below. Fitch's rating process assesses an issuer's achievement of these best practices, and the more of these practices an issuer uses, the more rating enhancement is possible. Those practices considered most valuable are labeled "very significant," on down to "significant" and "influential." Many of these practices have been used by managements of issuers that received 'AAA' ratings from Fitch in the past. In

Relative Values of Best Practices in Fitch's Public Finance Ratings

Best Practice	Value*
Fund balance reserve policy/working capital reserves	Very Significant
Multiyear financial forecasting	Significant
Monthly or quarterly financial reporting and monitoring	Significant
Contingency planning policies	Influential
Policies regarding nonrecurring revenue	Influential
Debt affordability reviews and policies	Very Significant
Superior debt disclosure practices	Very Significant
Pay-as-you-go capital funding policies	Significant
Rapid debt retirement policies (greater than 65% in 10 years)	Significant
Five-year capital improvement plan integrating operating costs of new facilities	Influential
Financial reporting awards	Influential
Budgeting awards	Influential

*Values in descending order of importance are: very significant, significant, and influential.

future reviews, these practices will be important criteria for new 'AAA' assignments.

Practices that Cause Concern

Listed in the box at right are some practices that raise analysts' concern about an issuer's fiscal future. Many are familiar or self-explanatory. In a future report, Fitch will examine these practices and other negative developments that have caused and will continue to produce negative concern and lower debt ratings.

Management Is Key to Ratings in the 21st Century

Management analysis, as well as new viewpoints on the analysis of local economies and special tax pledges, formed the cornerstone of Fitch's revised rating guidelines for tax-backed debt originally published in May 2000. The rash of bankruptcies of companies like Enron Corp. and WorldCom highlights the role that poor disclosure can play in distressed situations. Fitch feels that its approach to factoring in management and disclosure practices will serve as a standard for credit analysis in the age of the internet and rapidly expanding technology. As always, Fitch welcomes comment and debate from other interested parties, whether issuers, analysts, investors, or academics.

Worst Financial Management Practices for Governmental Issuers

- Cash basis accounting
- Qualified audit opinion of material weakness
- Deficit financing for two of past five years
- Slow debt retirement (less than 35% in 10 years)
- Unfunded accrued pension liability (funding ratio less than 60%)
- Tax and revenue anticipation note amount growing significantly faster than annual spending
- Debt restructuring that defers more than 35% of current debt service
- Overreliance on nonrecurring revenue (for more than 15% of recurring expenses)
- Aggressive investment policy for operating funds
- Pension contribution deferral in the current budget year
- Budgetary impasse beyond legal completion date
- Lack of capital improvement plan
- Excess interfund borrowing with no capacity to repay in near future

What is the appropriate level of "unreserved fund balance" that should be maintained in the general fund?

As a practical matter, governments typically assess the adequacy of *unreserved fund balance* in the general fund by comparing it to either revenues or expenditures. The choice between the two frequently is dictated by their relative predictability for a given government.[9] In either case, unusual items that would distort trends (e.g., one-time revenues and expenditures) should be excluded, whereas recurring transfers should be included.

The adequacy of *unreserved fund balance* in the general fund should be assessed based upon a government's own specific circumstances. Nevertheless, GFOA recommends that general-purpose governments, regardless of size, maintain *unreserved fund balance* in their general fund at no less than the following minimum level:

- *For governments that compare "unreserved fund balance" to revenues:* A minimum balance of no less than 5 to 15 percent of regular general fund operating revenues

- *For governments that compare "unreserved fund balance" to expenditures:* A minimum balance of no less than 8 to 17 percent (i.e., one to two months) of regular general fund operating expenditures.

[9]Once the decision has been made to compare *unreserved fund balance* to either revenues or expenditures, that decision should be followed consistently from period to period.

Special Comment

May 2007

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Florida Local Government Medians

Summary Opinion

This report presents medians for key financial, debt, economic and tax base statistics related to Florida cities, counties and school districts rated by Moody's Regional Ratings Team. We have also taken the opportunity to compare these Florida medians with those of cities, counties, and school districts nationwide. The medians shown have been derived from data collected during our analysis of municipal obligations across the 50 states. Moody's has provided medians for each of these three sectors on both a total population basis and broken down into distinct population ranges. The data supporting this year's medians primarily utilize fiscal 2005 financial reports and the most recent available socio-economic and tax base statistics.

Rating comparisons, summarized briefly below, are positively influenced in some categories by four primary factors.

- First, because of the strong influence of municipal bond insurance in the state, Florida municipal ratings typically begin at the "A3" rating level and above. Securities that would generally be rated below the "A3" level traditionally select an insured-only rating, while securities rated "A3" or better typically utilize an underlying (or unenhanced) in conjunction with the insured rating.
- Secondly, most of the rated counties are relatively sizable, with smaller, more rural counties not maintaining an unenhanced rating.
- Thirdly, school districts in the state are countywide entities, and therefore tend to be larger than most of their counterparts nationally.
- A final note worthy of mention is that many Florida municipalities have changed dramatically in the past ten years or less, growing in population and exhibiting solid economic expansion. As a result, some of the indicators related to wealth that are based on 2000 Census figures may not fully reflect these changes.

In general, based on all rating categories and not various population clusters, we find that compared to national rating levels, Florida local government ratings demonstrate the following:

- Florida cities are rated comparably to cities across the nation and have a median general obligation (or equivalent) rating of A1 compared to A1 nationally;
- Counties are generally rated higher and have a median rating of Aa3 compared to A1 nationally;
- School districts are generally rated higher and have a median rating of A1 compared to A2 nationally

Moody's Investors Service
Global Credit Research

Florida wealth indicators, as far as per capita income and median family income, are generally below average for cities, counties, and school districts (although per capita income is above average for Florida counties and school districts). Florida poverty levels are above average in all instances.

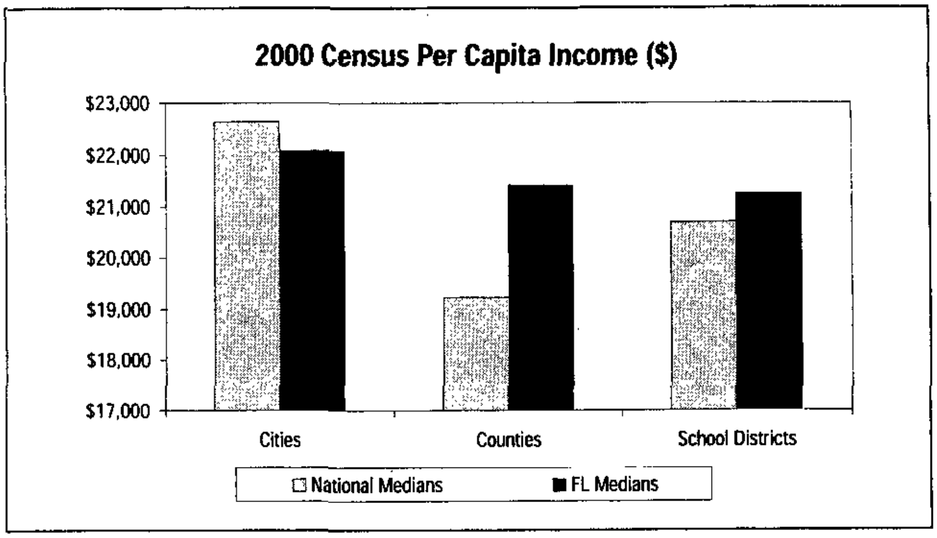
Tax base indicators for Florida issuers exhibit the recent, rapid escalation in property values, with full valuation and growth in valuation over the past five years comfortably above national averages.

While Florida operating tax rates can only be compared within the state, as a general rule, the higher the rating category for cities and counties, the lower the operating tax rate is in relation to the state-wide 10-mill cap. For all cities in the state, the median operating tax rate of 5.0 mills reflects mostly a preponderance of A-rated cities where the average tax rate is 5.7 mills. Millage trends downwards from that point to 2.42 mills for Aaa cities. With counties, the overall median tax rate is 5.83, while the median increases to 6.21 mills for A-rated counties and decreases to 5.72 mills for higher-rated Aa counties. Millage rates for school districts are largely dictated by the state, except for a relatively small discretionary component.

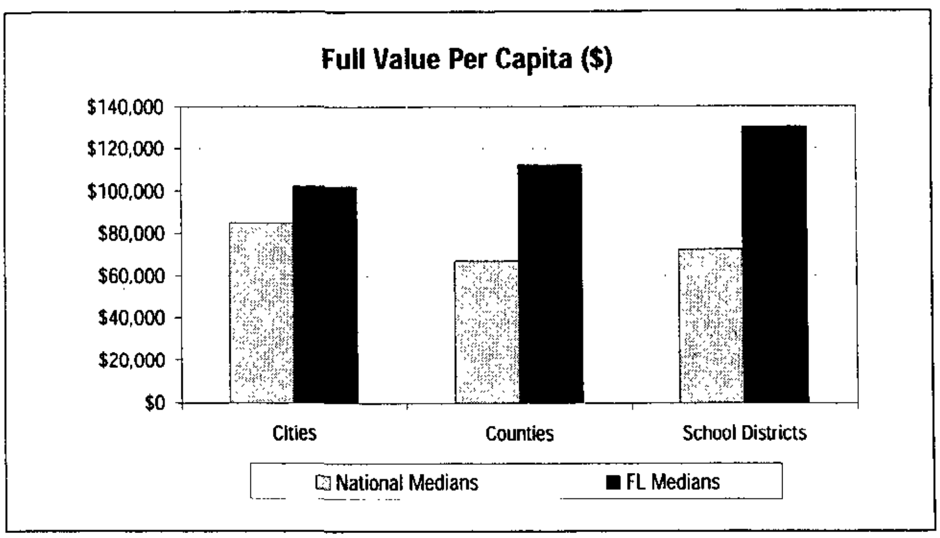
Florida debt measures of direct and overall net debt tend to be comparable to slightly below the national medians.

Finally, financial parameters, as measured by total and unreserved General Fund balance, indicate that Florida counties and school districts were below average in both areas, while cities were generally above, with the exception of the Aa rating category.

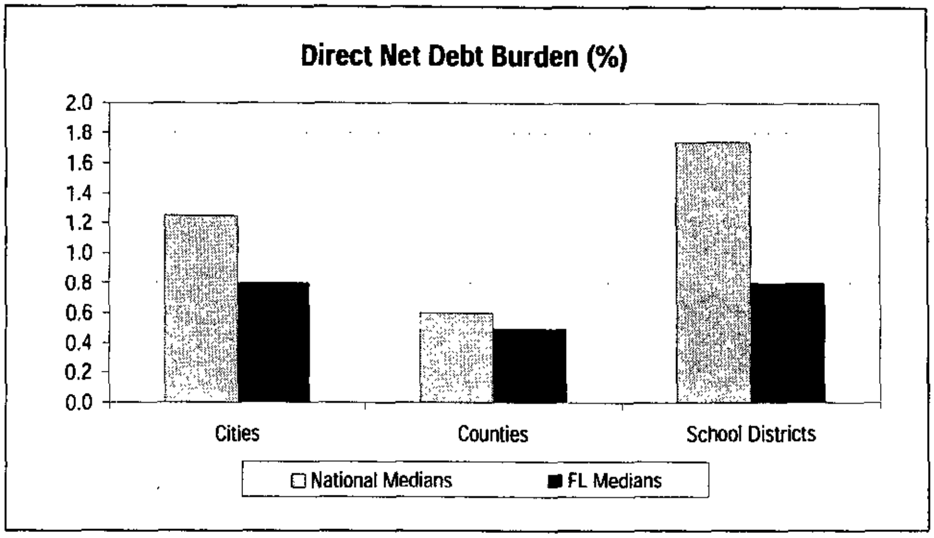
The selected indicators should be considered as broad guidelines only. Performance relative to the guidelines is not an absolute indicator of credit quality, and a bond rating cannot be inferred within this narrow context. Each municipal credit is unique, and the consideration of numerous credit factors, each weighed separately, leads to the determination of a Moody's rating. A Glossary of Terms and Ratios is available at the end of this report.



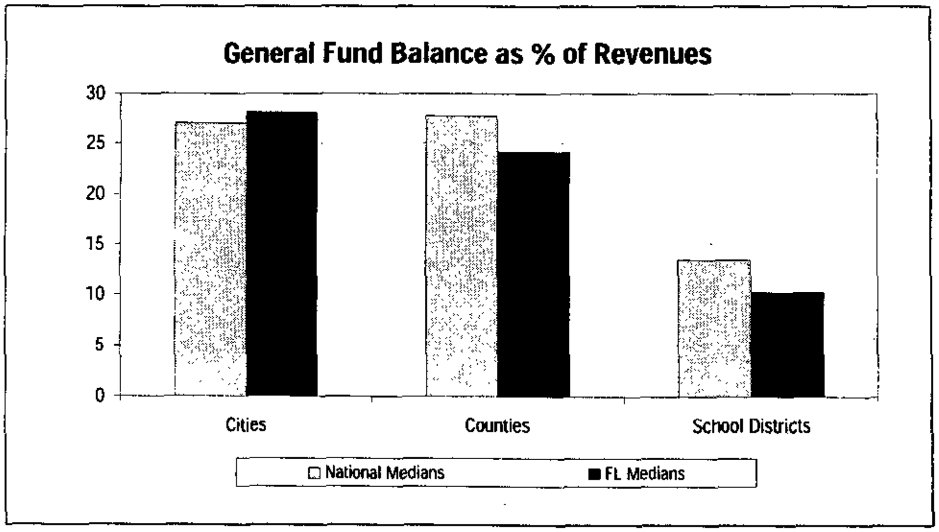
The most recent, reliable data available for all sectors is the per capita family income for 1999 as reported in the 2000 US Census. More recent data is not included in this chart, but is used during analysis as available for larger entities.



Full value per capita reflects the estimated full market value of all taxable property within a local government divided by the most recent population (either actual or estimated).



Direct net debt as a percentage of full value reflects the direct net debt of the local government less sinking fund accumulations, short-term operating debt, and self-supporting debt, divided by the estimated full market value of all taxable property within the local government.



General Fund balance as a percentage of revenues reflects total General Fund balance as reported in the local government's financial statements, divided by total General Fund revenues, including transfers in and other sources for operating purposes.

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Florida and National Medians for Cities

ALL POPULATION CATEGORIES

	Florida				National			
Rating Category	All	Aaa	Aa	A	All	Aaa	Aa	A
Median Rating	A1	Aaa	Aa3	A1	A1	Aaa	Aa3	A2
Total General Fund Revenues ($000)	41,580	57,766	68,614	34,281	19,294	69,819	32,132	11,980
General Fund Balance as % of Revenues	28.2	82.7	20.6	32.8	27.1	29.4	27.5	27.9
Unreserved General Fund Balance as % of Revenues	22.5	73.6	17.2	27.8	22.4	21.8	23.4	22.6
Direct Net Debt as % of Full Value	0.8	0.5	0.9	1.0	1.3	0.8	0.9	1.2
Debt Burden (Overall Net Debt as % Full Value)	2.0	1.8	2.2	2.1	2.6	1.9	2.3	2.6
FL Tax Rate	5.00	2.42	4.91	5.70	NA	NA	NA	NA
Total Full Value ($000)	5,625,865	10,756,831	10,867,840	3,024,228	1,938,955	7,900,608	3,621,858	1,165,764
Average Annual Increase in Full Value (%)	13.0	15.9	12.2	13.5	9.3	10.5	10.1	9.1
Actual/Estimated Population, Annual Value	63,534	73,767	97,708	56,811	21,296	62,236	43,100	18,677
Population 2000 Census	48,747	62,025	73,343	37,516	19,630	38,649	27,656	13,546
Population Change 1990-2000 (%)	20.6	34.8	17.0	18.8	9.5	8.3	10.7	8.9
Full Value Per Capita ($)	102,312	182,637	151,620	83,874	84,845	197,160	123,841	77,661
Per Capita Income as % of U.S. (2000 Census)	102.4	181.5	110.5	93.3	104.6	198.6	136.0	102.2
Median Family Income as % of U.S. (2000 Census)	92.3	146.7	98.4	86.0	113.9	189.9	145.3	110.6
Poverty Rate (%) (2000 Census)	10.2	6.1	8.1	11.8	6.6	3.9	4.3	6.6

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Florida and National Medians for Cities

BY POPULATION CATEGORY

	POPULATION < 75,000					
	Florida			National		
Rating Category	Aaa	Aa	A	Aaa	Aa	A
Median Rating	Aaa	Aa2	A1	Aaa	Aa3	A2
Total General Fund Revenues ($000)	25,556	35,352	30,563	42,457	23,218	10,917
General Fund Balance as % of Revenues	122.4	27.2	32.1	33.3	29.4	27.4
Unreserved General Fund Balance as % of Revenues	111.5	22.6	27.6	22.6	25.1	22.4
Direct Net Debt as % of Full Value	0.2	0.6	1.0	0.6	0.9	1.2
Debt Burden (Overall Net Debt as % Full Value)	1.5	2.2	2.4	1.8	2.1	2.5
FL Tax Rate	1.53	3.92	5.99	NA	NA	NA
Total Full Value ($000)	6,771,512	3,977,509	2,274,583	6,144,344	2,983,717	1,091,608
Average Annual Increase in Full Value (%)	17.0	11.7	13.5	11.4	10.7	9.8
Actual/Estimated Population, Annual Value	39,555	17,895	58,711	36,843	29,140	15,650
Population 2000 Census	32,083	25,203	32,087	27,257	23,089	12,441
Population Change 1990-2000 (%)	16.8	13.2	20.3	6.1	11.1	8.8
Full Value Per Capita ($)	279,033	175,240	77,874	229,342	135,262	82,300
Per Capita Income as % of U.S. (2000 Census)	181.5	172.7	90.3	234.9	145.1	104.3
Median Family Income as % of U.S. (2000 Census)	157.0	138.9	85.7	220.8	154.6	114.2
Poverty Rate (%) (2000 Census)	5.2	6.7	13.7	3.3	3.7	6.2

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Florida and National Medians for Cities

BY POPULATION CATEGORY, CONT

	75,000 < POPULATION < 150,000						POPULATION > 150,000			
	Florida			National			Florida		National	
Rating Category	Aaa	Aa	A	Aaa	Aa	A	Aa	A	Aa	A
Median Rating	Aaa	Aa3	A1	Aaa	Aa3	A1	Aa2	A2	Aa2	A2
Total General Fund Revenues ($000)	96,292	94,176	59,486	100,087	72,270	67,894	296,955	320,657	251,359	281,640
General Fund Balance as % of Revenues	35.5	17.5	25.9	37.2	25.5	20.5	14.7	21.3	20.6	13.1
Unreserved General Fund Balance as % of Revenues	32.4	15.6	20.7	28.4	20.4	17.8	13.2	20.7	18.1	9.1
Direct Net Debt as % of Full Value	0.8	1.5	0.9	0.7	1.1	1.1	0.9	0.9	1.5	2.4
Debt Burden (Overall Net Debt as % Full Value)	2.4	2.0	1.9	2.1	3.2	2.7	2.4	1.3	3.0	4.7
FL Tax Rate	3.59	4.93	5.88	NA	NA	NA	5.69	7.55	NA	NA
Total Full Value ($000)	18,178,959	13,759,440	8,815,798	15,111,280	8,714,646	5,344,806	41,103,750	37,204,373	26,915,820	14,987,090
Average Annual Increase in Full Value (%)	15.6	17.4	14.4	10.4	7.1	8.3	11.1	15.4	7.8	7.3
Actual/Estimated Population, Annual Value	105,426	109,146	95,588	117,000	106,467	113,231	224,055	317,754	377,006	293,122
Population 2000 Census	96,157	88,769	74,230	97,946	97,445	94,239	185,951	305,351	322,612	246,002
Population Change 1990-2000 (%)	34.8	24.4	26.8	13.2	17.6	7.1	12.9	2.6	7.9	5.5
Full Value Per Capita ($)	182,637	104,482	115,413	146,262	78,276	55,054	131,698	114,462	78,711	49,979
Per Capita Income as % of U.S. (2000 Census)	164.3	107.4	102.4	157.4	99.5	84.5	98.3	84.0	96.7	81.3
Median Family Income as % of U.S. (2000 Census)	142.0	89.6	89.6	145.2	108.2	91.7	92.3	70.4	93.9	81.5
Poverty Rate (%) (2000 Census)	7.4	12.4	9.9	6.5	10.5	14.8	17.7	20.9	14.4	19.8

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Florida and National Medians for Counties

ALL POPULATION CATEGORIES

	Florida			National		
Rating Category	All	Aa	A	All	Aa	A
Median Rating	Aa3	Aa2	A1	A1	Aa2	A2
Total General Fund Revenues ($000)	145,891	557,930	91,089	48,492	85,848	20,701
General Fund Balance as % of Revenues	24.2	19.0	25.0	27.0	30.3	28.5
Unreserved General Fund Balance as % of Revenues	22.4	18.1	22.4	22.7	25.0	23.8
Direct Net Debt as % of Full Value	0.5	0.5	0.5	0.6	0.5	0.6
Debt Burden (Overall Net Debt as % Full Value)	0.8	1.2	0.8	2.0	2.2	1.9
Tax Rate	5.83	5.72	6.21	NA	NA	NA
Total Full Value ($000)	29,543,668	98,968,475	23,073,141	6,682,686	15,277,440	3,542,967
Average Annual Increase in Full Value (%)	15.1	13.0	13.7	7.8	8.1	6.9
Actual/Estimated Population, Annual Value	284,099	980,707	185,778	94,583	179,669	65,286
Population 2000 Census	239,452	908,913	148,217	88,979	153,468	51,250
Population Change 1990-2000 (%)	26.3	19.8	25.6	14.6	16.5	10.9
Full Value Per Capita ($)	112,408	106,048	111,465	67,048	74,636	59,231
Per Capita Income as % of U.S. (2000 Census)	97.4	100.3	86.4	89.0	100.9	83.5
Median Family Income as % of U.S. (2000 Census)	93.1	94.0	83.3	94.0	106.8	89.0
Poverty Rate (%) (2000 Census)	11.5	11.8	13.0	10.7	8.7	11.5

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Florida and National Medians for Counties

BY POPULATION CATEGORY

	POPULATION < 100,000		100,000 < POPULATION < 500,000			
	Florida	National	Florida		National	
Rating Category	A	A	Aa	A	Aa	A
Median Rating	A2	A2	Aa3	A1	Aa2	A1
Total General Fund Revenues ($000)	43,300	15,422	156,809	133,439	79,487	51,424
General Fund Balance as % of Revenues	24.5	32.8	26.5	25.0	30.6	19.4
Unreserved General Fund Balance as % of Revenues	21.6	27.5	25.7	22.4	25.4	17.1
Direct Net Debt as % of Full Value	0.7	0.6	0.5	0.4	0.5	0.5
Debt Burden (Overall Net Debt as % Full Value)	0.8	1.7	0.7	0.6	2.1	2.2
FL Tax Rate	7.10	NA	5.40	5.65	NA	NA
Total Full Value ($000)	6,678,592	2,662,903	32,763,322	25,996,244	15,785,540	9,293,190
Average Annual Increase in Full Value (%)	15.3	6.8	17.9	14.3	7.9	6.8
Actual/Estimated Population, Annual Value	74,052	50,816	267,900	210,467	191,369	172,365
Population 2000 Census	55,504	41,091	228,704	172,493	185,786	146,438
Population Change 1990-2000 (%)	29.5	11.3	26.1	25.6	16.6	10.0
Full Value Per Capita ($)	118,036	60,392	146,861	101,594	72,521	54,732
Per Capita Income as % of U.S. (2000 Census)	78.9	82.7	108.8	86.6	100.5	87.5
Median Family Income as % of U.S. (2000 Census)	73.2	87.5	96.6	84.0	106.4	91.7
Poverty Rate (%) (2000 Census)	14.5	11.3	9.5	13.0	9.1	12.2

Florida and National Medians for Counties

BY POPULATION CATEGORY, CONT

	POPULATION > 500,000			
	Florida		National	
Rating Category	Aa	A	Aa	A
Median Rating	Aa2	A2	Aa2	A2
Total General Fund Revenues ($000)	756,607	265,043	509,338	620,911
General Fund Balance as % of Revenues	19.0	21.3	17.6	13.5
Unreserved General Fund Balance as % of Revenues	18.1	19.4	15.4	6.3
Direct Net Debt as % of Full Value	0.5	0.5	0.5	1.0
Debt Burden (Overall Net Debt as % Full Value)	1.2	1.2	2.5	3.2
FL Tax Rate	6.22	7.04	NA	NA
Total Full Value ($000)	110,016,668	46,600,260	77,250,810	79,427,680
Average Annual Increase in Full Value (%)	15.1	11.3	9.8	9.4
Actual/Estimated Population, Annual Value	1,076,480	524,010	890,194	1,299,612
Population 2000 Census	960,215	480,077	808,761	948,816
Population Change 1990-2000 (%)	29.3	19.4	11.7	10.1
Full Value Per Capita ($)	115,967	87,038	101,720	79,429
Per Capita Income as % of U.S. (2000 Census)	104.2	92.2	106.5	104.2
Median Family Income as % of U.S. (2000 Census)	94.0	89.0	105.4	109.5
Poverty Rate (%) (2000 Census)	11.6	11.2	11.6	11.2

Florida and National Medians for School Districts

ALL POPULATION CATEGORIES

	Florida			National		
Rating Category	All	Aa	A	All	Aa	A
Median Rating	A1	Aa3	A2	A2	Aa3	A2
Total General Fund Revenues ($000)	327,518	445,341	201,975	30,774	73,238	28,768
General Fund Balance as % of Revenues	10.3	11.9	10.3	13.5	13.3	12.2
Unreserved General Fund Balance as % of Revenues	6.4	6.0	6.8	9.6	9.0	9.1
Direct Net Debt as % of Full Value	0.8	0.8	0.6	1.7	1.1	1.6
Debt Burden (Overall Net Debt as % Full Value)	1.3	1.6	1.0	3.1	2.4	2.9
Tax Rate	7.73	7.75	7.68	NA	NA	NA
Total Full Value ($000)	33,783,490	75,619,825	27,196,720	1,659,856	6,291,718	1,606,668
Average Annual Increase in Full Value (%)	15.4	15.4	16.1	8.6	8.2	7.8
Actual/Estimated Population, Annual Value	318,005	474,060	229,056	21,070	124,500	31,625
Population 2000 Census	294,980	403,042	218,237	20,081	49,501	20,422
Population Change 1990-2000 (%)	26.1	25.9	26.4	13.4	13.0	12.9
Full Value Per Capita ($)	130,518	123,749	130,518	72,511	110,335	71,953
Per Capita Income as % of U.S. (2000 Census)	98.5	105.5	89.1	95.9	140.8	96.8
Median Family Income as % of U.S. (2000 Census)	94.7	98.3	84.6	105.6	149.0	107.6
Poverty Rate (%) (2000 Census)	10.5	10.2	11.1	7.6	4.4	7.1

Florida and National Medians for School Districts

BY POPULATION CATEGORY

	100,000 < POPULATION < 500,000				POPULATION > 500,000			
	Florida		National		Florida		National	
Rating Category	Aa	A	Aa	A	Aa	A	Aa	A
Median Rating	Aa3	A2	Aa3	A1	Aa3	A2	Aa3	A2
Total General Fund Revenues ($000)	293,525	187,620	194,883	160,333	1,216,068	1,561,765	893,054	3,422,481
General Fund Balance as % of Revenues	12.2	10.6	10.8	9.9	11.9	8.2	10.2	9.6
Unreserved General Fund Balance as % of Revenues	5.4	7.4	9.1	6.6	7.8	5.3	6.3	5.7
Direct Net Debt as % of Full Value	0.7	0.6	1.3	1.1	1.0	0.9	1.2	1.3
Debt Burden (Overall Net Debt as % Full Value)	1.1	1.0	2.5	3.0	2.3	1.7	2.7	3.5
Tax Rate	7.75	7.74	NA	NA	7.77	7.06	NA	NA
Total Full Value ($000)	38,527,555	24,491,840	15,739,290	9,226,062	110,903,810	193,059,273	62,794,510	257,400,000
Average Annual Increase in Full Value (%)	15.4	15.2	7.4	7.8	16.0	17.6	8.7	15.9
Actual/Estimated Population, Annual Value	286,538	218,627	196,846	142,172	1,061,186	1,466,625	830,101	2,402,000
Population 2000 Census	257,690	182,594	166,712	131,858	947,646	1,364,796	882,450	2,574,689
Population Change 1990-2000 (%)	24.6	28.0	17.4	15.5	30.2	17.9	16.4	10.2
Full Value Per Capita ($)	123,983	119,907	85,816	60,790	120,856	133,603	81,869	97,855
Per Capita Income as % of U.S. (2000 Census)	108.8	89.1	110.8	88.1	104.2	92.6	102.0	89.6
Median Family Income as % of U.S. (2000 Census)	103.0	84.6	118.9	95.8	95.9	87.8	95.8	82.9
Poverty Rate (%) (2000 Census)	9.5	11.1	7.7	12.8	11.7	13.8	14.5	18.8

Attachment # 3
Page 12 of 16

Glossary of Terms and Ratios

TOTAL GENERAL FUND REVENUES

Total revenues including transfers in and other sources for the General Fund as reported in the local governments' financial statements. In some cases, General Fund Revenues may exclude certain items such as bond proceeds which have been included in revenues or other sources in the financial statements but which have been deemed by Moody's analysts to be non-recurring in nature.

GENERAL FUND BALANCE AS % OF REVENUE

Total General Fund balance as reported in the local governments financial statements divided by Total General Fund Revenues.

UNRESERVED GENERAL FUND BALANCE AS % OF REVENUES

Unreserved General Fund balance as reported in the local governments financial statements divided by Total General Fund Revenues. In some cases, Unreserved General Fund Balance reported by Moody's may include certain amounts shown as reserves or designations in the financial statements that Moody's analysts have deemed would be available to meet operating contingencies.

DIRECT NET DEBT OUTSTANDING

The local governments' gross debt less sinking fund accumulations, short-term operating debt, and bonds and other debt deemed by Moody's analysts to be fully self-supporting from enterprise revenues. Direct Net Debt typically includes the non-self supporting portion of the local governments' general obligation bonds, sales and special tax bonds, General Fund lease obligations, bond anticipation notes, and capital leases.

OVERALL NET DEBT OUTSTANDING ($000)

Direct Net Debt plus the net debt of all overlapping and underlying units of local government that share the local government's property tax base, apportioned in accordance with property valuation.

DIRECT NET DEBT AS % OF FULL VALUE

Direct Net Debt Outstanding divided by the fiscal year or most recent Total Full Value for the local government.

DEBT BURDEN (OVERALL NET DEBT AS % OF FULL VALUE)

Overall Net Debt Outstanding divided by the fiscal year or most recent Total Full Value for the local government.

FL TAX RATE

The property tax mill rate for operations that is applied to taxable values within the boundaries of the local government. Florida local governments have a statutory 10-mill cap on the property tax rate for operations.

TOTAL FULL VALUE

Estimated full market value of all property within the boundaries of the local government as reported by local or state sources. Users of these data should be aware of significant variation in the methods and quality of property assessment from state to state and even among the municipal governments within a state. Definitions of taxable property also vary across the country, as does the dependability of equalization ratios used to convert assessed value to full value.

TOTAL ASSESSED VALUE

The total value as determined by the local property appraiser within the boundaries of the local government.

ACTUAL/ESTIMATED POPULATION

The actual or estimated population figures for the most recent available year, as reported by the local government itself or other sources.

POPULATION 2000 CENSUS

Population within the boundaries of the local government as reported in the US Census.

POPULATION CHANGE 1990-2000 (%)

The increase or decrease in population, expressed as a percent, within the boundaries of the local government from the 1990 Census to the 2000 Census.

FULL VALUE PER CAPITA

Total Full Value divided by the fiscal year or most recent population for the local government

PER CAPITA INCOME (2000 CENSUS)

Per capita family income for residents within the boundaries of the local government for 1999 as reported in the 2000 US Census.

MEDIAN FAMILY INCOME (2000 CENSUS)

Median family income for residents within the boundaries of the local government for 1999 as reported in the 2000 US Census.

POVERTY RATE (2000 CENSUS)

Percentage of persons within the boundaries of the local government with incomes below the poverty level, as reported in the 2000 US Census.

Related Research

Special Comments:

Your General Fund Balance - One Size Does Not Fit All !, February 2002 (74269)

2006 Local Government National Medians, November 2006 (100884)

Rating Methodology:

The Determinants of Credit Quality, May 2002 (75047)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

To order reprints of this report (100 copies minimum), please call 1.212.553.1658.
Report Number: 103041

Authors	Editor	Production Specialist
John Incorvaia *Baye Emery*	*Geordie Thompson*	*Yung Louie*

Board of County Commissioners
Leon County, Florida

9.03

Policy No. 99-3

Title:	Use of Contingency Reserves
Date Adopted:	November 23, 1999
Effective Date:	November 24, 1999
Reference:	N/A
Policy Superseded:	Policy No. 94-11, "Contingency Reserves and Mid-Fiscal Year Funding Requests from Outside Agencies," September 1994

It shall be the policy of the Board of County Commissioners of Leon County, Florida, that:

Policy No. 94-11 "Contingency Reserves and Mid-Fiscal Year Funding Requests for Outside Agencies," adopted by the Board of County Commissioners on September 1994, is hereby repealed and superseded, and a new policy is hereby adopted in its place, to wit:

Use of Contingency Reserves

1. <u>Board Intent</u>

Contingency reserves are established to provide the following:

a. Funding for authorized mid-year increases to adopted levels of service.

b. Funding for unexpected increases in the cost of providing existing levels of service.

c. Temporary and nonrecurring funding for unexpected projects.

d. Funding of a local match for public or private grants.

e. Funding to offset losses in revenue caused by actions of other governmental bodies.

f. Funding to accommodate unexpected program mandates from other governmental bodies.

2. <u>Procedures</u>

a. The general revenue reserves for contingency will be budgeted at an amount not to exceed 10% of projected general operating revenues for the ensuing fiscal year.

b. The County will maintain an annual unappropriated fund balance at a level sufficient to maintain adequate cash flow and to eliminate the need for short-term borrowing. The unappropriated fund balance shall be no less than ten (10) percent of general operating revenues and shall be separate from the reserves for contingency.

c. The County Administrator is authorized to develop forms and procedures to be used by outside agencies or individuals or County agencies in submitting their requests for use of contingency reserves.

d. County agencies, including County departments and Constitutional Officers, requesting additional funding from the Board shall first submit their requests in writing to the County Administrator for full review and evaluation.

e. After evaluation, all requests will be brought to the Board for consideration at a regularly scheduled meeting.

f. Requests for use of reserves for contingency may be approved only by the Board of County Commissioners.

g. The County's budget will be amended at such time the County Commission, by majority vote, authorizes reserves for contingency. All requests to the County Commission for the use of any reserves for contingency shall be accompanied by a "contingency statement" prepared by OMB showing the year-to-date activity on the reserves account as well as the current account balance and the net effect on the account of approving the use of reserves.

2. **Evaluation Criteria**

a. The Board will use the procedures and evaluation criteria set forth in this policy. The evaluation of funding requests shall include, but not be limited to the following:

- consistency with other Board policy;
- the urgency of the request;
- the scope of services to be provided;
- the short-term and long-term fiscal impact of the request;
- a review of alternative methods of funding or providing the services,
- a review for duplication of services with other agencies;
- a review of efforts to secure non-County funding;
- a discussion of why funding was not sought during the normal budget cycle; and
- a review of the impact of not funding or delaying funding to the next fiscal year.

3. **Exceptions**

a. This policy is not intended to limit regular mid-year salary adjustment transfers from the salary adjustment contingency account, which is reviewed separately by the Board of County Commissioners in the month of April of each year.

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Board of County Commissioners
Leon County, Florida

Policy No. 99-3

Title:	Reserves
Date Adopted:	November 23, 1999
Effective Date:	November 24, 1999
Reference:	N/A
Policy Superseded:	Policy No. 94-11, "Contingency Reserves and Mid-Fiscal Year Funding Requests from Outside Agencies," September 1994

It shall be the policy of the Board of County Commissioners of Leon County, Florida, that:

Policy No. 94-11 "Contingency Reserves and Mid-Fiscal Year Funding Requests for Outside Agencies," adopted by the Board of County Commissioners on September 1994, is hereby repealed and superseded, and a new policy is hereby adopted in its place, to wit:

1. Emergency Reserves

a. The general revenue emergency reserves will be maintained at an amount not to be less than five (5%) and to not exceed ten (10%) of projected general fund and fine and forefeiture fund operating expenditures for the ensuing fiscal year
b. The reserve for contingency is separate from the reserve for cash balances.
c. Annually the Board will determine an appropriate amount of reserve for contingency to be appropriated as part of the annual budget. Any funds not included in the budget under this category will be included as part of the unreserved fund balance.

2. Reserve for Cash Balances

a. The County will maintain an annual unappropriated reserve for cash balance at a level sufficient to maintain adequate cash flow and to eliminate the need for short-term borrowing.
b. The unappropriated fund balance shall be no less than ten (10) percent and no greater than twenty (20%) of projected general fund and fine and forefeiture fund operating expenditures
c. The reserve for cash balance shall be separate from the emergency reserves.
d. All major funds will retain sufficient cash balances to eliminate the need for short-term borrowing.

3. Utilization of Fund Balance

a. As part of the annual budget process, a determination will be made of the minimum and maximum amounts of fund balance available based on the requirements set forth in 1 and 2 above.
b.. Funds in excess of the minimums established can be utilized to support one time capital project funding and /or other one-time expenditures to address unforeseen revenue shortfalls.

4. Budgeted Contingency Reserve

Budgeted Reserve for Contingency reserves, are established to provide the following:

a. Funding for authorized mid-year increases to adopted levels of service.

b. Funding for unexpected increases in the cost of providing existing levels of service.

c. Temporary and nonrecurring funding for unexpected projects.

d. Funding of a local match for public or private grants.

e. Funding to offset losses in revenue caused by actions of other governmental bodies.

f. Funding to accommodate unexpected program mandates from other governmental bodies.

5. Procedures

a.. The County Administrator is authorized to develop forms and procedures to be used by outside agencies or individuals or County agencies in submitting their requests for use of contingency reserves.

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c. After evaluation, all requests will be brought to the Board for consideration at a regularly scheduled meeting.

d. Requests for use of reserves for contingency may be approved only by the Board of County Commissioners.

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6. Evaluation Criteria

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- a review for duplication of services with other agencies;
- a review of efforts to secure non-County funding;
- a discussion of why funding was not sought during the normal budget cycle; and

- a review of the impact of not funding or delaying funding to the next fiscal year.

7. Exceptions

a. This policy is not intended to limit regular mid-year salary adjustment transfers from the salary adjustment contingency account, which is reviewed separately by the Board of County Commissioners on an annual basis.

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Board of County Commissioners
Leon County, Florida

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5. Procedures

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b. *County agencies, including County departments and Constitutional Officers, requesting* additional funding from the Board shall first submit their requests in writing to the County Administrator for full review and evaluation.

c. After evaluation, all requests will be brought to the Board for consideration at a regularly scheduled meeting.

d. Requests for use of reserves for contingency may be approved only by the Board of County Commissioners.

e. The County's budget will be amended at such time the County Commission, by majority vote, authorizes reserves for contingency. All requests to the County Commission for the use of any reserves for contingency shall be accompanied by a "contingency statement" prepared by OMB showing the year-to-date activity on the reserves account as well as the current account balance and the net effect on the account of approving the use of reserves.

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a. . The general revenue reserves for contingency will be budgeted at an amount not to exceed 10% of projected general operating revenues for the ensuing fiscal year.¶

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- a review of the impact of not funding or delaying funding to the next fiscal year.

7. Exceptions

a. This policy is not intended to limit regular mid-year salary adjustment transfers from the salary adjustment contingency account, which is reviewed separately by the Board of County Commissioners on an annual basis.

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Attachment # 6
Page 1 of 2

Leon County Government
FY2006/2007 Mid-Year Financial Report

SUMMARY OF FUND BALANCE & RETAINED EARNINGS (unaudited)

Org	Fund Title	FY05 Actual	FY06 Actual	FY07 Est. Bal. (A)	FY07 Adopted Bud	Fund Bal. as % of Budget (B)
	General & Fine and Forfeiture Funds					
001	General Fund	19,243,306	25,296,511	23,069,865	64,875,077	36%
110	Fine and Forfeiture Fund	7,636,710	11,853,619	12,583,901	58,137,478	22%
	Subtotal:	**26,880,016**	**37,150,130**	**35,653,766**	**123,012,555**	**29%**
	Special Revenue Funds					
106	County Transportation Trust Fund	5,924,956	6,008,454	5,927,528	12,405,508	48%
111	Probation Services Fund	668,472	819,432	795,178	2,332,658	34%
112	Legal Aid Trust Fund	2,900	3,031	0	0	N/A
113	Law Library Trust Fund	65,032	54,911	45,911	9,000	510%
114	Family Law Legal Services Fund	74,491	129,512	97,886	139,692	70%
116	Drug Abuse Trust Fund	143,702	178,446	287,418	49,971	575%
117	Judicial Programs Fund	27,090	200,224	272,724	342,000	80%
120	Building Inspection Fund	668,412	437,471	280,757	1,645,467	17%
121	Growth Management Fund	1,287,359	2,167,975	2,425,794	4,481,675	54%
122	Mosquito Control Fund	214,492	386,621	336,512	858,634	39%
123	Stormwater Utility Fund	2,887,181	3,514,477	3,864,331	5,837,495	66%
124	Ship Trust Fund	942	942	0	898,450	0%
125	Grants	403,781	788,004	870,575	1,384,377	63%
126	Non-Countywide General Revenue Fund	6,105,070	6,284,739	3,898,061	24,199,166	16%
130	911 Emergency Communications Fund	52,431	518,217	52,431	1,185,624	4%
135	Emergency Medical Services Fund	3,163,182	4,603,980	4,256,236	13,380,569	32%
140	Municipal Service Fund	2,812,612	3,432,353	3,916,083	9,011,459	43%
160	Tourist Development Fund - (C)	1,918,260	2,254,873	2,047,455	3,909,065	52%
160	Tourist Development Fund - Additional Cent	526,464	1,322,807	2,224,047	829,465	268%
161	Housing Finance Authority Fund	427,076	389,239	0	121,000	0%
162	Special Assessment Paving Fund	357,455	230,333	231,996	309,907	75%
163	Primary Care MSTU Fund (D)	2,151,140	1,894,372	419,962	1,491,857	28%
165	Bank of America Building Operating Fund	1,372,673	1,635,039	1,372,473	1,693,877	81%
	Subtotal:	**31,255,173**	**37,255,452**	**33,623,359**	**86,516,916**	**39%**
	Debt Service Funds					
206	Debt Service - Series 1999	166,640	166,640	166,640		
211	Debt Service - Series 2003 A&B	16,559	16,881	16,881		
214	Debt Service - Series 1997	6,227	6,227	6,227		
216	Debt Service - Series 1998B	56,011	0	0		
218	Debt Service - Refunding 1993	250	951	951		
220	Debt Service - Series 2004	125,081	125,242	125,242		
221	Debt Service - ESCO Lease	N/A	N/A	0		
	Subtotal:	**370,768**	**315,941**	**315,941**		

Leon County Government
FY2006/2007 Mid-Year Financial Report

SUMMARY OF FUND BALANCE & RETAINED EARNINGS (unaudited)

Org	Fund Title		FY05 Actual	FY06 Actual	FY07 Est. Bal. (A)	FY07 Adopted Bud	Fund Bal. as % of Budget (B)
	Capital Projects Funds						
305	Capital Improvements Fund		9,277,447	12,657,714	1,244,053		
306	Gas Tax Transportation Fund		1,877,135	2,141,402	117,958		
308	Local Option Sales Tax Fund		46,355,728	40,245,880	7,189,631		
309	Local Option Sales Tax Extension Fund		2,802,202	5,245,879	1,212,462		
311	Construction Series 2003 A&B Fund		5,090,745	2,224,853	356,696		
318	1999 Bond Construction Fund		2,436,154	1,643,373	130,629		
320	Construction Series 2005		15,155,452	9,114,502	392,129		
321	Energy Savings Contract ESCO Capital Fund		0	4,274,542	240,404		
325	1998A Bond Construction Fund		233,602	0	0		
330	911 Capital Projects Fund		1,138,994	711,483	651,766		
331	800 MHz Capital Projects Fund		796,347	1,172,911	1,187,736		
341	Countywide Road District Fund - Impact Fee		4,068,243	2,724,315	165,533		
343	NW Urban Collector Fund - Impact Fee		450,320	470,492	55,077		
344	SE Urban Collector Fund - Impact Fee		739,840	781,801	100,175		
		Subtotal:	**90,422,209**	**83,409,147**	**13,044,249**		
	Enterprise Funds						
401	Solid Waste Fund (E)		6,400,434	4,201,368	2,455,034		
420	Amtrak Depot Fund		125,595	124,858	99,858		
		Subtotal:	**6,526,029**	**4,326,226**	**2,554,892**		
	Internal Service Funds						
501	Insurance Service Fund (F)		1,801,501	3,568,897	1,450,851		
502	Communications Trust Fund		2,161	0	0		
505	Motor Pool Fund		47,244	-13,456	10,450		
		Subtotal:	**1,850,906**	**3,555,441**	**1,461,301**		
	TOTAL:		**157,305,101**	**166,012,337**	**86,653,508**		

Actual project balances will be carried forward into the new fiscal year. Estimated year ending balances reflects funding associated with specific projects as being committed.

Notes:
A. Balances may change pending final audit adjustments.
B. FY07 Estimates only provided for General and Special Revenue funds. Capital Projects, Enterprise and Internal Service maintain differing levels of balances depending upon on-going capital project requirements and other audit requirements. The percentages for the other funds is intended to show compliance with the County's policy for maintaining sufficient balances.
C. The Tourist Development Tax is reflected in two separate fund balances: the first three cents supports the Tourist Development Council Activities and the fourth cent is dedicated towards the Performing Arts Center.
D. The fund balance for Fund 163 includes the final year of payments to Bond Health Clinic for Women's Health in the amount of $350,411.
E. Amount reflected is unrestricted retained earnings. FY07 estimated balance is based on current Solid Waste preformed projections. It is the County's intent to maintain approximately $2.5 million for purposes of operating cash flow for the Solid Waste Fund.
F. Includes audit adjustments associated with annual actuarial study of outstanding liability. The budgeted balance is to support Contingent Liability Reserve and a portion of the reserve was actually expended in FY04.