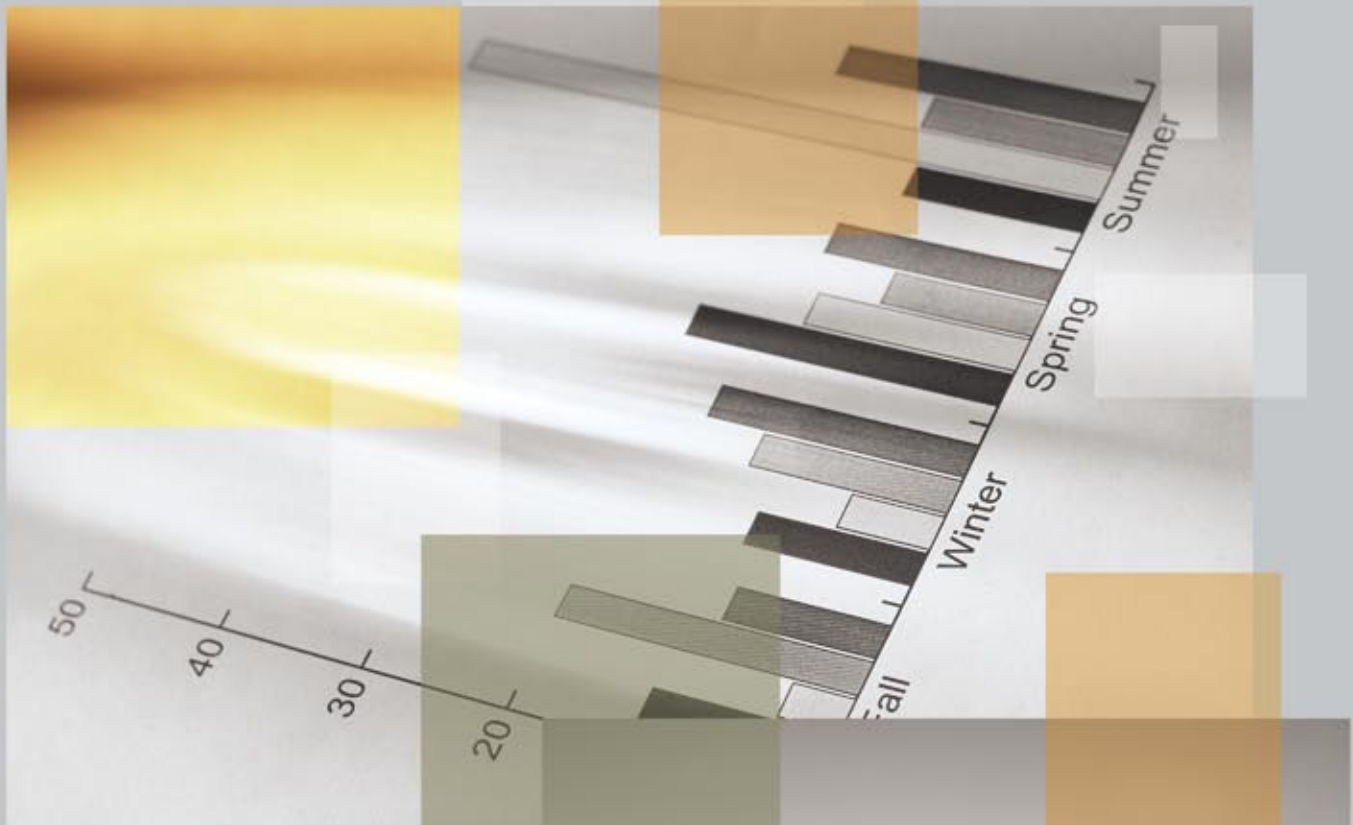


# Analyzing Lake County's Finances

May 20, 2005



Lake County Government  
Earning Community Confidence  
Through Excellence in Service



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Lake County Board of County Commissioners  
Cindy Hall, Interim County Manager  
Citizens of Lake County

May 20, 2005

It is of high importance to convey the financial condition of government entities.

This report is presented to the Lake County Board of County Commissioners and the citizens of Lake County as a tool for evaluating the strengths in the County's financial condition. It will also identify existing and potential challenges in order to develop strategies for correcting negative trends.

*Analyzing Lake County's Finances* follows the guidelines set forth in *Evaluating Financial Condition – A Handbook for Local Government (2003)*, developed by the International City Management Association (ICMA). Committees composed of city, county, and state administrators and financial officers from throughout the United States developed forty-two indicators. Staff from the Government Finance Officers Association (GFOA), as well as other organizations, including the Urban Institute in Washington, D.C., contributed significantly to the project.

### **Background and Methodology Used**

The twenty-two indicators included in the 2005 report provide comprehensive and representative information for Lake County at this time; others will be added in the future when necessary. Maintaining adequate levels of service, withstanding economic downturns, and meeting the demands of growth – and decline – are the recurring themes throughout this report.

Each indicator chosen for observation provides the reader with a description, warning trend, graphs of the data, and general analysis. The graphs depict historical trends, generally from audited fiscal year 2000-2004 figures, also with an estimate or budget figures for 2005 when possible. The key to forming policies based on these indicators is to review the trends over time, as opposed to single year figures. By forming policies and procedures on trends, the results tend to be more financially responsible. All indicators in this presentation were compiled with the most up-to-date information.

### **Analytical Results**

No single indicator is conclusive. All of the indicators should be examined simultaneously, and in context with the needs of the citizens and the goals of the County.

*“Earning Community Confidence Through Excellence in Service”*

DISTRICT ONE  
JENNIFER HILL

DISTRICT TWO  
ROBERT A. POOL

DISTRICT THREE  
DEBBIE STIVENDER

DISTRICT FOUR  
CATHERINE C. HANSON

DISTRICT FIVE  
WELTON G. CADWELL

In fact, the most relevant way to make policy is to combine the data, and look at several factors. For example, reviewing revenue per capita and property value trends may provide the reader with a measure of how well the resident can pay the cost of the property tax assessment.

Comparing Lake County's results with that of surrounding counties would not be applicable for most of the indicators, since the data included in each indicator may vary substantially within each county. Rather, the key to successful financial evaluation is in the review of the trend, and an analysis of the data creating that trend.

The staff of the Office of Budget will continue to monitor these trends and report on the data annually. We will constantly strive for better indicators and measures of the Financial Condition of the County. We will also update both the Board of County Commissioners and the County Manager should any significant variances occur during the year.

Special thanks to the Clerk of the Courts Board Accounting, Property Appraiser, and Information Outreach for their assistance in the completion of this report.

Sincerely,

Regina M. Frazier  
Director  
Office of Budget

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# Population Analysis

## Description

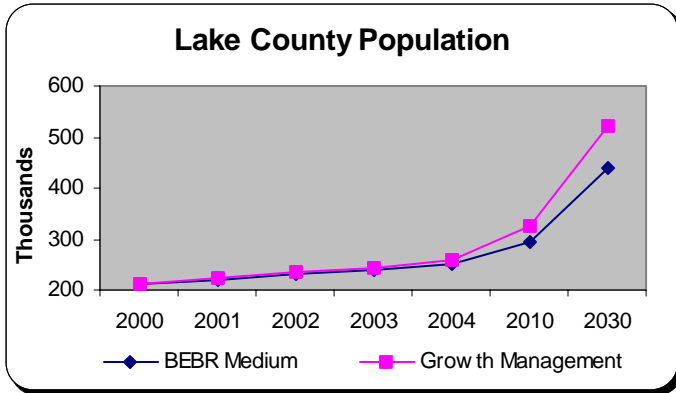
Population change can directly affect governmental revenues. For example, State Revenue Sharing and ½ Cent Sales Tax are distributed with population as a major contributing factor. Rapid increases may create an immediate need for new capital outlay and higher levels of service. These figures are based off of projections from both BEBR and the Growth Management Department.

## Warning Trend

Increases – Pressure for new capital outlay/improvements and new or enhanced service levels

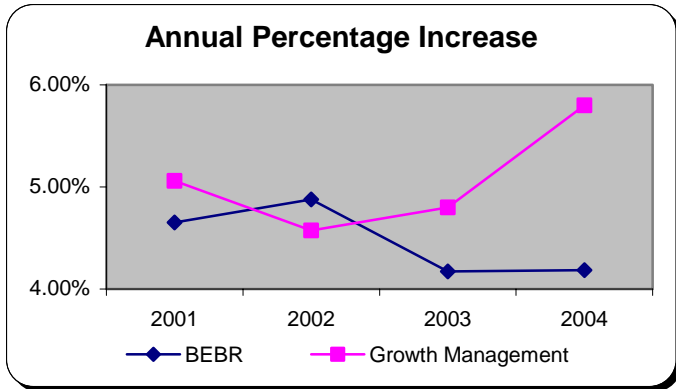
## Formulas

Actual numbers and percentage change



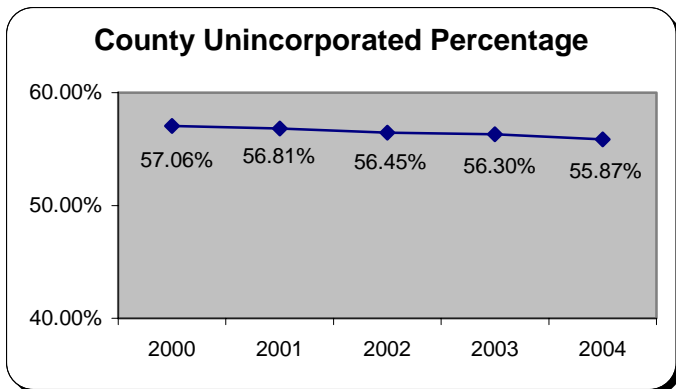
### Lake County Population

Specific services provided by the County are affected by rapid growth. These include water supply, sewer and septic, traffic circulation and parking, waste disposal, open space, utility, and water/air quality. Growth puts pressure on the financial resources, which may not expand at the same rate as the need for those services.



### County's Annual Population Increase

After increases in 2001 & 2002, the County is still showing steady growth that outpaces the State of Florida annual average growth from 1995-2004 (4.0% - Lake, 2.3% Florida).



### Unincorporated Percentage

Cities within Lake County are also experiencing rapid growth. The trend here shows that while the amount of unincorporated population is slightly decreasing, it is relatively steady from 2000-2004.

Source: Bureau of Economic and Business Research 2004 and Growth Management Projections

# Population Under 18 and Over 64

## Description

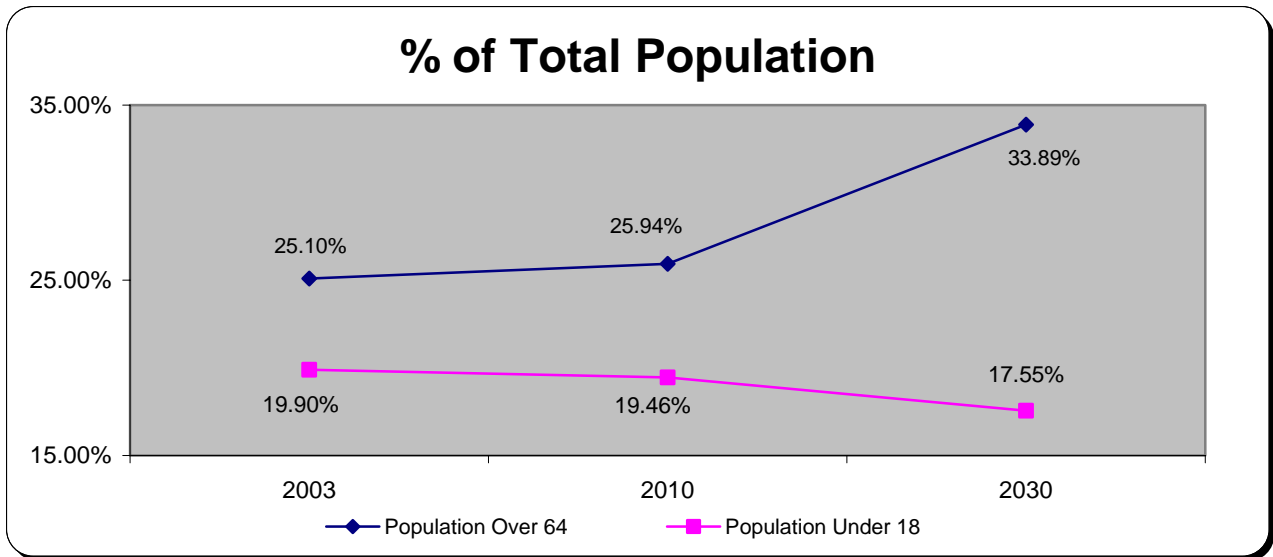
This measure helps define the County's needs from a population age vantage point. It is well known that those under 18 and over 64 require the largest number of resources. Reviewing, monitoring, and projecting these population segments will give indications to increasing services and accompanying resources that may be expected in future years.

## Warning Trend

Increases in the percentage of those under 18 and over 64

## Formula

Population under 18 and over 64 divided by the total population



## Population Under 18

Sources indicate that the trend of the under 18 population slightly decreasing as a total percentage will continue through 2030.

## Population Over Age 64

This trend continues to emphasize the need to provide services for the elderly. Indications are that this population segment will continue to represent a larger portion of the population through 2030.

Source: Bureau of Economic and Business Research 2004

# Revenue Structure

## Description

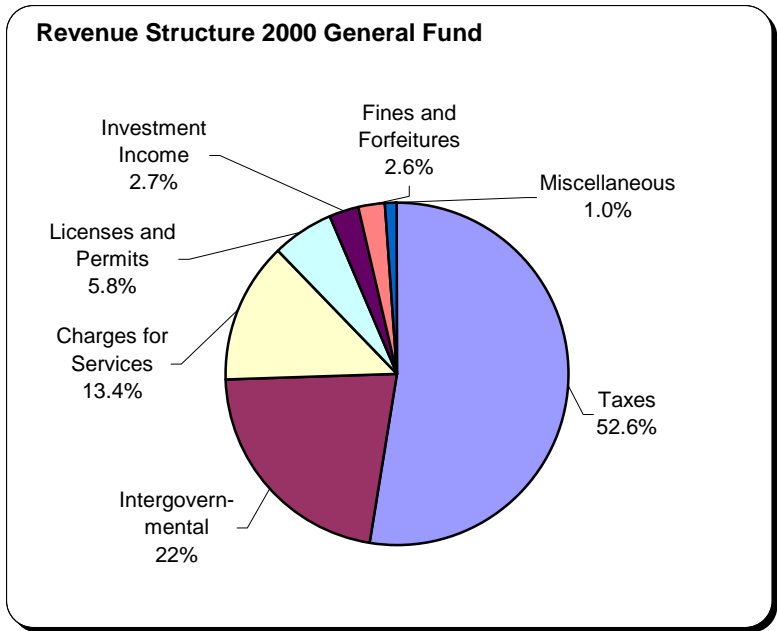
An analysis of how the revenue structure has changed over the past five years will tell the reader how the revenue burden may be shifting from one segment of the population to another (Example: Charges for Services vs. Taxes).

## Warning Trend

Growth in the rates of some revenues exceeding growth in other revenue types

## Formulas

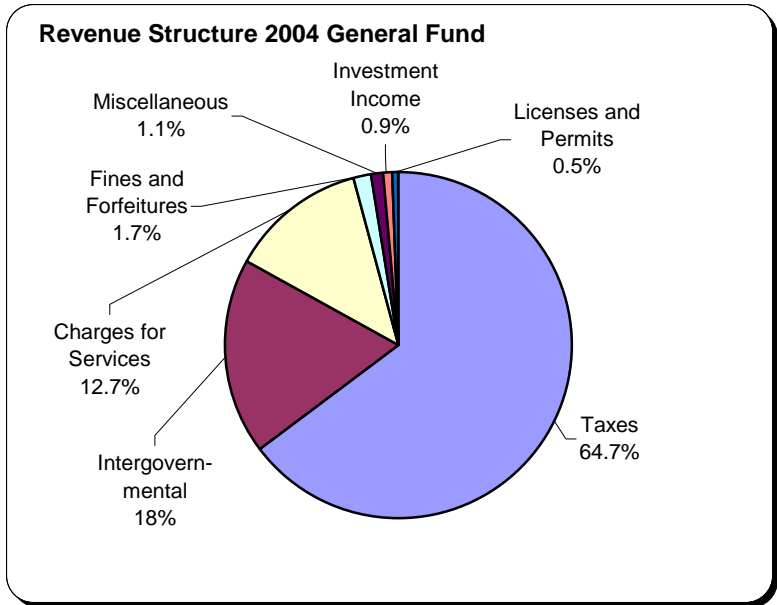
Major revenue categories divided by the total current year revenues in the General Fund



## Analysis

A trend that emerges is the additional reliance on taxes. Currently, 64% of the General Fund revenue is attributed to taxes. This is primarily due to a millage increase in 2003 and rapid tax base growth.

It is also notable that the intergovernmental revenues have been reduced by 4% since FY 2000. This is largely due to reductions in Revenue Sharing and State ½ Cent Sales Tax.



Licenses and permits have been reduced from 5.8% to .5%. This is due to shifting of a majority of these revenues to the Building Services Fund in FY 2002.

Source: Lake County CAFR Documents 2000 & 2004

# Property Taxes

## Description

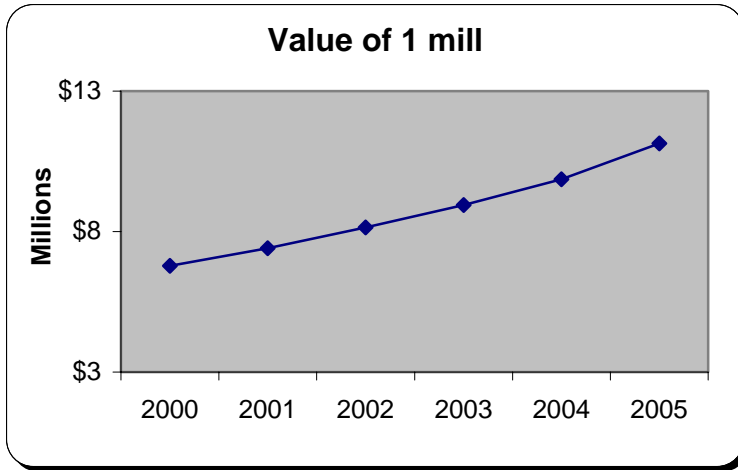
Since property taxes are the largest single revenue for funding services in Lake County, it is vital that we monitor this source. Statutes restrict the maximum annual increase of homestead properties to 3% or the CPI, whichever is lower. In fiscal year 2003, the maximum allowed was 1.6%. In 2004 the maximum was 2.4%, and in 2005 it was 1.9%.

## Warning Trend

Significant changes in the value of a mill

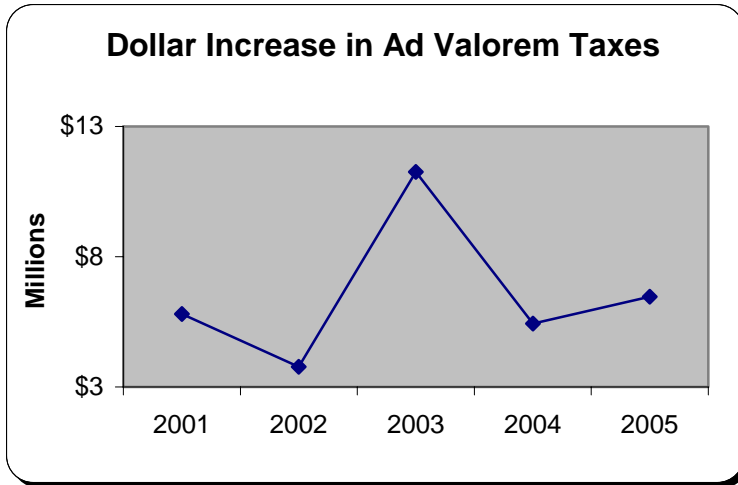
## Formulas

Total ad valorem revenues received divided by the millage rate



### Value of 1 Mill

This chart demonstrates that the value of Lake County property continues to rise. There has been a steady increasing trend in the value of a mill. In fact, in 2005, the budget projects the value of 1 mill at \$11.1 million. This is 64 % higher than the 2000 amount of \$6.7 million. This measure is also important to project future ad valorem revenues.



### Dollar Increase in Ad Valorem Taxes

The millage increase in 2003 created strong growth in this revenue source. The 2005 Budget includes a projected increase of over \$6.6 million compared to the previous fiscal year. This increase in ad valorem revenues is attributable to the strong growth as seen in the value of a mill chart and new developments in the county.

	2000	2001	2002	2003	2004	2005
<b>Millage Rate</b>	4.733	5.117	5.117	5.917	5.917	5.817

## Revenue Received

General Fund	\$32,093,753	\$37,892,163	\$41,666,496	\$52,917,573	\$58,349,562	\$64,816,498
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Source: Lake County CAFR 2004 and Office of Budget

# Residential vs. Commercial Assessed Value

## Description

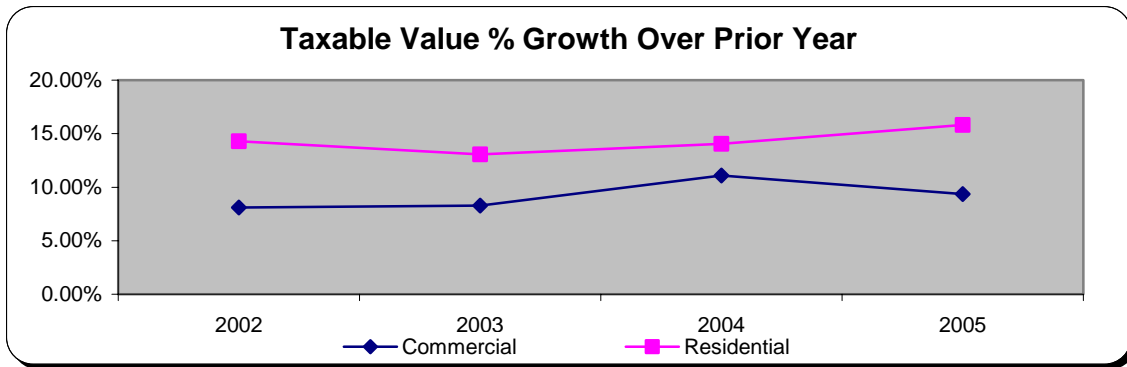
A review of property values by class will enable the reviewer to identify sectors in which change has occurred. The impact of those changes will be reflected in the County's ability to sustain its dependence on property taxes for the provision of quality levels of services in the General Fund. The figures here do not include vacant lands.

## Warning Trend

Disproportional reliance on property owners vs. commercial properties

## Formulas

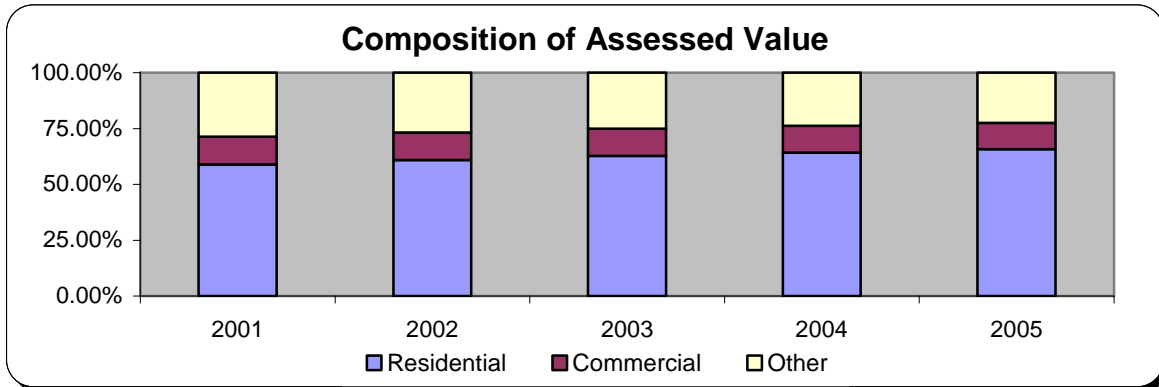
Individual class as a percentage of the total assessed taxable value



## Residential and Commercial Taxable Value

Residential taxable value rates in Lake County have been supporting our strong growth, as evidenced by the graph. The growth has been at least 13% every year since 2002. In 2005, residential accounted for 65.79% of the total taxable value.

While the growth in the industrial and commercial segment of taxable value has not been as dramatic as residential, it is still showing strong growth. In 2005, it grew at 9.3%, and accounted for 11.7% of total taxable value.



This chart shows how the growth of the residential segment has affected the entire composition of the assessed value. Commercial has been reducing slightly as a percentage since 2001. Finally, the growth in residential has reduced the other category, which is primarily composed of vacant lands assessed as neither residential nor commercial.

Source: Lake County Property Appraiser

# Real vs. Tangible Property Value

## Description

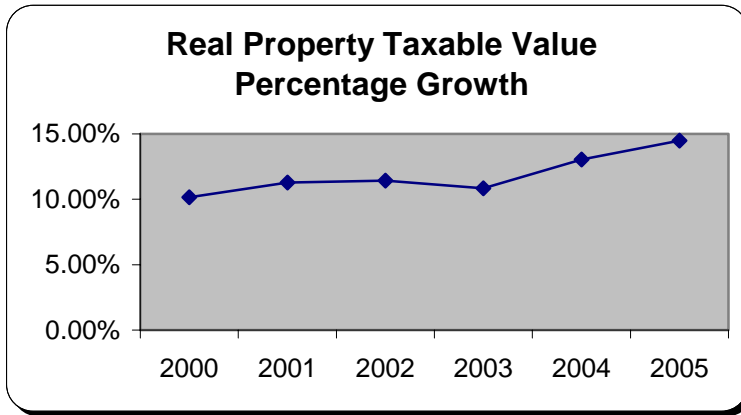
A review of the changes in property value is important because it is a major source of revenue. Communities experiencing population and economic growth are likely to experience short-run, per unit increases in property value. This is because the housing supply is relatively fixed, and an increase in demand created by growth will force prices up. On the other hand, a decline in property tax revenues is usually not a cause, but a symptom of other, underlying problems. This factor and indicator is a useful sign of the health of an organization.

## Warning Trend

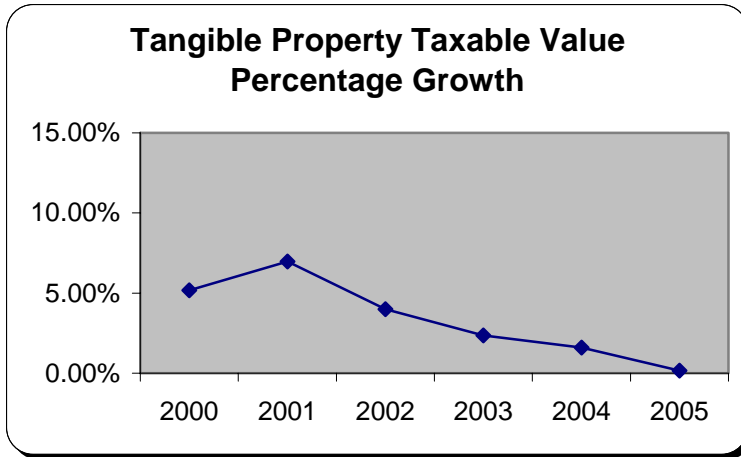
Declining growth or drop in market value of property

## Formulas

Growth in real and tangible property values as opposed to the previous years value



**Real Property Value**  
Real property consists of land value. As is evidenced by the tremendous growth in the County, the growth in the real property values has increased significantly, peaking at 14.4% in 2005. Currently, real property makes up 90% of the total taxable value.



**Tangible Property**  
Tangible property represents items such as furniture and fixtures, which are taxable, but not captured as real property. The growth in tangible property has continued to decline. In 2005 the growth is only .16%. This portion of our revenue stream must be considered in any long-term plans. The decrease in the growth is due to several factors. First, increasing technology causes tangible property to depreciate much quicker than in the past. Second, this category does not appreciate in value like real property.

Source: Lake County Property Appraiser

# Top Five Taxpayers

## Description

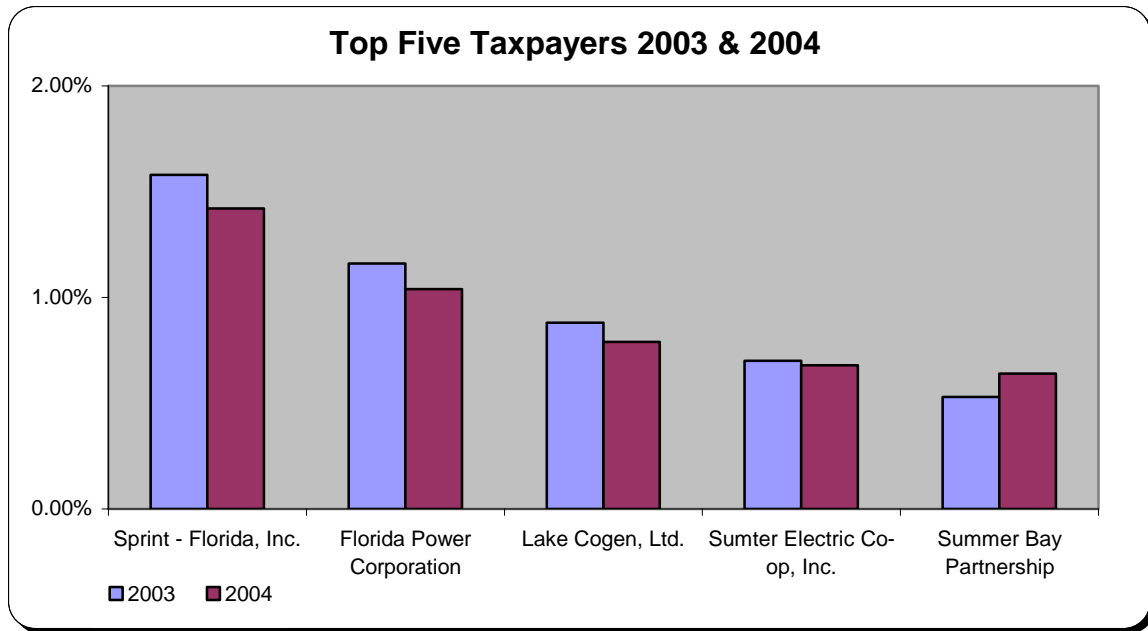
This measure indicates the concentration of property values in the community and helps to analyze how vulnerable the County would be if a few of the largest taxpayers were to relocate. The bond rating agencies use this indicator to determine the degree of concentration of revenues generated.

## Warning Trend

Increasing and high percentage of values of top five taxpayers

## Formulas

Assessed property value for one company divided by total property value



## Top Five Taxpayers

The above chart shows the comparison of the 2003 and 2004 top five taxpayers. The trend here that is seen in four of the five taxpayers, excluding Summer Bay, is that these are representing a smaller portion of the tax base. To further illustrate this, the top ten taxpayers in Lake County consisted of 7.14% in 2002 and 6.92% of the total tax base in 2003. In 2004, this was reduced to 6.51%. What this indicates is an economic base that is becoming more diversified. From previous data, it is clear that the tax base is expanding. Through this expansion and continued diversification, Lake County is in a better financial position. Diversification will continue to be monitored through the evaluation of the major taxpayers in Lake County.

Source: Lake County CAFR Documents 2003 & 2004

# Intergovernmental Revenues

## Description

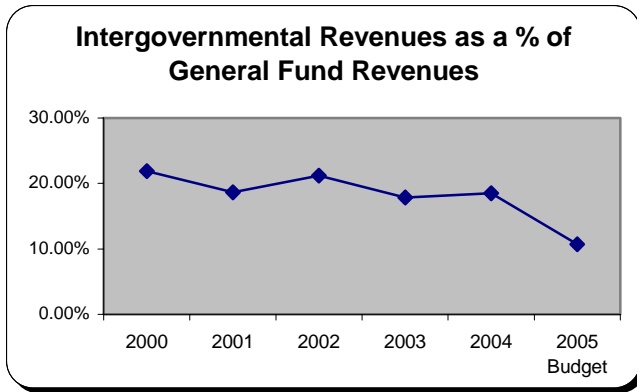
The State and Federal Governments continue to struggle with their own budget problems when the economy does not expand at the same rate as services demanded by their citizens. When this occurs, they frequently reduce or withdraw payments to local governments as a cutback measure. The reduction of intergovernmental funds leaves the local government with the challenge of funding the programs from other sources or cutting the programs.

## Warning Trend

Changes in intergovernmental revenues as a percentage of operating revenues

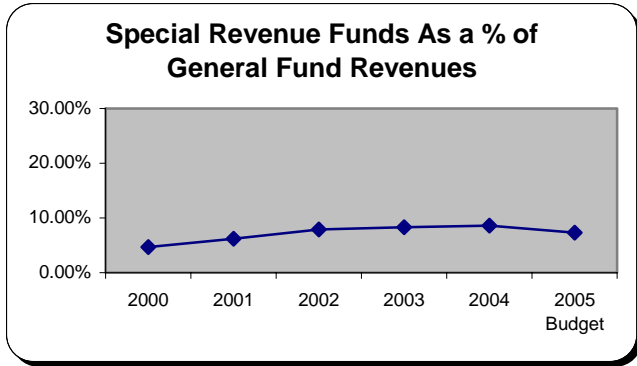
## Formulas

Intergovernmental revenues divided by total operating revenues



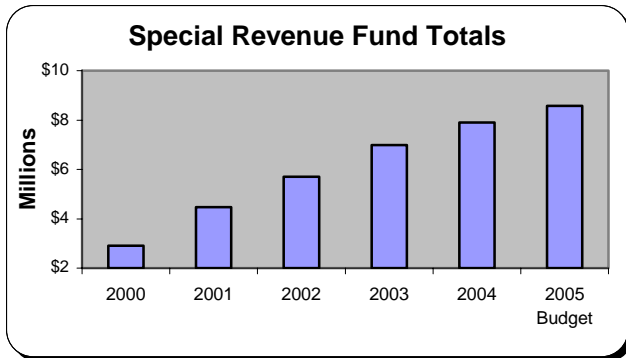
### General Fund

The two primary sources of Intergovernmental Revenue in the General Fund are: 1) Revenue Sharing, which is a portion of sales and use tax collections, and 2) Sales Tax, which is based on a pro-rata share of ½ cent of the first six cents of sales and use tax. The Article V legislation has reduced our anticipated revenues from the State, which is reflected in the 2005 budget. This revenue category is subject to legislative issues.



### Special Revenue Funds

Intergovernmental revenues from State and Federal sources provide housing, transportation, and community development assistance to qualified persons and agencies. Affordable Housing and Public Transportation (TD) grants are received from the state; Section 8 and Community Development Block Grant (CDBG) are Federally Funded. These charts depict the percentage and dollar impact upon the General Fund should these grants be eliminated, and the services continued.



Source: Lake County CAFR Documents 2000-2004 and Budget Documents 2005

# Per Capita Revenues

## Description

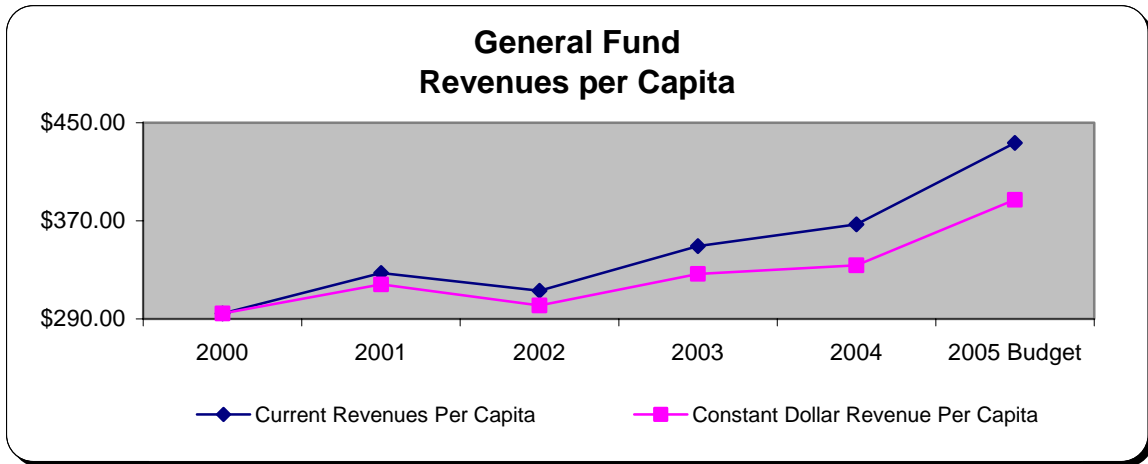
Reviewing per capita revenue gives the reader an indication of revenue patterns in relation to the population of the County. A steady trend would indicate that revenues were remaining stable with the current population. A decreasing trend would indicate that the County might not be able to maintain current service levels. Constant dollars as shown below have been adjusted for inflation and population growth.

## Warning Trend

Decreasing revenues per capita

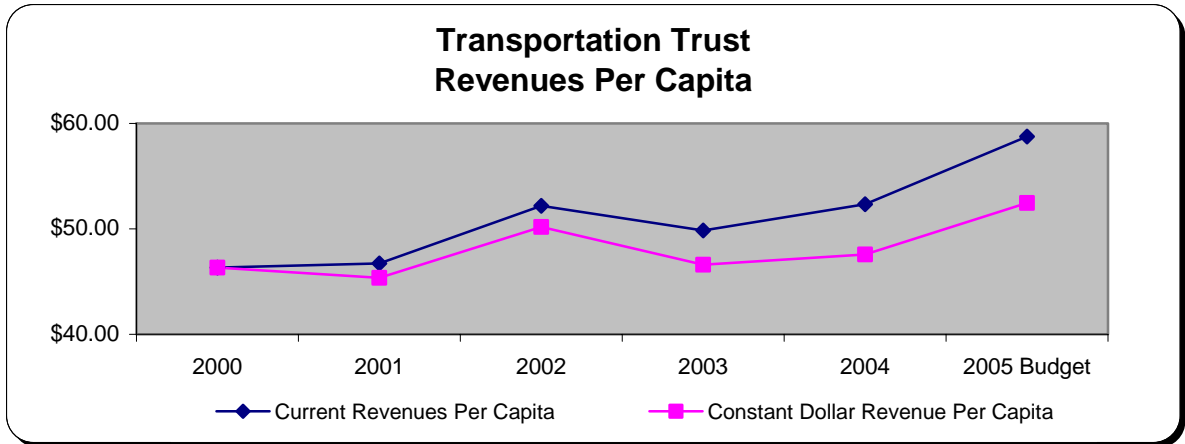
## Formulas

Current and Constant revenues divided by population



## General Fund

Both current and constant revenues per capita continue to rise, after the decrease in 2002.



## Transportation Trust Fund

The prevailing trend in the last two fiscal years is showing an increase, after a small decrease in 2003.

Source: Lake County CAFR Documents 2000-2004 and Bureau of Economic and Business Research 2004

# Expenditure Structure – General Fund

## Description

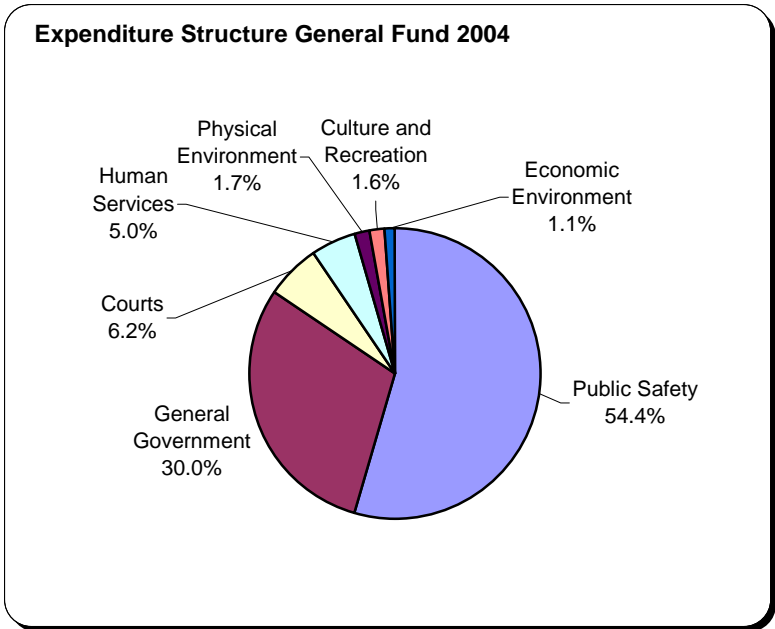
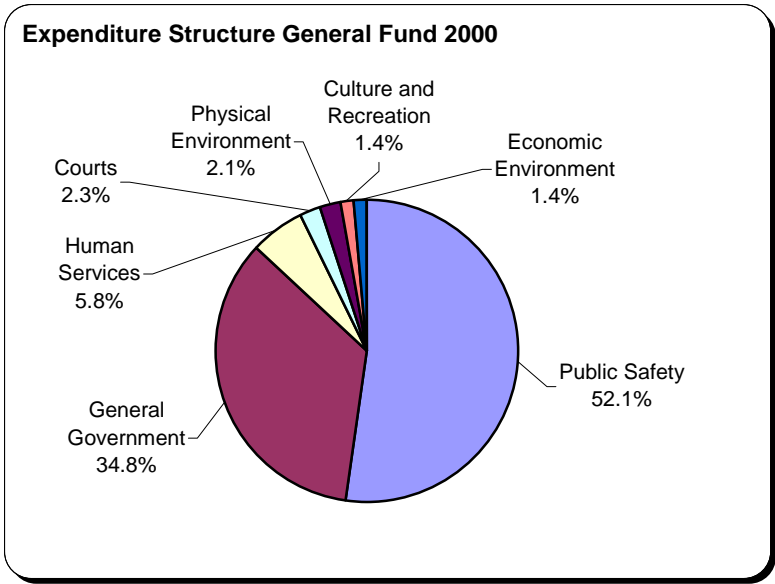
The relative percentages of each group to the total helps the County analyze the overall expenditures of the General Fund. Bond raters review expenditure composition and stability, in concert with revenue patterns. This section presents expenditure structure by area in fiscal year 2000 and 2004.

## Warning Trend

Increasing expenditures for one function as a percentage of total operating expenditures

## Formulas

Expenditures for one category divided by the total operating expenditures



## Analysis

Comparing these two charts provides a perspective on the expenditures made from the General Fund. One observation is that the percentage of funds spent on Public Safety is virtually the same. The percentage spent on General Government has decreased slightly, from 35% to 30%.

At the same time, expenditures spent on Courts have taken up an additional 4% more of the budget than in 2000. In 2004, the County funded the Courts for nine months before the implementation for Article V. Court expenditures are expected to drop significantly in 2005.

In addition to the changes, Lake County has continued to keep pace with demands from growth in the critical categories of Human Services, Physical Environment, Culture and Recreation, and Economic Environment.

Source: Lake County CAFR Documents 2000-2004

## Expenditures by Function – General Fund Detail *General Government*

**Description**

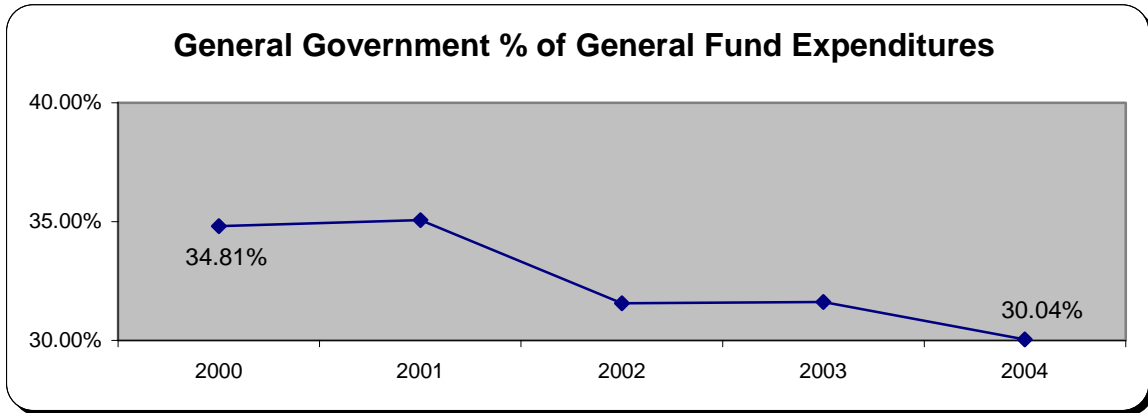
This page represents one of the seven major functions: General Government.

**Warning Trend**

Increasing expenditures for one function as a percentage of total operating expenditures

**Formulas**

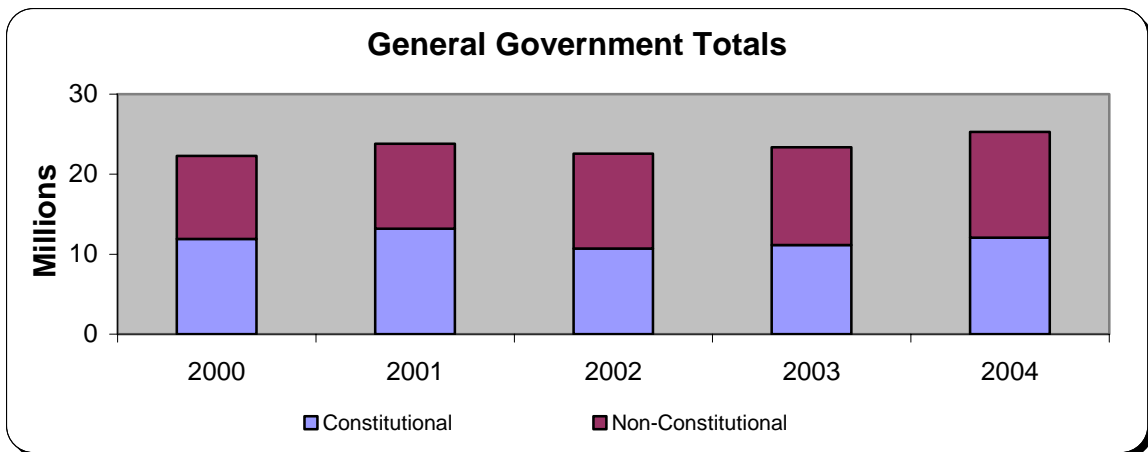
Expenditures for one category divided by the total operating expenditures



**General Government**

**Services:** Budget Office, Employee Services, Constitutional Officers (Excludes Sheriff and Court Functions), Facilities Maintenance, Planning, Zoning, and other Board administrative functions.

**Analysis:** The percentage of costs attributed to General Government has slightly decreased since peaking in 2001. The decrease in 2002 is attributed to a reclassification of Clerk of Court Costs, which decreased the General Government expenditures and increased Court expenditures.



A large portion of General Government costs is attributed to Constitutional Officers. In 2004 they were 47.7% of General Government costs.

Source: Lake County CAFR Documents 2000-2004

# Expenditures by Function – General Fund Detail

## *Public Safety, Courts, and Human Services*

**Description**

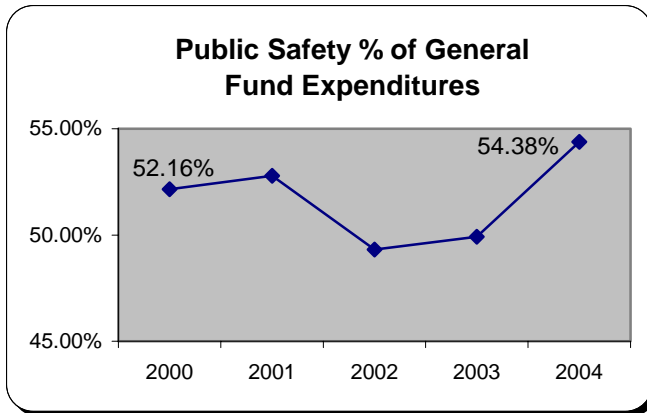
This page represents three of the seven major functions: Public Safety, Courts, and Human Services.

**Warning Trend**

Increasing expenditures for one function as a percentage of total operating expenditures

**Formulas**

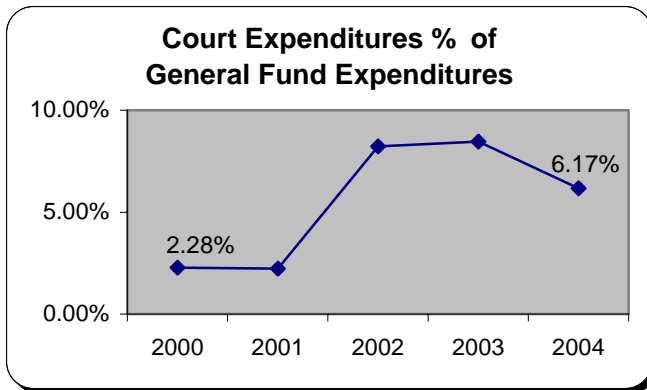
Expenditures for one category divided by the total operating expenditures



**Public Safety**

**Services:** Emergency and disaster relief, Law Enforcement – road patrol, jail, bailiffs, Code Enforcement, county probation, and Office of the Medical Examiner.

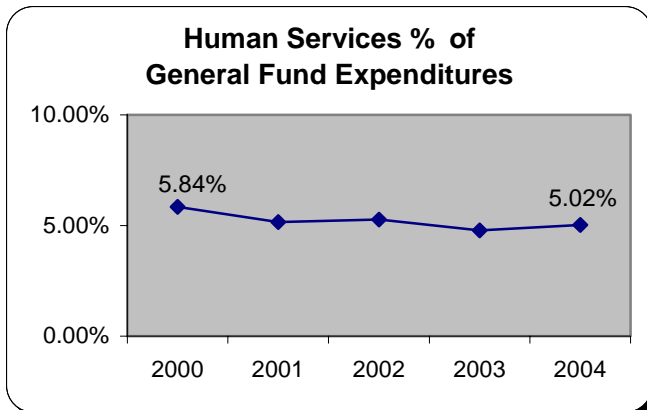
**Analysis:** The 2002 decrease is due to the creation of the Building Services Fund, which shifted these expenditures to a Special Revenue Fund.



**Courts**

**Services:** State Attorney, Public Defender, Guardian Ad Litem, and Circuit Judges.

**Analysis:** The 2002 increase is a function of reclassified Clerk of Court costs from General Government to Courts. After costs peaked in 2002 and 2003, the implementation of Article V occurred in July 2004. In this year, the County funded 9 months of Court costs.



**Human Services**

**Services:** Assistance for low-income residents for rent, utilities, medical bills; hardship payments for fire and solid waste assessments; indigent burials, children’s services, and animal control.

**Analysis:** In spite of potential reduction in this area by the State Legislature, this category has remained relatively flat.

Source: Lake County CAFR Documents 2000-2004

# Expenditures by Function – General Fund Detail

## *Culture and Recreation, Physical Environment, and Economic Environment*

**Description**

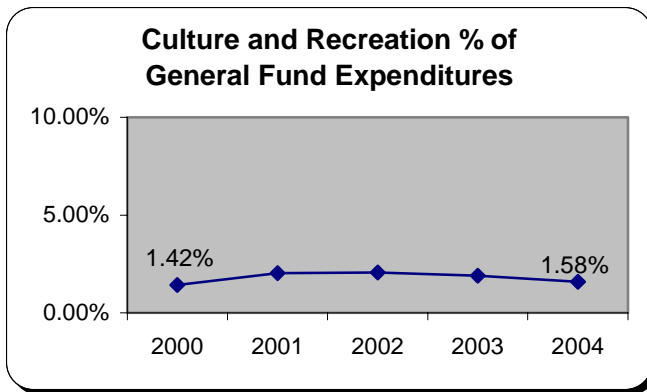
This page represents three of the seven major functions: Culture and Recreation, Physical Environment, and Economic Environment.

**Warning Trend**

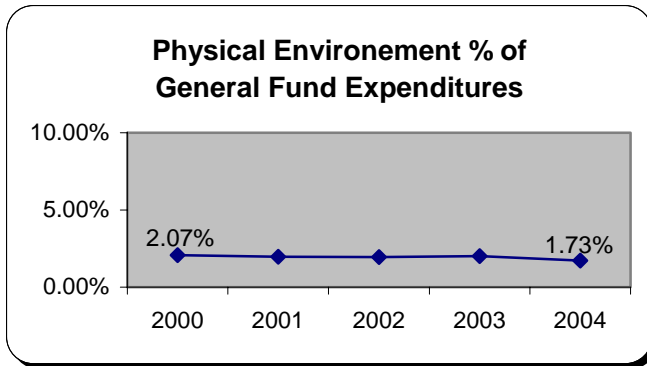
Increasing expenditures for one function as a percentage of total operating expenditures

**Formulas**

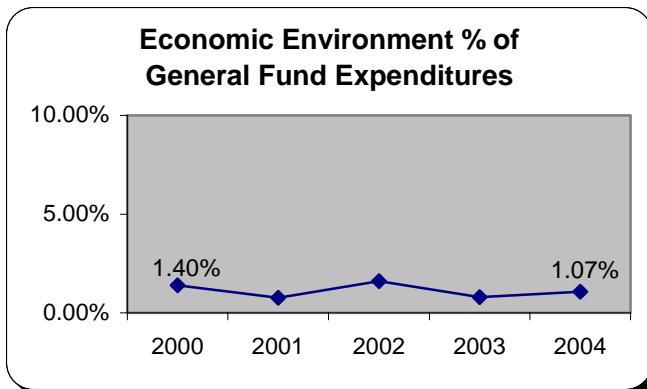
Expenditures for one category divided by the total operating expenditure



**Culture and Recreation Services:** Park maintenance, park development, fairgrounds, and the historical museum.  
**Analysis:** Although park funding has increased from \$1.08 to \$1.9 million, the percentage spent on this category has remained relatively flat since 2000.



**Physical Environment Services:** Aquatic plant management, mosquito control management, agricultural cooperative extension, horticultural education, soil and water conservation management.  
**Analysis:** Percentage of expenditures in this category has remained relatively level. In 2000 it was 2.07% and in 2004 was 1.73%.



**Economic Environment Services:** Jobs Growth Incentive Fund, Community Redevelopment Agencies, and Veterans' Services.  
**Analysis:** Percent of expenditures in this category has decreased slightly since 2000, from 1.4% to 1.07% in 2004.

Source: Lake County CAFR Documents 2000-2004

# Employees per Capita – Summary

## Description

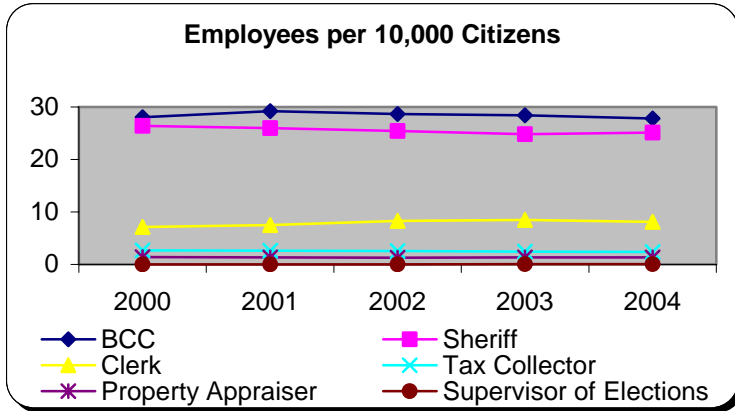
This analysis shows the changes in per capita employees for the Board of County Commissioners and each Constitutional Office.

## Warning Trend

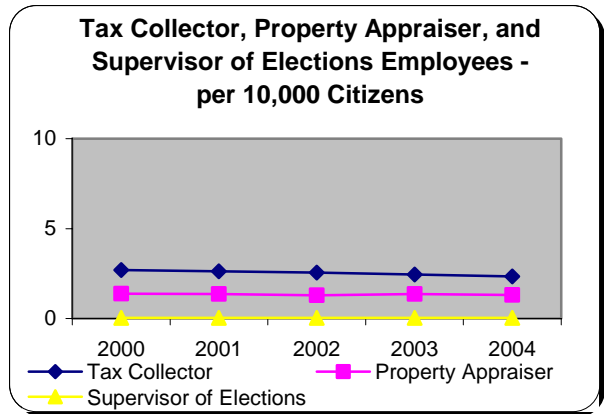
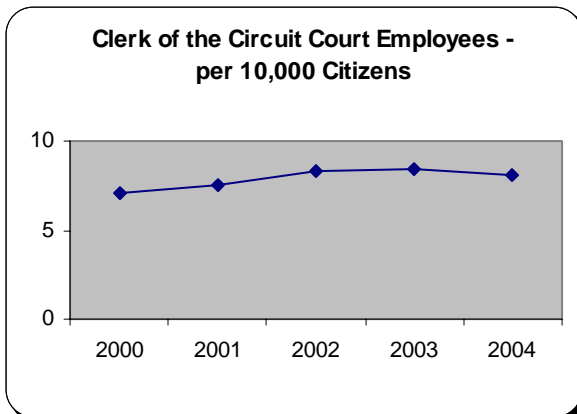
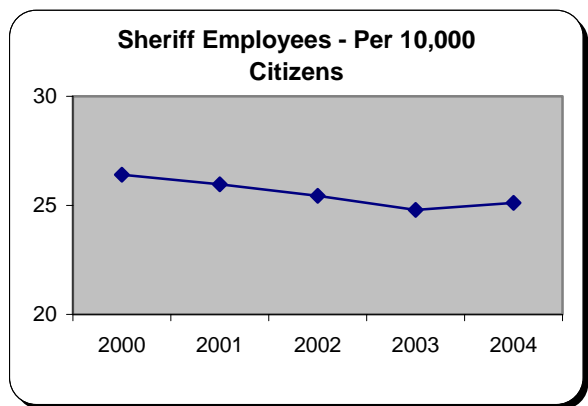
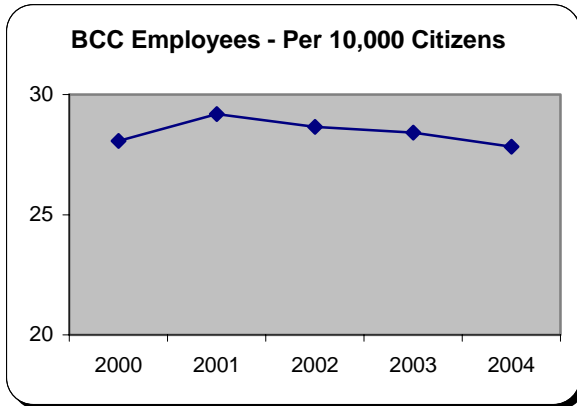
Change in number of employees per capita

## Formulas

Number of employees divided by population



**Employees per Capita**  
Based on budgetary constraints and benchmark indicators, the County and each Constitutional Office must evaluate internal efficiencies combined with increasing demands for services. This method helps determine appropriate staffing for each group.



Source: Lake County Budget Office and Bureau of Economic and Business Research 2004

## Employees per Capita – Various BCC Funds

### Description

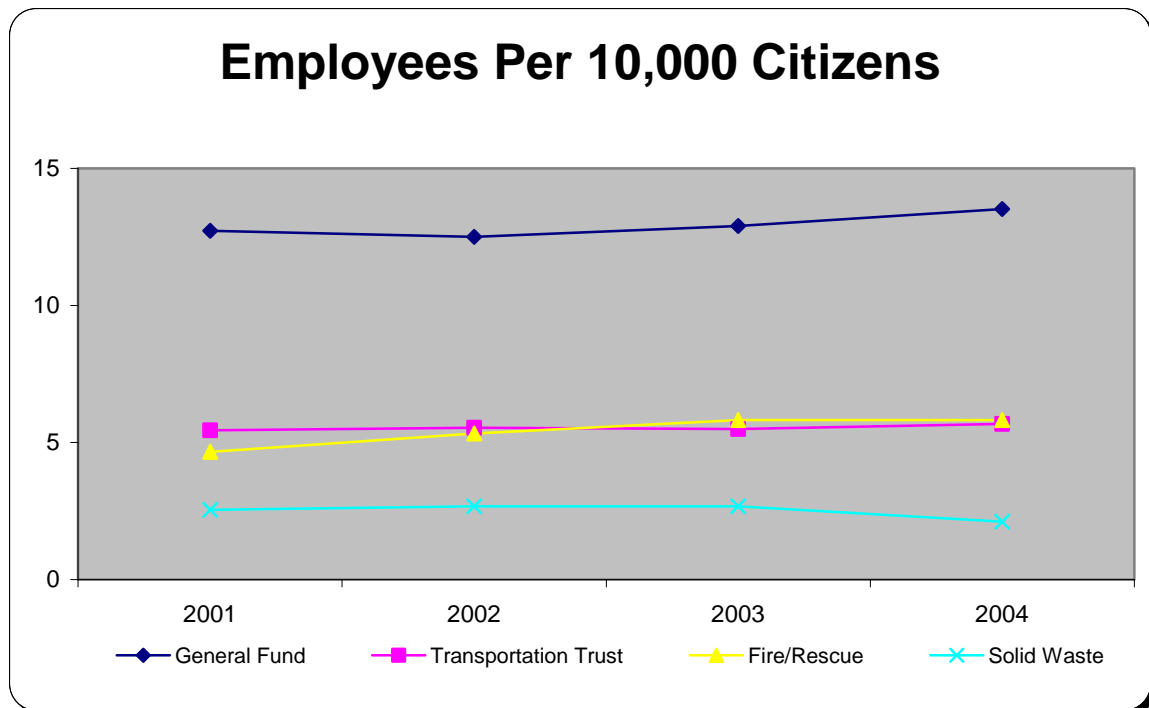
Personnel expenditures are a major cost of a local government's operating budget. Plotting changes in the number of employees per capita may indicate that either the County is becoming more efficient, or that the County's staffing is not keeping pace with the demands from growth.

### Warning Trend

Change in number of employees per capita

### Formulas

Number of employees divided by population



### Employees Per Capita

The chart above illustrates how the number of employees per fund has kept pace with the number of citizens. This graph shows slight increases in General Fund, Transportation Trust Fund, and Fire/Rescue, which is justified by higher revenues per capita in these funds, as well as the increased demand that accompanies an expanding community. The decreasing trend in the Solid Waste fund can be attributed to contracting recycling services and downsizing internal operations.

Source: Lake County Budget Office and Bureau of Economic and Business Research 2004

# Fringe Benefits

## Description

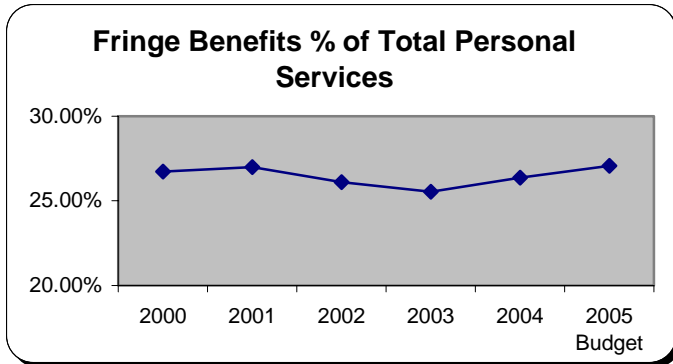
Fringe benefits represent a significant portion of operating costs. The figures below include: Social Security match, insurance, retirement, workers' compensation, and unemployment compensation contributions. Because these benefits represent a significant expenditure, it is vital to note warning trends and assess the ability of the County to control or mitigate the impact of significant increases.

## Warning Trend

Increasing fringe benefits as a percentage of total Personal Services expenditures

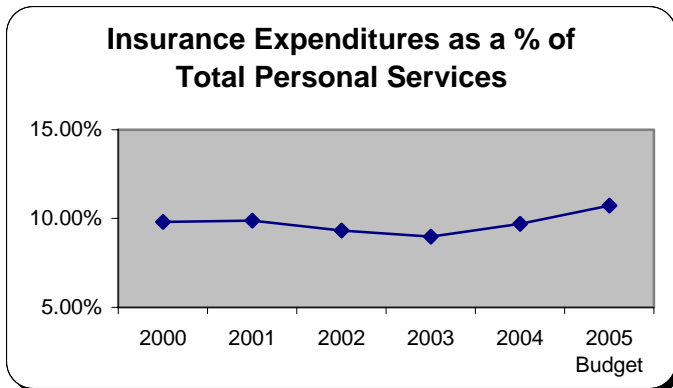
## Formulas

Fringe benefit expenditures divided by total Personal Services expenditures



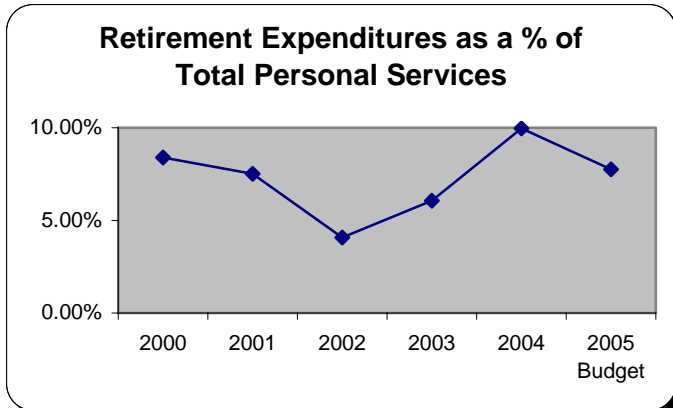
### Total Fringe Benefits

Fringe benefits as a percentage of total personal services declined in both 2002 and 2003, and are again increasing for 2004 and the 2005 budget. The main factors contributing to this increase are shown in the charts below.



### Insurance Expenditures

This chart is very similar in trend to the Total Fringe Benefit chart above. Again, insurance costs as a percentage of total personal services decreased in 2002 and 2003. However, in 2004 and the 2005 budget, these costs represent a higher percentage of expenditures. The total 2005 budget projects expenditures of over \$4.5 million.



### Retirement Expenditures

The Florida Retirement System determines the retirement rates. The rates were lowered from 2000-2002, and began rising again in 2003. The rate is currently budgeted at 8.46% for regular class employees in FY 2005.

Source: Lake County Budget Office

# Operating Surplus or Deficit

## Description

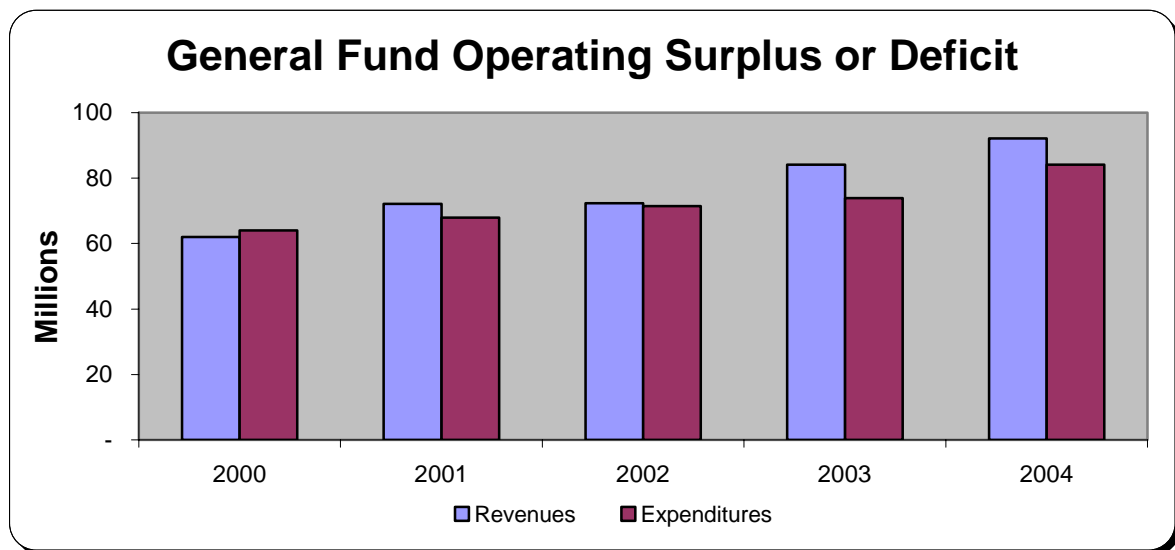
An operating surplus or deficit is formed when expenditures are less than current revenues, or exceed revenues, respectively. An operating deficit does not always indicate an out of balance budget, as other resources, such as reserves can be used to balance funds. It would indicate however, that the entity is spending more than it is collecting, and measures may need to be taken to re-align current spending with revenues.

## Warning Trend

Current expenditures exceed current revenues

## Formulas

General Fund current revenues and current expenditures



## Analysis

For the last four fiscal years, current revenues have exceeded current expenditures.

## Credit Rating Benchmark

A credit-rating firm would regard a current-year operating deficit as a minor warning signal. Policies and the reasons would be evaluated.

In addition, the following conditions could possibly signal further investigation:

- Two consecutive years of operating deficits
- A current operating fund deficit greater than that of the previous year
- An operating fund deficit in two or more of the last five years
- An abnormally large deficit – larger than 5-10% - in one year

# Unrestricted Reserves

## Description

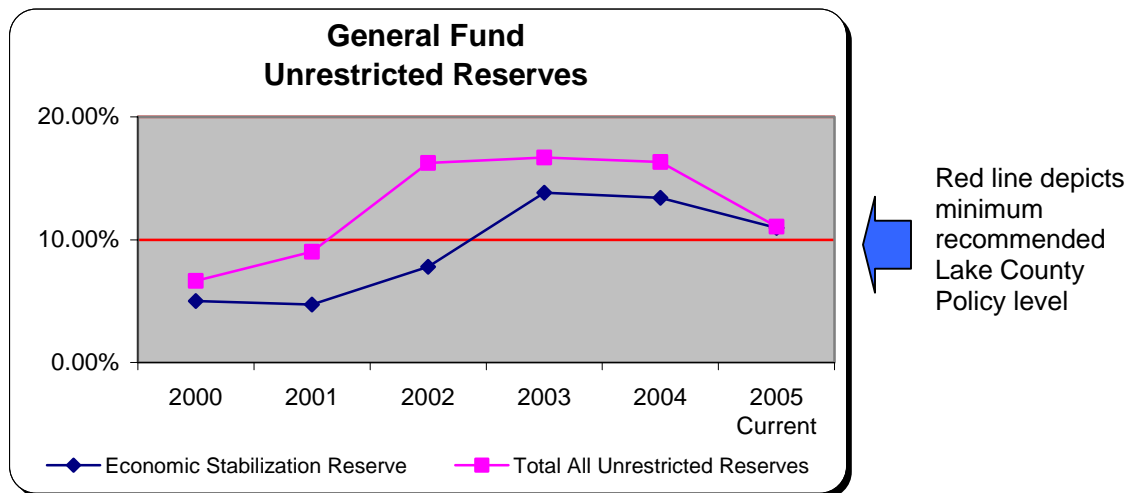
The size of a local government's reserves can affect its ability to withstand financial emergencies. It can also affect its ability to accumulate funds for capital purchases without having to borrow. The graph on this page represents the unrestricted reserves remaining in the General Fund at the end of Fiscal Years 2000-2004, and the current unrestricted reserves for 2005. The 2005 figure includes mid-year adjustments.

## Warning Trend

Declining unreserved fund balance as a percentage of budgeted expenditures

## Formulas

Unrestricted General Fund reserve amounts at the end of the fiscal year divided by expenditures



## Economic Stabilization Reserve

In April 2003, The Board of County Commissioners adopted an *Economic Stabilization Reserve* policy, which follows the Government Finance Officers Association (GFOA) Recommended Practice. The GFOA policy (2002) recognizes the guideline of a General Fund reserve of between 8.3% and 16.6% of the expenditures for the fiscal year. Ten percent is the minimum target for the Lake County Economic Stabilization Reserve. The purpose for this reserve is to set aside funds when needed in economic downturns or catastrophic emergencies. In an emergency, funds may be used from the Economic Stabilization Reserve, but must be repaid the following year.

## All Unrestricted Reserves

In addition to the *Economic Stabilization Reserve*, this figure includes two other unrestricted reserves. *The Reserve for Operations* allows for a limited amount of funding for unanticipated expenditures for current operations. *The Reserve for Contingency* allows for appropriations of a non-recurring nature. When expenditures of a recurring nature are appropriated from this account, future funding must be identified.

Source: Lake County Financial Reports and CAFR Documents 2000-2004

# Liquidity

## Description

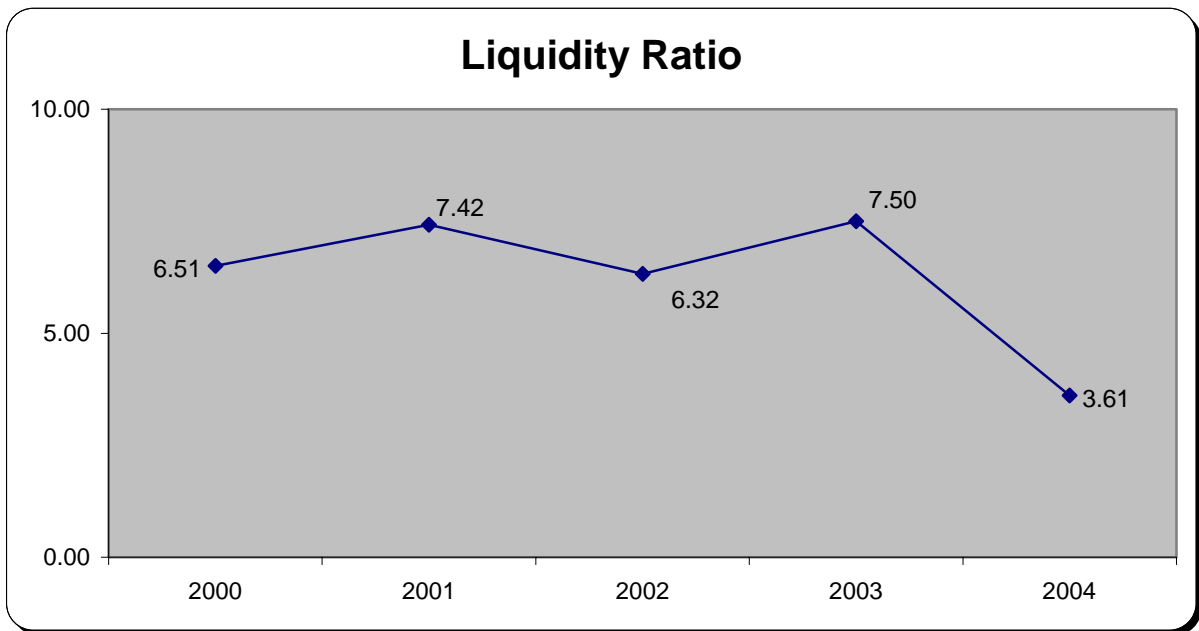
A good measure of a local government's short-run financial condition is its cash position. Cash position, includes cash on hand and in the bank, as well as other assets that can easily be converted to cash, determines a government's ability to pay for short-term obligations. The immediate effect of insufficient liquidity is insolvency – the inability to pay bills. This indicator is known as “current account analysis”.

## Warning Trend

Decreasing amount of cash and short-term investments as a percentage of current liabilities

## Formulas

Cash and short-term investments divided by current liabilities



## Liquidity

The liquidity ratio helps to assess the ability of Lake County to sustain a strong financial position. This indicator would be the first sign of a cash shortage for the County. This indicator, although showing a decrease in 2004, would only be a warning sign for impending challenges if the numbers were below 1.

The chart indicates a sound cash position, with 2004 General Fund cash and short term investments exceeding current liabilities by 3.6 times.

Source: Lake County CAFR Documents 2000-2004

# Long Term Debt

## Description

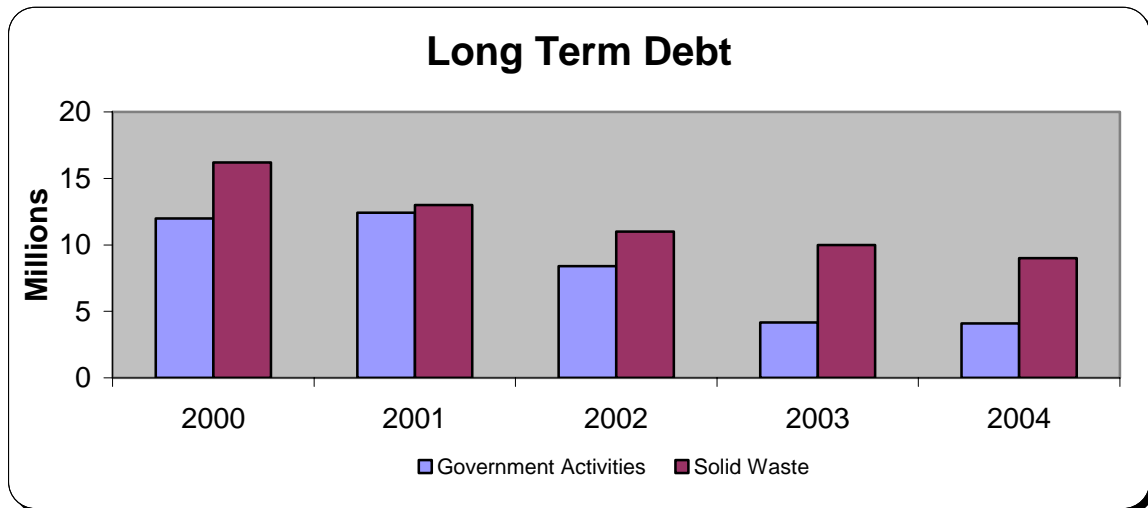
Bond rating agencies will review the level of long-term debt, recognizing that accelerated debt issuance can overburden a county. However, low debt profile may not be a positive credit factor, since that may indicate under investment in capital projects. There are two types of debt. "Direct Debt" is bonded debt for which the County pledges general tax revenues. Lake County currently has no direct debt. However the Environmental Lands Program, approved by voters in November 2004, will be direct debt when issued. The second type of debt is "Self-Supporting Debt". This is bonded debt that the county has pledged to repay from a special, separate revenue source. The chart below highlights the current level of long-term, self-supporting debt in Lake County.

## Warning Trend

Increasing debt with decreasing repayment sources

## Formulas

Amount of long-term debt



## Long Term Debt

The County's remaining outstanding debt from governmental activities is approximately \$4.08 million as of September 30, 2004. This outstanding debt is being repaid from the pari-mutuel revenues.

## Solid Waste Note Payable

Funds are budgeted annually to repay this amount at \$1 million per year from the Solid Waste Enterprise Fund.

## Potential Future Debt

Lake County is currently in the process of reviewing the issuance of debt for the Environmental Lands Program, as approved by voter referendum. This amount could be issued for up to \$36 million. The County is also reviewing the feasibility of Sales Tax bonds for the funding of capital facility improvements.

Source: Lake County CAFR Documents 2000-2004

# Capital Assets

## Description

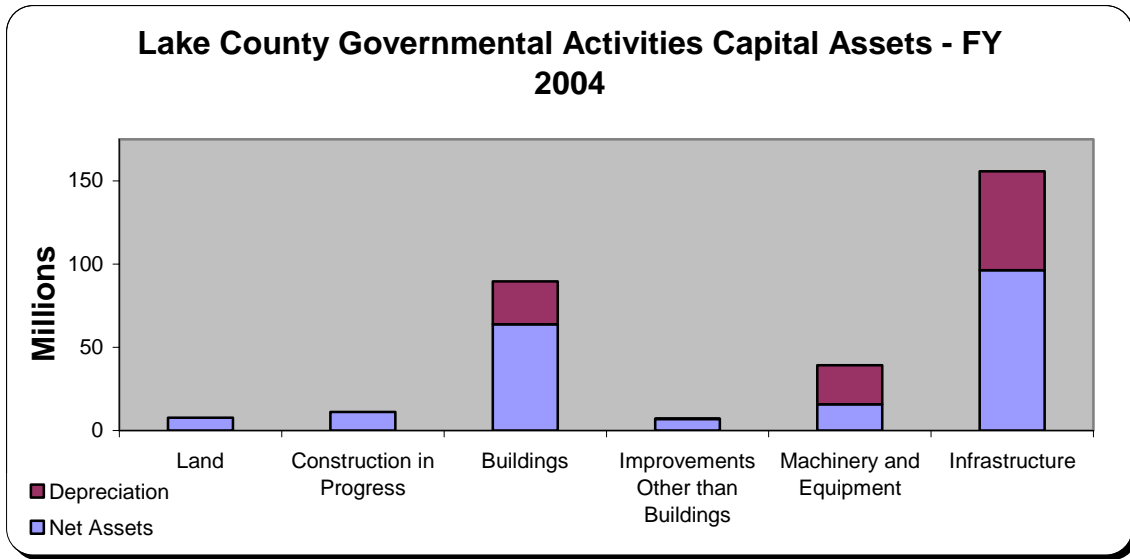
In Fiscal Year 2002, the County's Finance Department reclassified the County's capital assets in accordance with a requirement of the Governmental Accounting Standards Board. Because of this reclassification, the County is now able to review the total assets.

## Warning Trend

Aging infrastructure

## Formulas

Fixed assets with associated depreciation



## Summary of Accounting Procedures

The County follows Generally Accepted Accounting Principles and guidelines set forth by the Governmental Accounting Standards Board (GASB). The values placed in the accounting records represent the original purchase price or, if donated, the estimated fair market value at the time of receipt. Neither land nor construction work in progress is depreciated.

The County began accounting for the cost, and depreciation of infrastructure (roads, bridges, curbs, gutters, streets, sidewalks, drainage systems, and lighting systems) beginning in 2002. The amounts shown on this graph are representative of all assets through September 30, 2004.

## Depreciated Value

For Fiscal Year 2004, the County's buildings were depreciated by 28%, improvements other than buildings by 2%, machinery and equipment by 60%, and infrastructure by 38%.

Source: Lake County CAFR Documents 2004

# Roads Maintenance Efforts

## Description

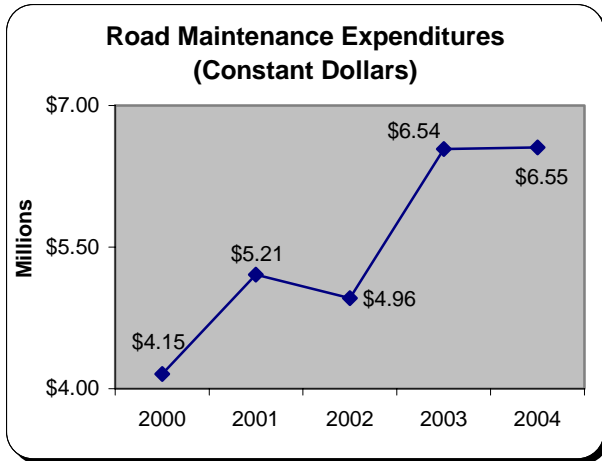
Enduring assets are built at a large cost and their decline can have far-reaching effects on business activity, property value, and operating expenditures. Staff should monitor costs such as these to determine if increased maintenance costs would warrant increased capital expenditures. The figures on the graphs below have been adjusted for inflation.

## Warning Trend

Declining expenditures for maintenance of roads per unit of asset (constant dollars)

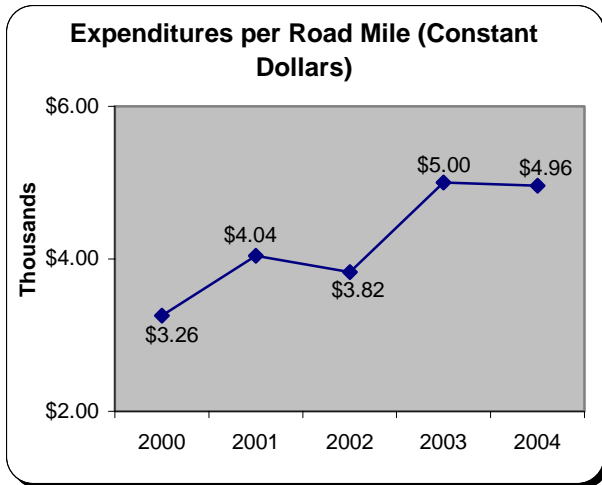
## Formulas

Expenditures for repair and maintenance of roads (constant dollars)/Quantity of assets



### Maintenance Effort – Roads

In general, maintenance expenditures should remain relatively stable (in constant dollars) relative to the number of assets. From the data presented in the chart, spending on road maintenance has increased by \$2.4 million (constant dollars) since 2000.



### Expenditures per Road Mile

The chart indicates a general trend toward higher cost per road mile over the last five years. It is important to look at this type of analysis, because it demonstrates the cost of aging infrastructure. Other possible areas for future analysis include: maintenance per acre of park, maintenance per square foot of buildings, maintenance per traffic signal, and maintenance per mile of sidewalk. This type of analysis shows the per capita cost of these assets.

Source: Lake County Public Works Department