

Polk County, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2004

Polk County's discussion and analysis provides a narrative overview and easily readable analysis of the County's financial activities. The analysis provides summary financial information for the County and should be read in conjunction with the transmittal letter and the County's financial statements.

FINANCIAL HIGHLIGHTS

- The total assets of the County exceeded total liabilities (net assets) by \$605.3 million at 2004 fiscal year end compared to \$530.9 million the prior year. Unrestricted net assets for governmental activities were \$157.6 million in 2004 and \$154.0 million in 2003. For business-type activities, unrestricted net assets were \$58.2 million and \$57.6 million in fiscal years 2004 and 2003, respectively.
- Total net assets increased by \$74.4 million. Of that amount, \$53.5 million was attributable to governmental activities and \$20.9 million is attributable to business-type activities.
- Polk County's governmental funds combined ending fund balance was \$226.9 million, a decrease of \$7 million from the prior year ending fund balances of \$233.9 million. For fiscal year 2004, \$199.1 million was unreserved in the various governmental fund types of the County.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$49.9 million compared to \$39.0 million for fiscal year 2003.

- Total long-term liabilities of Polk County decreased \$4.3 million in fiscal year 2004. This decrease is the net result of general capital debt restructuring and debt service payments.
- Closure estimates for County landfills approved by state and federal authorities resulted in a decrease to the closure fund net assets of \$4.1 million for fiscal year 2004. At fiscal year end 2004, the County had \$6.2 million for closure and long-term care purposes for landfills.
- Investment portfolio returns exceeded the County's State Board of Administration benchmark rate by 262 basis points due to active portfolio management.

OVERVIEW OF THE FINANCIAL STATEMENTS

The County's basic financial statements comprise three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to the financial statements*. This report also contains other supplementary information in addition to the basic financial statements themselves. The government-wide financial statements present an overall picture of the County's financial position and results of operations. The fund financial statements present financial information for the County's various funds. The notes to the financial statements provide additional information concerning the County's finances that are not disclosed in the government-wide or fund financial statements.

The government-wide financial statements are the *statement of net assets* and the *statement of activities*. These statements use accounting methods similar to those used by private-sector companies. Emphasis is placed on the net assets of governmental activities and business-type activities and the change in net assets. Governmental activities are primarily supported by property taxes, charges for services, fuel taxes, sales taxes, services taxes, and grants. Business-type activities are supported by charges to the users of those activities, such as water and sewer service charges and landfill tipping fees.

The government-wide financial statements include not only Polk County itself (known as the primary government) but also legally separate component units for which Polk County is financially accountable. These component units are detailed in *Note A* of the financial statements.

The statement of net assets presents information on all assets and liabilities of the County, with the difference between assets and liabilities reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Assets, liabilities, and net assets are reported for all governmental activities separate from the assets, liabilities and net assets of business-type activities.

The statement of activities presents information on all revenues and expenses of the County and the change in net assets. Expenses are reported by major function and program revenues relating to those functions are reported, providing the net cost of all functions of the County. To assist in understanding the County's operations, expenses have been reported as governmental activities or business-type activities. Governmental activities financed by the County include general government, public safety, physical environment, transportation, economic government, human services, and culture and recreation. Business-type activities financed by user charges include water and sewer services, solid waste disposal, and a nursing home facility.

Fund financial statements present financial information for governmental funds, proprietary funds, and fiduciary funds. Governmental fund financial statements provide information on the current assets and liabilities of the funds, changes in current financial resources (revenues and expenditures), and current available resources. The proprietary funds financial statements provide information on all assets and liabilities of the funds, changes in the economic resources (revenues and expenses), and total economic resources. The fiduciary fund statement provides information concerning assets held in trust by the County on behalf of others.

Fund financial statements include a *balance sheet* and a *statement of revenues, expenditures, and changes in fund balances – budget and actual* for all governmental funds. For the proprietary funds, which include internal service funds in addition to business-type activities, a *statement of net assets*, a *statement of revenues, expenses, and changes in fund net assets* and a *statement of cash flows* are presented. A *statement of fiduciary net assets* is presented for the County’s agency funds. Fund financial statements provide more detailed information about the County’s activities. Individual funds are established by the County to track revenues that are restricted to certain uses, comply with legal requirements, or account for the use of state and federal grants.

The government-wide financial statements and the fund financial statements provide different pictures of the County. The government-wide financial statements provide an overall picture of the County’s financial standing, divided into governmental activities and business-type activities. These statements are comparable to private-sector companies and give a good understanding of the County’s overall financial health and how the County paid for the various activities, or functions, provided by the County. Assets of the County, including buildings, land, roads, bridges, and traffic signals are reported in the statement of net assets. All liabilities, including principal outstanding on bonds, capital leases, and future employee benefits obligated but not paid by the County, are included. The statement of activities includes depreciation on all long lived assets of the County, but transactions between the different functions of the County have been eliminated in order to avoid a “doubling up” of the revenues and expenses. The fund financial statements provide a picture of the major funds of the County and all non-major funds. In the case of governmental activities, outlays for long lived assets are reported as expenditures; long-term liabilities, such as general obligation bonds, are not included in the fund financial statements. To provide a link from the fund financial statements to the government-wide financial statements, a reconciliation is provided.

Notes to the financial statements provide additional detail concerning the financial activities and financial balances of the County. Additional information about the

accounting practices of the County, investments of the County, and long-term debt are some of the items included in the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following schedule provides a summary of assets, liabilities and net assets of the County for fiscal years 2004 and 2003.

| | Net Assets (In Millions) | | | | | |
|-------------------------------------------------|------------------------------------|-----------------|--------------------------|-----------------|-----------------|-----------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Current and other assets | \$ 301.2 | \$ 281.8 | \$ 175.7 | \$ 163.2 | \$ 476.9 | \$ 445.0 |
| Capital Assets | <u>313.0</u> | <u>271.5</u> | <u>212.0</u> | <u>195.1</u> | <u>525.0</u> | <u>466.6</u> |
| Total Assets | <u>614.2</u> | <u>553.3</u> | <u>387.7</u> | <u>358.3</u> | <u>1001.9</u> | <u>911.6</u> |
| Other liabilities | 51.6 | 31.8 | 6.2 | 5.8 | 57.8 | 37.6 |
| Long-term liabilities outstanding | <u>206.8</u> | <u>219.2</u> | <u>132.0</u> | <u>123.9</u> | <u>338.8</u> | <u>343.1</u> |
| Total liabilities | <u>258.4</u> | <u>251.0</u> | <u>138.2</u> | <u>129.7</u> | <u>396.6</u> | <u>380.7</u> |
| Invested in capital assets, net of related debt | 170.5 | 118.4 | 154.9 | 133.8 | 325.4 | 252.2 |
| Restricted | 27.8 | 29.9 | 36.4 | 37.2 | 64.2 | 67.1 |
| Unrestricted | <u>157.5</u> | <u>154.0</u> | <u>58.2</u> | <u>57.6</u> | <u>215.7</u> | <u>211.6</u> |
| Total net assets | <u>\$ 355.8</u> | <u>\$ 302.3</u> | <u>\$ 249.5</u> | <u>\$ 228.6</u> | <u>\$ 605.3</u> | <u>\$ 530.9</u> |

Total net assets for governmental activities increased from \$302.3 million to \$355.8 million. Total net assets for the business-type activities increased from \$228.6 million to \$249.5 million.

Polk County's increase in total net assets for the fiscal years ending September 30, 2004 and 2003 was \$74.4 million and \$51.7 million, respectively. Changes in net assets over time can be one of the best and most useful indicators of financial position.

The County's unrestricted net assets increased \$4.1 million and restricted net assets decreased \$2.9 million for fiscal year 2004. Unrestricted net assets are County resources that may be used to meet the County's ongoing obligations to citizens and creditors while restricted assets are resources subject to external restrictions.

Polk County's investment in capital assets such as land, roads, parks, buildings, machinery and equipment as a percentage of net assets represents 53.8 percent and 47.5 percent at year end 2004 and 2003, respectively. These asset values are presented less any outstanding debt related to the acquisition and accumulated depreciation of those assets. The County uses capital assets to provide services to the citizens. Consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, the capital assets themselves cannot be used to liquidate that liability and, therefore, other resources will be needed to repay any associated debt.

The schedule below provides a summary of the changes in net assets for fiscal years 2004 and 2003.

Changes in Net Assets
For the Fiscal Years Ended September 30, 2004 and 2003

| | (In Millions) | | | | | |
|------------------------------------|-------------------------|-----------------|--------------------------|-----------------|------------------|-----------------|
| | Governmental Activities | | Business-type Activities | | Total Government | |
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Charges for Services | \$ 95.4 | \$ 79.7 | \$ 81.8 | \$ 69.0 | \$ 177.2 | \$ 148.7 |
| Operating grants and contributions | 42.4 | 30.9 | 0.4 | 1.2 | 42.8 | 32.1 |
| Capital grants and contributions | 5.5 | 7.1 | 4.6 | 4.9 | 10.1 | 12.0 |
| General Revenues | | | | | | |
| Property taxes | 143.9 | 135.1 | - | - | 143.9 | 135.1 |
| Fuel tax | 30.8 | 29.8 | - | - | 30.8 | 29.8 |
| Sales tax | 25.7 | 23.8 | - | - | 25.7 | 23.8 |
| Services taxes | 24.7 | 12.3 | - | - | 24.7 | 12.3 |
| Other taxes | 7.2 | 5.8 | - | - | 7.2 | 5.8 |
| State shared revenues | 10.6 | 9.7 | - | - | 10.6 | 9.7 |
| Investment earnings | 5.3 | 6.4 | 3.2 | 3.2 | 8.5 | 9.6 |
| Miscellaneous | 6.6 | 1.4 | 0.6 | 1.3 | 7.2 | 2.7 |
| Total revenues | <u>398.1</u> | <u>342.0</u> | <u>90.6</u> | <u>79.6</u> | <u>488.7</u> | <u>421.6</u> |
| Expenses | | | | | | |
| General government | 88.9 | 81.8 | - | - | 88.9 | 81.8 |
| Public safety | 162.6 | 139.9 | - | - | 162.6 | 139.9 |
| Physical environment | 6.7 | 7.0 | - | - | 6.7 | 7.0 |
| Transportation | 34.4 | 31.2 | - | - | 34.4 | 31.2 |
| Economic environment | 11.9 | 12.0 | - | - | 11.9 | 12.0 |
| Human services | 25.4 | 25.4 | - | - | 25.4 | 25.4 |
| Culture/recreation | 7.6 | 7.5 | - | - | 7.6 | 7.5 |
| Interest on long-term debt | 8.9 | 8.5 | - | - | 8.9 | 8.5 |
| Water and sewer | - | - | 27.3 | 24.3 | 27.3 | 24.3 |
| Solid waste | - | - | 37.2 | 29.3 | 37.2 | 29.3 |
| Other | - | - | 3.4 | 3.0 | 3.4 | 3.0 |
| Total expenses | <u>346.4</u> | <u>313.3</u> | <u>67.9</u> | <u>56.6</u> | <u>414.3</u> | <u>369.9</u> |
| Excess before transfers | 51.7 | 28.7 | 22.7 | 23.0 | 74.4 | 51.7 |
| Transfers | 1.8 | 3.0 | (1.8) | (3.0) | - | - |
| Change in net assets | <u>53.5</u> | <u>31.7</u> | <u>20.9</u> | <u>20.0</u> | <u>74.4</u> | <u>51.7</u> |
| Net assets - beginning | 302.3 | 270.6 | 228.6 | 208.6 | 530.9 | 479.2 |
| Net assets - ending | <u>\$ 355.8</u> | <u>\$ 302.3</u> | <u>\$ 249.5</u> | <u>\$ 228.6</u> | <u>\$ 605.3</u> | <u>\$ 530.9</u> |

Total revenues for governmental activities increased from \$342.0 million in 2003 to \$398.1 million in 2004. Total revenues for business-type activities increased from \$79.6 million in 2003 to \$90.6 million in 2004.

Total expenses for governmental activities increased from \$313.3 million in 2003 to \$346.4 million in 2004. Total expenses for business-type activities increased from \$56.6 million in 2003 to 67.9 million in 2004.

As a result of this year's operations, the net assets of governmental activities increased by \$53.5 million or 17.7 percent while business-type activities increased by \$20.9 million or 9.1 percent.

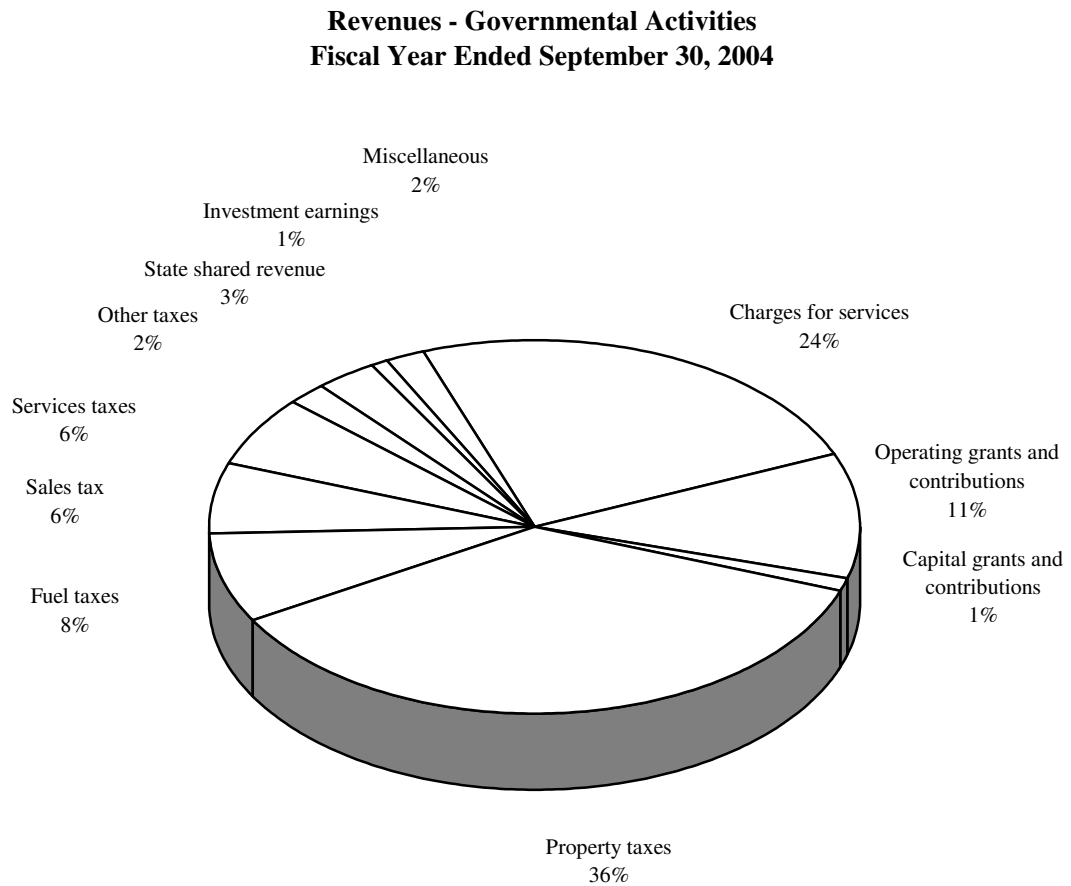
GOVERNMENTAL ACTIVITIES

Total governmental activities revenue increased \$56.1 million. This increase is primarily attributable to growth, increase in fees, services taxes, and FEMA revenue due to the hurricanes.

The decrease in investment earnings reflects the continued national decline during fiscal year 2004. The county does not rely on investment earnings to meeting its basic obligations and anticipated the impact of reduced revenue in this area during the budget process.

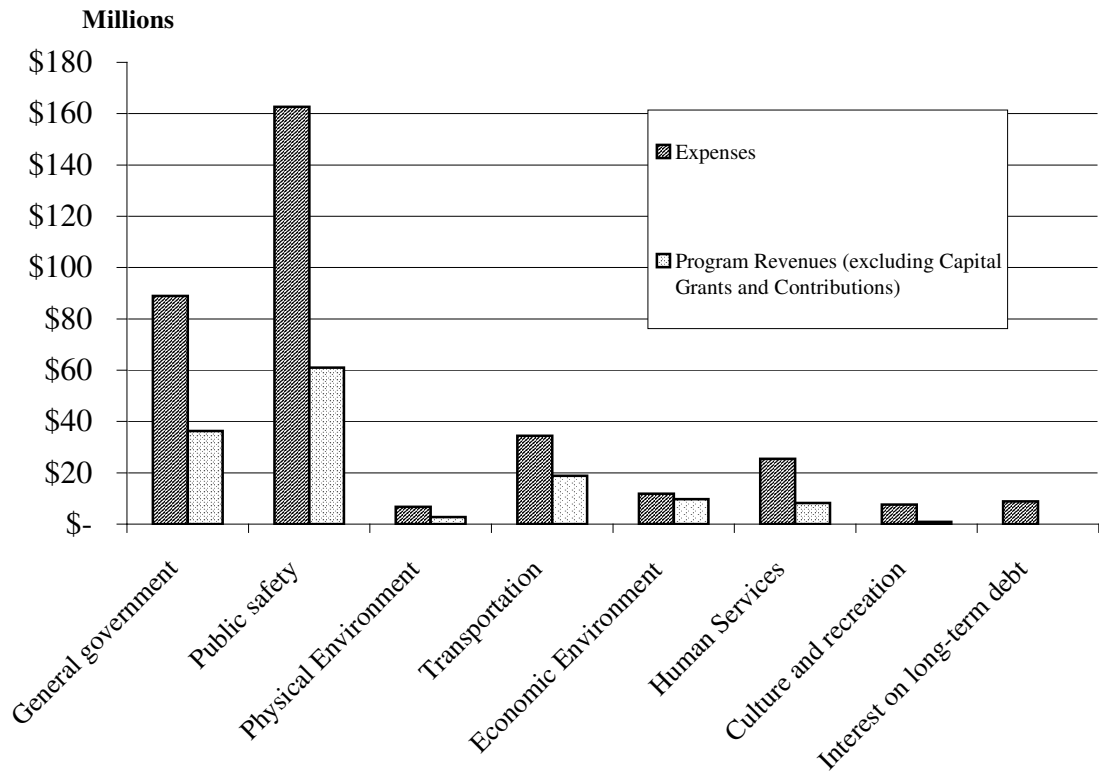
Total governmental activities expenditures increased \$33.1 million. The primary increase in expense occurred in one of the largest functions of County government, public safety. Approximately \$10 million of this increase is a direct result of costs incurred from the three hurricanes endured by Polk County in a six-week period. The remainder of the increase in this function reflects the County's commitment to effectively manage the basic needs of our growing populations and meet the additional costs, both direct and indirect.

The following chart depicts revenues of the governmental activities for the fiscal year.



The following chart depicts governmental activities expenses compared to program revenues (excluding capital grants), which funded those activities for the fiscal year; the amounts not funded by program revenues were funded by general revenues (e.g., property taxes, etc.).

**Expenses - Governmental Activities
Fiscal Year Ended September 30, 2004**



BUSINESS-TYPE ACTIVITIES

Increases in net assets for business-type activities totaled \$20.9 million for fiscal year 2004 or 9.1 percent compared to an increase of \$20.0 million or 9.6 percent for fiscal year 2003. The increase in net assets was almost entirely due to utility growth, which was partially offset by Solid Waste's decrease of \$2 million in net assets. This was a result of increased closure and long-term care funding. The nursing home net assets increased by \$.3 million, or 20 percent.

FINANCIAL ANALYSIS OF FUNDS

Fund accounting is used to demonstrate and insure compliance with finance-related legal requirements.

Governmental Funds

Governmental funds provide information on near-term inflows, outflows, and balances of spendable resources. In assessing Polk County's financing requirements, unreserved fund balance is a particular useful measure of net resources available for spending at the end of the fiscal year. The County's governmental fund types include the general, special revenue, debt service and capital project funds.

Polk County's governmental funds combined fund balance was \$226.9 million in 2004 as compared to \$233.9 million in 2003. These fund balances reflect decreases of \$7 million and \$1.4 million for 2004 and 2003, respectively.

Major Funds Information (In Thousands)

| | <u>General</u> | <u>Grants</u> | <u>Impact Fee</u> | <u>Road Construction</u> |
|---------------------------------|------------------|---------------|-------------------|--------------------------|
| <u>Fiscal Year 2004:</u> | | | | |
| Revenue and other sources | \$ 244,562 | \$ 38,786 | \$ 11,850 | \$ 12,455 |
| Expenditures & other uses | 233,483 | 38,786 | 5,213 | 31,602 |
| Net change in fund balances | <u>\$ 11,079</u> | <u>\$ -</u> | <u>\$ 6,637</u> | <u>\$ (19,147)</u> |
| <u>Fiscal Year 2003:</u> | | | | |
| Revenue and other sources | \$ 220,033 | \$ 29,338 | \$ 8,929 | \$ 10,834 |
| Expenditures & other uses | 219,853 | 29,338 | 1,516 | 17,624 |
| Net change in fund balances | <u>\$ 180</u> | <u>\$ -</u> | <u>\$ 7,413</u> | <u>\$ (6790)</u> |

*Impact fee fund is a major fund in fiscal year 2004 but was not in fiscal year 2003. Amounts are listed in fiscal year 2003 for comparison purposes.

General Fund

The County's general fund is the main operating fund of the County. It is used to account for financial resources that are not restricted by State or Federal laws, County ordinances, or other externally imposed requirements. As of September 30, 2004, total assets were \$76.6 million and total liabilities were \$21.1 million. Revenues increased 13.7 percent and expenditures 7.3 percent from fiscal year 2003 to 2004. These increases, when combined with transfer activity, resulted in an increase to \$55.5 million as of September 30, 2004 from \$44.4 million in the prior year. This \$11.1 million change is primarily reflected in unreserved fund balance.

Other Major Governmental Funds

The major governmental funds chart above also discloses information regarding the three other major governmental funds, grants, impact fee, and road construction, for fiscal years 2004 and 2003.

Intergovernmental awards are the primary source of revenue for the grants fund. Grant revenues and expenses increased in fiscal year 2004 by \$9.4 million from the prior year. This increase is primarily a direct result of awarded FEMA grants related to the three major hurricanes that impacted the County.

The county levies impact fees to support capital needs for emergency medical services, correctional and infrastructure due to growth. The 23.9 percent increase in fund balance in this fund is due to growth in residential and commercial building as well as an increase in the road impact fee rate.

Fuel taxes are the primary source of revenue for the road construction fund. Since additional revenues were received in fiscal year 2003 from bond proceeds, the spending

of these bond proceeds in fiscal year 2004 resulted in a reduction of the current year fund balance of approximately \$19.1 million.

Proprietary Funds

Proprietary fund statements provide the same information as in the business-type activities column of the government-wide statements, but in greater detail, and on a fund basis for enterprise funds and internal service funds.

Enterprise Funds

At September 30, 2004, total net assets amounted to \$251.0 million for enterprise funds as compared to \$229.0 at September 30, 2003. Changes in net assets were a result of operations, other non-operating revenues and expenses, capital contributions and donated assets and grants. The increase in net assets for enterprise funds of \$22.0 million in fiscal year 2004 was a 9.6 percent increase from the prior year.

Income from operations is the result of operational revenues less operational expenses. Utilities operating income of \$21.7 million for fiscal year 2004 was \$5.8 million higher than the \$15.9 million operating income for fiscal year 2003 due to continued growth, a water and sewer rate increase of 4 percent and an increase in connection fees. The solid waste fund operations experienced a \$2.2 million operating loss in fiscal year 2004 compared to \$.3 million operating income in fiscal year 2003. This decline in operating income was primarily due to the increased closure and long-term care funding requirement.

The nursing home fund, the nonmajor enterprise fund, operations resulted in an operating income of \$271,234 for fiscal year 2004 compared to an operating loss of \$25,047 in fiscal year 2004.

Internal Service Funds

Internal service funds are designed to recover the costs of general services provided to the other fund groups. The increase in total net asset balances for internal service funds for fiscal year 2004 over the prior fiscal year was \$2.4 million, a 7.7 percent increase from the prior year. The fleet management fund operations resulted in a loss for fiscal year 2004 of \$4.3 million and \$1.1 million in fiscal year 2003. The current year loss is attributable to a reduction in charges for services for fleet replacement fees. The employee health insurance fund operating income for fiscal year 2004 was \$2.8 million compared to an operating income of \$3.3 in prior year. The County continues to review insurance needs as well as cost containment.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund budget to actual statement is presented in the Basic Financial Statements. The variances between the original and final budget amounts are primarily due to the reallocation of the budgeted ending fund balance to expenditures for non-recurring items.

The actual net change in the fund balance of the general fund compared to the final budget was a positive variance of \$34.5 million. General fund revenues were \$15.7 million more than the final budget amounts. The major increases in revenues were due to services taxes, sales taxes, and charges for services exceeding final budget amounts. Significant increases in charges for services were related to ambulance fees, administrative fees for the educational impact fee, and new fees implemented by Article V. Revenues are budgeted at 95% of the anticipated amount by State Statute. Furthermore, actual expenditures in most general fund functional areas were less than the final budget, which also contributed to the positive variance in fund balance.

CAPITAL ASSETS ACTIVITY

Historically, a government's largest group of assets [e.g., infrastructure – roads, bridges, traffic signals, underground pipes (unless associated with a utility), etc.] have not been reported nor depreciated in governmental financial statements. GASB Statement No. 34 requires that these assets be valued and reported within the governmental column of the government-wide statements. While this statement requires that the County report infrastructure prospectively beginning in fiscal year 2002, it does not require infrastructure acquired or constructed prior to fiscal year 2002 to be reported until fiscal year 2006. The County has elected not to report infrastructure retroactively for fiscal year 2004.

As of year end, the County had \$525.0 million invested in a variety of capital assets, as reflected in the following schedule, which represents a net increase (additions, deletions, and depreciation) of \$58.4 million or 12.5 percent from the end of last year. This significant increase is due to the improvements to the County's transportation infrastructure and improvements and expansion of the County's utility systems. For additional detail see *Note G* of the financial statements.

Capital Assets, Net of Depreciation (In Millions)

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------|-------------------------|----------|--------------------------|----------|----------|----------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Land | \$ 31.7 | \$ 29.5 | \$ 10.4 | \$ 10.2 | \$ 42.1 | \$ 39.7 |
| Right-of-way | 31.2 | 15.5 | - | - | 31.2 | 15.5 |
| Infrastructure | 46.9 | 23.3 | - | - | 46.9 | 23.3 |
| Buildings and improvements | 135.9 | 134.4 | 198.5 | 179.1 | 334.4 | 313.5 |
| Equipment | 47.3 | 49.3 | 1.2 | 1.4 | 48.5 | 50.7 |
| Construction in progress | 20.0 | 19.5 | 1.9 | 4.4 | 21.9 | 23.9 |
| Total | \$ 313.0 | \$ 271.5 | \$ 212.0 | \$ 195.1 | \$ 525.0 | \$ 466.6 |

DEBT MANAGEMENT

As of year end, the County had \$338.9 million in debt (bonds, notes, etc.) outstanding compared to the \$343.1 million last year. Of the total debt outstanding, \$233.9 million is bonded debt outstanding; the remainder consists primarily of landfill post-closure care, unpaid vacation and sick leave, and self-insurance claims. For additional detail see *Note I* of the financial statements.

All of Polk County’s bonded debt represents bonds secured solely by specified revenue sources.

**Bonded Debts
(In Millions)**

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------|-------------------------|----------|--------------------------|---------|----------|----------|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 |
| Total Revenue Bonds | \$ 156.1 | \$ 167.2 | \$ 1677.8 | \$ 79.2 | \$ 233.9 | \$ 246.4 |

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- The unemployment rate for Polk County Florida is currently 5.3 percent, compared to 4.7 percent one year ago. While higher than the most recent State monthly estimated rate of 4.63 percent, the current rate is comparable to the national monthly rate of 5.2 percent.
- In 2004, 6,461 single-family permits were issued in the unincorporated area of Polk County. This represents an increase of 24 percent over the prior year. In 2003, 5,210 permits were issued; 3,602 were issued in 2002.

- Inflationary trends in the region increased in 2004 but continued to keep pace with the national level of 3.5 percent. The 2003 inflation rate for both the nation and Polk County was 2.3 percent.

For several years, the County's general fund budget was developed utilizing \$13.5 of fund balance toward recurring expenditures. Excess revenues and unspent appropriations at fiscal year end had been sufficient to cover this utilization. More recently, however, the reliance on the use of fund balance has been reduced in developing the budget. For example, in the fiscal year 2003 budget, use of fund balance was reduced by \$6 million to \$7.5 million; in the fiscal year 2004 budget, use of fund balance was reduced by an additional \$2.8 million to \$4.7 million. In fiscal year 2005, the amount of fund balance used towards recurring expenditures was reduced by an additional \$1.2 million to \$3.5 million. The plan for subsequent years is to continue to reduce the amount of fund balance used by \$500,000 per year until no fund balance is budgeted for recurring expenditures.

In March 2004, the voters approved a referendum that instituted a one-half cent sales tax to fund indigent health care in Polk County. The one-half cent sales tax, effective January 1, 2005, is expected to generate approximately \$26 million annually. The fiscal year 2005 budget includes \$13 million of revenues from this new source.

Water and sewer rates were increased 4 percent for fiscal year 2005. Solid Waste collection and disposal fees were increased 5 percent for fiscal year 2005.

On June 9, 2004, an increase in the Transportation Impact Fees was approved, resulting in an increase to the budget of \$15 million in fiscal year 2005.

With three hurricanes passing through Polk County during the last quarter of fiscal year 2004, an estimated \$40 million worth of expenses are anticipated for FY04 and FY05. FEMA and the State of Florida will reimburse 95% of these expenses and \$4 million has been reserved for the 5% local match and non-reimbursable costs. Additionally, special

revenue funds were created in the 2005 budget totaling \$18.5 million to provide for cash flow needs associated with the hurricanes.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Polk County's finances and was prepared by the Finance & Accounting Department of the Clerk of the Circuit Court in his capacity as Clerk, Accountant, and Auditor to the Board of County Commissioners. Requests for additional information should be addressed to the above department at P. O. Box 988, Bartow, Florida, 33831, or by accessing the website <http://www.polkcountyclerk.net> (click on the "Departments" button and select "Finance and Accounting to the BoCC" link).