

Leon County, Florida



*Annual Financial Report
September 30, 2007*

Leon County, Florida

Annual Financial Report

Year ended September 30, 2007

Board of County Commissioners

Ed DePuy, Chairman.....	At Large
Jane G. Sauls, Vice Chairman.....	District 2
William G. (Bill) Proctor, Jr.	District 1
John E. Dailey	District 3
Bryan Desloge	District 4
Bob Rackleff.....	District 5
Cliff Thael	At Large

SHERIFF

Larry Campbell

CLERK OF THE CIRCUIT COURT

Robert B. (Bob) Inzer

TAX COLLECTOR

Doris Maloy

**PROPERTY
APPRAISER**

Bert Hartsfield

**COUNTY
ADMINISTRATOR**

Parvez Alam

**SUPERVISOR OF
ELECTIONS**

Ion Sancho

COUNTY ATTORNEY

Herbert W.A. Thiele

**DIRECTOR OF
FINANCE**

David C. Reid, CPA

**ASSISTANT FINANCE
DIRECTOR**

Christine H. Francis, CPA, CGFO, CPFO

Leon County, Florida

Annual Financial Report

Year ended September 30, 2007

Contents

Independent Auditors' Report.....	1
Management's Discussion and Analysis	3
A. Basic Financial Statements	
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for Major Funds With Annually Appropriated Budgets:	
General Fund.....	22
Fine and Forfeiture Fund	23
Grants Fund.....	24
Special Assessment Paving Fund.....	25
Proprietary Fund Financial Statements:	
Statement of Net Assets – Proprietary Funds.....	26
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	27
Statement of Cash Flows – Proprietary Funds	28
Fiduciary Fund Statements:	
Statement of Fiduciary Net Assets – Fiduciary Funds.....	30
Notes to the Financial Statements	31

Annual Financial Report

Year ended September 30, 2007

Contents (continued)

B. Internal Control and Compliance Reports

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	77
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, <i>Rules of the Auditor General</i>	79
Schedule of Expenditures of Federal Awards and State Financial Assistance	81
Schedule of Findings and Questioned Costs	84
Summary Schedule of Prior Audit Findings	87

C. Management Letter

Letter to the Leon County Board of County Commissioners dated February 15, 2008.....	88
--	----

Independent Auditors' Report

The Honorable Board of County Commissioners
Leon County, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Leon County, Florida (the County) as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Leon County, Florida, as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2008 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Page Two

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, and chapter 10.550, *Rules of the Auditor General*, and is not a required part of the basic financial statements of Leon County, FL. The schedule of expenditures of federal awards and state financial assistance has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Law, Redd, Crona & Munroe, P.A.

Thomas Howell Ferguson P.C.

February 15, 2008

Management's Discussion and Analysis

This discussion and analysis of Leon County's (the "County") financial statements is designed to introduce the basic financial statements and provide an analytical overview of the County's financial activities for the fiscal year ended September 30, 2007. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and footnotes. We trust that this, in conjunction with additional information provided in our letter of transmittal (pages xii - xxi), will assist readers in identifying significant financial issues and in future years, changes in the County's financial position. In this Management's Discussion and Analysis ("MD&A"), all amounts, unless otherwise indicated, are expressed in thousands of dollars.

Overview of the Financial Statements

The County's basic financial statements are comprised of the following elements:

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Activities found on pages 13 and 14, respectively) concentrate on the County as a whole and do not emphasize fund types but rather a governmental or a business-type classification, which are presented in separate columns. The governmental and business-type activities comprise the primary government and are reported separately from the component unit for which the County is accountable. In addition, neither fiduciary funds nor component units that are fiduciary in nature are included in the government-wide financial statements.

General governmental and intergovernmental revenues support the governmental activities, whereas user fees and charges for services primarily support the business-type activities. The purpose of the government-wide financial statements is to allow the user to be able to determine if the County is in a better or worse financial position than the prior year.

The Statement of Net Assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities reflects the expenses of a given function or segment, which are offset by program revenues. Program revenues are defined as charges for services, operating grants and contributions, and capital grants and contributions directly associated with a given function. Taxes, state shared revenues, and investment earnings are reported under general revenue. The effect of the interfund activity has been removed from the government-wide financial statements and the internal service activity has been eliminated. However, the interfund services between functions are not eliminated.

Fund Financial Statements

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

Fund Financial Statements (continued)

The County's funds are presented in separate fund financial statements, the governmental fund financial statement and a proprietary fund financial statement. The County's major funds are presented in separate columns on the fund financial statements. The definition of a major fund is one that meets certain criteria set forth in GASB 34. The funds that do not meet the criteria of a major fund are considered non-major funds and are combined into a single column on the fund financial statements. Table 1 below summarizes the major features of the basic financial statements.

Table 1: Major Features of the Basic Financial Statements				
	Government-wide Fund Financial Statements	Fund Financial Statements		
		<i>Governmental Funds</i>	<i>Proprietary Funds</i>	<i>Fiduciary Funds</i>
Scope	Entire County government (except fiduciary funds) and the County's component unit	Activities of the County that are not proprietary or fiduciary	Activities of the County that are operated similar to private businesses	Instances in which the County is the trustee or agent for someone else's resources
Required financial Statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet, • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenues, Expenses, and Changes in Net Assets • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	<ul style="list-style-type: none"> • Revenues for which cash is received during or soon after the end of the year • Expenditures when goods or services have been received and payment is due during the year or soon thereafter 	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. Refer to Note 1 to the financial statements for more detailed information on the elements of the financial statements.

Infrastructure Assets

Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* ("GASB 34") not only mandated changes in the financial statements but also set-forth reporting changes. One such change is to capitalize infrastructure both prospectively and retrospectively for fiscal years that end after June 30, 1981. The County for FY 2002 and subsequent years has been reporting the entire valuation of infrastructure.

Condensed Statement of Net Assets

The investment in capital assets, net of related debt, is the largest portion of the net assets. This represents capital assets (land, buildings, improvements, equipment, furniture, vehicles, and construction in progress, and infrastructure), net of accumulated depreciation, and the outstanding related debt used to acquire the assets in the amount of \$299.4 million as compared to \$292 million a year ago; this is an increase of 7.4 million. Capital assets net of related debt continued to increase. This is because the County continues to reduce debt, while the depreciation on the related assets remains constant. The net effect of this transaction is an increase in net assets. These capital assets are used to provide services to the citizens and businesses in the County; consequently, these net assets are not available for future spending. The remaining portion of net assets is unrestricted and can be used to finance government operations.

Table 2 below presents the County's condensed Statement of Net Assets as of September 30, 2007 and 2006, derived from the government-wide Statement of Net Assets.

Table 2 Leon County, Florida Condensed Statement of Net Assets As of September 30 (in thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 193,307	\$ 190,436	\$ 11,007	\$ 11,399	\$ 204,314	\$ 201,835
Capital assets	328,359	323,442	20,316	20,029	348,675	343,471
Total assets	521,666	513,878	31,323	31,428	552,989	545,306
Current liabilities	28,560	33,822	9	468	28,569	34,290
Non-current liabilities	101,341	105,402	13,048	12,185	114,389	117,587
Total liabilities	129,901	139,224	13,057	12,653	142,958	151,877
Net assets:						
Invested in capital assets, net of related debt	285,120	277,681	14,292	14,323	299,413	292,003
Unrestricted	106,644	96,974	3,974	4,452	110,618	101,426
*Total net assets	\$ 391,765	\$ 374,655	\$ 18,266	\$ 18,775	\$ 410,031	\$ 393,429
*Differences due to rounding						

Condensed Statement of Activities

Table 3 on the next page presents the County's condensed Statement of Activities for the fiscal years ended September 30, 2007 and 2006, as derived from the government-wide Statement of Activities. Over time, increases and decreases in net assets may measure whether the County financial position is improving or deteriorating. During the fiscal year, the net assets of the governmental activities increased by \$17.110 million or 4.6 percent, and the net assets of the business-type activities decreased by \$509 thousand or 2.7 percent.

The County just completed its fourth year of several significant changes relating to the tax proceeds. Since the Board of County Commissioners adopted an ordinance levying a Utility Services Tax on the unincorporated area of Leon County, this has resulted into a stabilizing source of revenues. The tax generated \$5.3 million in FY 2007 versus \$5 million in FY 2006 of revenues. Concurrent with the adoption of this tax, the County eliminated a Municipal Services Taxing Unit in the unincorporated area. This tax was used to pay for fire services in the unincorporated areas of Leon County. In FY 2003, the MSTU raised \$3,737 million.

The County also adopted a Communications Services Tax in FY 2003. This is the fourth full year of assessments with revenues in the amount of \$4 million in FY 2007 and \$3.8 million FY 2006. This again has been a stabilizing factor in the County's financial picture. Property values continue to increase significantly. Taxable values lag the increase in property values for several reasons. First, the Property Appraiser does not have the resources to continually evaluate each property each year. Second, Florida passed the Save Our Homes Amendment in the mid 90's. This limits the increase in taxable values a homestead property can be assessed to no greater than 3%. Even with these limitations, property tax revenues for the County increased by 12.8% for FY 2006 and 8.0% for FY 2007.

On January 29, 2008, the Florida electorate approved an amendment to the Florida Constitution relative to property taxation. This amendment (referred to as Amendment 1) was placed on the ballot by the Florida Legislature at a special session held in October 2007. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by an additional \$25,000 (for property values ranging from \$50,000 to \$75,000), except for school district taxes. Since the new \$25,000 homestead exemption does not apply to school district taxes, this effectively amounts to a \$15,000 increase to the existing homestead exemption, resulting in an estimated annual savings of \$240 for an average homeowner. Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

With respect to non-homestead property, Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (businesses, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The Amendment also provides a \$25,000 exemption for tangible personal property. Amendment 1 becomes effective on October 1, 2008, with the exception of the ten percent (10%) assessment cap on non-homestead property which becomes effective on January 1, 2009.

Based on information received from the Leon County Property Appraiser's Office, the estimated annual loss of property tax revenues for Leon County from the additional homestead exemption and the \$25,000 exemption for tangible personal property is approximately \$10.6 million. The estimated loss for portability is \$2.1 million based on numbers used by the legislature. There is no estimate made for the impact of 10% assessment cap on non-homestead property.

The County investment policy is very risk averse and places a premium on security. With the effective yield rate of the portfolio averaging 5.36% for the year, investment earnings increased by one million to \$11,083,976 million. This increase was attributable to higher interest rates. Additional information on investment income is provided in Note IV of the notes and in the Cash Management section of the Letter of Transmittal.

In 1989, the voters of Leon County passed a 1% sales tax to be divided between the City and County. The tax was for 15 years, expiring in November 2004. The county's share of this revenue was dedicated to the construction of a jail and for various transportation improvements. Many of the transportation projects funded by the County were advance funding of State roads. The County entered into several Joint Participation Agreements with the Florida Department of Transportation (FDOT) that provided that the County would be reimbursed as resources became available. The County did not receive any reimbursements during FY 2007, and the balance of principal and interest totaling \$15.6 million was paid to the County by February of 2008. Because the 1 cent sales tax ended, the County did not enter into any advance funding arrangements with FDOT for the last four years. Please see Note XIV Commitments and Contingencies for further details.

The rise in expenditures in the economic environment area can be attributed to the SHIP housing program. The State of Florida increased the appropriations of SHIP funding to local governments in an effort to provide adequate housing to low income individuals. Additionally, Leon County increased the amount of funding available to the participants in this program in an effort to address the rising cost of housing. The increase in expenditures for the Judicial category was incurred to establish and operate a new traffic fine location and contributing to the costs for a Diversionary Program.

Miscellaneous revenues are made up of revenues that will fluctuate annually as a result of various activities throughout the County. All other changes in activities are a result of the normal operations of the County.

Table 3 Leon County, Florida Condensed Statement of Activities For Fiscal Year Ended September 30 <i>(in thousands)</i>							
	Governmental Activities		Business-Type Activities		Total Primary Government		Total % Change 2006 to 2007
	2007	2006	2007	2006	2007	2006	
Revenues							
Program Revenues							
Charges for Services	\$37,121	\$55,399	\$8,201	\$7,696	\$45,322	\$63,095	-28%
Operating Grants & Contributions	8,442	6,676	—	—	8,442	6,676	26%
Capital Grants & Contributions	1,025	1,593	—	—	1,025	1,593	-36%
Total Program Revenues	46,588	63,668	8,201	7,696	54,789	71,364	-23%
General Revenues:							
Property taxes	119,996	110,615	—	—	119,996	110,615	8%
Local option taxes	4,702	4,732	—	—	4,702	4,732	-1%
Local option tourist tax	2,554	2,481	—	—	2,554	2,481	3%
Franchise taxes	353	242	—	—	353	242	46%
Communications services taxes	4,002	3,813	—	—	4,002	3,813	5%
Motor fuel taxes	1,352	1,395	—	—	1,352	1,395	-3%
Local option fuel taxes	3,489	3,603	—	—	3,489	3,603	-3%
Utility services taxes	5,310	5,034	—	—	5,310	5,034	5%
Other taxes	0	—	1,310	1,288	1,310	1,288	2%
State shared revenues	21,596	22,308	—	—	21,596	22,308	-3%
Investment earnings	10,961	9,547	869	799	11,830	10,346	14%
Miscellaneous revenues	3,023	3,504	311	404	3,334	3,908	-15%
Total general revenues	177,338	167,274	2,490	2,491	179,828	169,765	6%
Total revenues	223,926	230,942	10,691	10,187	234,617	241,129	-3%

Table 3 (continued)

Leon County, Florida
Condensed Statement of Activities (continued)
For Fiscal Year Ended September 30
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government		Total % Change 2006 to 2007
	2007	2006	2007	2006	2007	2006	
Program Expenses							
General government	40,733	38,897	—	—	40,733	38,897	5%
Public safety	80,354	75,470	—	—	80,354	75,470	6%
Physical environment	13,564	9,172	12,236	10,821	25,800	19,993	-32%
Transportation	23,556	25,123	—	—	23,556	25,123	-6%
Economic environment	8,291	5,943	—	—	8,291	5,943	40%
Human services	10,440	9,091	—	—	10,440	9,091	15%
Culture and recreation	12,404	11,885	—	—	12,316	11,885	4%
Judicial	11,637	9,613	—	—	11,637	9,613	21%
Interest on long term debt	4,799	4,833	—	—	4,799	4,833	-1%
*Total program expenses	<u>205,778</u>	<u>190,027</u>	<u>12,236</u>	<u>10,821</u>	<u>217,926</u>	<u>200,848</u>	9%
Excess (deficiency) before transfers (net)	18,219	40,915	(1,545)	(634)	16,674	40,280	-59%
Transfers	(1,038)	(495)	1038	495	(1,038)	—	
Change in net assets	<u>17,110</u>	<u>40,420</u>	<u>(507)</u>	<u>(139)</u>	<u>15,636</u>	<u>40,280</u>	-61%
Beginning net assets	374,655	334,235	18,775	18,914	374,655	353,149	6%
Ending net assets	<u>\$391,765</u>	<u>\$374,655</u>	<u>18,266</u>	<u>18,775</u>	<u>\$410,104</u>	<u>\$393,429</u>	4%

* Differences due to rounding.

Program Expenses and Revenues for Governmental Activities

Table 4 below presents program expenses and revenues for governmental activities. The nature of Governmental Activities is to be funded primarily from taxes and not to be self-supporting. As a result, overall program revenues were not sufficient to cover program expenses for governmental activities. General revenues, mainly taxes, therefore supported the net program expenses of these governmental activities. Program revenues as a percentage of program expenses decreased from fiscal year 2006 to fiscal year 2007 by 11 percent. It should be considered normal for the activities and associated program revenues to fluctuate on average plus or minus 4 to 5 percent over the years. This year's decrease of 11 percent is attributable to decreased program revenue and increase in program expenses for general government and transportation. For example, in 2006 the County received a nonrecurring 17.4 million dollar reimbursement from the State for a Joint Participation Agreement for transportation road building and transportation expenditures increased year over year by \$6,840 million. In June 2004, the County was relieved of the responsibility for funding most of the judicial responsibilities, and fees were increased to generally make it self sufficient. This change in funding and the decrease in funding for transportation are the primary reasons for the decrease.

Table 4 Program Expenses and Revenues for Governmental Activities For the Fiscal Year Ended September 30 <i>(in thousands)</i>						
County Programs	Program Expenses 2007	Less Program Revenues 2007	Net Program Expenses (a)		Program Revenues as a Percentage Program Expenses	
			2007	2006	2007	2006
General government	\$ 40,733	\$ 9,510	\$ 31,223	\$ 28,549	23%	27%
Public safety	80,354	15,720	64,634	60,623	20%	20%
Physical environment	13,564	6,785	6,779	7,774	50%	56%
Transportation	23,556	779	22,777	(1,115)	3%	107%
Economic environment	8,291	2,100	6,191	4,907	25%	17%
Human services	10,440	37	10,403	9,000	0	1%
Culture and recreation	12,405	702	11,703	11,546	6%	3%
Judicial	11,637	10,952	685	242	94%	97%
Interest on long term debt	4,799		4,799	4,833	N/A	N/A
*Total governmental activities	<u>\$ 205,778</u>	<u>\$ 46,588</u>	<u>\$ 159,119</u>	<u>\$ 126,359</u>	<u>23%</u>	<u>34%</u>
(a) Net Program Expenses are mainly supported by taxes. *Differences from financial statements due to rounding						

Program Expenses and Revenues for Business-type Activities

Table 5 below presents program and revenues for business-type activities. Revenues were not sufficient to cover program expenses in FY 2006/2007 because in FY 2003 the County chose to spend a portion of retained earnings to abate any fee increases. The County in an effort to keep garbage fees level chose to utilize a portion of its reserves to cover tipping fees. In addition to the program revenues for the landfill, the County has a non-ad valorem assessment to citizens residing outside the city limits for the City of Tallahassee. Approximately \$1 million was taken from reserves to fund landfill activities.

Table 5

**Program Expenses and Revenues
For Business-type Activities
For the Fiscal Year Ended September 30, 2007
(in thousands)**

	Program Expenses	Less Program Revenues	Net Program Revenues		Program Revenues as a Percentage of Program Expenses	
County Programs	2007	2007	2007	2006	2007	2006
Physical environment	\$ 12,236	\$ 8,201	\$ (4,035)	\$ (3,125)	67%	71%

Overall Analysis

Financial highlights for the County as a whole include the following:

- The assets of the County exceeded its liabilities (net assets) at the close of fiscal year 2007 by \$391,764,655 as compared to \$374,654,524 for fiscal year 2006 for governmental activities. The assets for Business-type activities exceeded its liabilities (net assets) at the close of fiscal year 2007 by \$18,266,524 as compared to \$18,774,898 for fiscal year 2006. Please see the Statement of Activities discussed previously for an explanation of the differences above.
- The County's total net assets increased by \$16,601,757 during fiscal year 2007 as compared to \$40,280,181 in fiscal year 2006. Net assets of governmental activities increased by \$17,110,131 in fiscal year 2007 as compared to \$40,419,424 in 2006. Governmental activities showed an annual increase in previous years ranging from \$5 million in 2003 to \$18.9 million in 2005. The increase for 2006 was atypical in that a \$17.4 million dollar reimbursement was received from the state for state road improvement expenses paid in prior years. Conversely, net assets of business-type activities decreased by \$508,374 in 2007 as compared to a decrease of \$139,243 in 2006. Although charges for services in Business-type activities were not sufficient to cover the program expenses, this decrease was a result of the County continuing the commitment to spend some of its reserves to abate an increase in solid waste tipping fees.

Fund Analysis

The following funds experienced significant changes during the year:

Governmental Funds

As of the close of fiscal year 2007, the County's governmental funds reported a combined ending fund balance of \$166,667,221 as compared to \$159,924,253 for fiscal year 2006. All but \$4,609,252 for fiscal year 2007 as compared to \$3,957,185 for fiscal year 2006 is reported as unreserved. The reserved fund balance has increased because total encumbrances for outstanding purchase orders increased.

The General Fund of the Board of County Commission as displayed on the Combining Balance Sheet contains both Countywide General Revenue funds and the Non-Countywide General Revenue funds. The sole purpose of the Non-Countywide General Revenue funds is to capture discrete revenues and transfer those revenues to the various funds needing support (i.e. various Debt Service, Municipal Services, Growth Management, etc.). The Non-Countywide General Revenue funds do not contain any countywide property tax revenues. The actual year ending fund balance for the Countywide General Revenue funds is \$23,661,146 versus \$25,610,194 for FY 2006. The Non-Countywide fund balance is \$7,935,390 for FY 2006 versus \$5,971,056 for FY 2006.

General Fund

Fund balance at September 30, 2007 remained virtually unchanged with a total of \$31,596,536 as compared to \$31,581,250 for September 30, 2006. In previous years, fund balance increased year over year pursuant to the County's policy to build its fund balance in preparation for future years' emergencies. This year, however, the balance was not increased and it was also necessary to appropriate \$11,050,461 from fund balance for fiscal year 2008. On November 23, 1999, the County Commission adopted a Reserve Policy No. 99-3 which provided for an annual unappropriated fund balance at no less than (10%) ten percent of general operating revenues. On July 10, 2007, the Board adopted a County Reserves Policy No. 07-2 which supersedes Policy No. 99-3 and stipulates that the unappropriated fund balance shall be no less than ten (10) percent and no greater than twenty (20) percent of the projected general fund and fine and forfeiture fund operating expenditures.

Fine & Forfeiture

Fund balance at September 30, 2007 totaled \$14,437,074 as compared to \$11,853,619 for September 30, 2006. This is an increase of \$2,583,455 for the fiscal year. This increase can be attributed to the same policy associated with building the general fund as well as an increase in property tax and interest revenues.

Capital Improvement

Fund balance at September 30, 2007 totaled \$18,866,670 as compared to \$12,657,714 for September 30, 2006. This was an increase of \$6,208,956. This increase can be attributed to the County's elimination of various capital projects in anticipation of reduced revenues resulting from the Florida Legislature's property tax reform.

Local Option Sales Tax

Fund balance at September 30, 2007 totaled \$32,908,933 as compared to \$40,245,880 for September 30, 2006. This was a decrease of \$7,336,947. This decrease can be attributed to the fact that the County will be receiving significantly less revenues in this area. The majority of these funds will now be given to Blueprint 2000. The fund balance in this fund will continue to experience a reduction because it will be receiving less revenue, while expending significant funds on various projects.

Proprietary Funds

The County's proprietary funds reported net assets of \$18,266,524 for September 30, 2007 as compared to \$18,774,898 for September 30, 2006, which is a decrease of \$508,374. This decrease can be attributed to the difference of business expenditures over revenues, and the County's decision to expend some of the reserves to reduce the need for a rate increase.

Budget Variances in the General Fund

The County made no significant revisions and had no significant variations in its budget during the year. Refer to the budgetary comparison schedule for the General Fund in the Other Required Supplementary Information section of the CAFR.

Capital Asset and Long-term Debt Activity

Capital Asset Activity

At September 30, 2007, the County reported \$328,358,711 in capital assets for governmental activities and \$20,315,917 in capital assets for business-type activities versus \$323,442,101 for governmental and \$20,029,192 for business-type activities at fiscal year ending September 30, 2006. Please refer to Note VI in Notes to the Financial Statements for additional information on capital assets and Note XIV in Notes to the Financial Statements for additional information on construction commitments.

Debt Administration Activity

At September 30, 2007, the County had \$93,305,000 of outstanding bonded debt as compared to \$97,755,000 for 2006. All of the County's debt is secured by specific general fund revenues including sales tax, state revenue sharing, and specific other general fund revenues. The County has no general obligation bonds, which would be backed by the full faith and credit of the County. For more information on long-term debt activity, please see Note VIII on Long Term Obligations in the notes to the Financial Statements of the CAFR.

Economic Factors

- The estimated population in Leon County increased 0.14% from 272,497 to 272,896 during FY 2006/2007.
- Detached single-family homes remain the most popular type of housing in Leon County, representing over 44.8 % of all units permitted since 1990 and over 35% of all constructed (non-mobile homes) housing units during 2007. This type of housing is particularly popular in the northern and eastern portions of the community.
- Leon County has seen a slight increase in vacancy rates for apartment rental units going from 3.9% in 2000 to 6.5% for 2007.

Request for Information

This financial report is designed to provide a general overview of Leon County Government's finances for all those with an interest in our government's finances. Questions concerning any of the information provided in this report or request for additional financial information may be addressed to the Clerk of Circuit Court, Finance Department Leon County, P.O. Box 726, Tallahassee Florida 32302. Requests can also be made telephonically at (850) 577-4020 or fax at (850) 577-4255. We also suggest visiting our web-site at www.clerk.leon.fl.us for further financial information.

Leon County, Florida

Statement of Net Assets

September 30, 2007

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets:				
Current assets				
Cash	\$ 19,380,862	\$ 533,182	\$ 19,914,044	\$ 412,390
Investments	160,839,691	9,344,493	170,184,184	-
Receivables	4,610,098	1,129,766	5,739,864	-
Receivables from other governments	6,536,779	-	6,536,779	-
Inventory	583,764	-	583,764	-
Other assets	1,356,113	-	1,356,113	-
Total current assets	193,307,307	11,007,441	204,314,748	412,390
Noncurrent assets:				
Restricted assets:				
Investments	-	6,023,621	6,023,621	-
Capital assets:				
Land and construction in progress				
nondepreciable	46,085,732	2,409,843	48,495,575	-
Depreciable (net)	282,272,979	11,882,453	294,155,432	-
Total noncurrent assets	328,358,711	20,315,917	348,674,628	-
Total assets	521,666,018	31,323,358	552,989,376	412,390
Liabilities:				
Current liabilities				
Accounts payable	9,661,151	138,190	9,799,341	3,019
Payable to other governments	705,447	-	705,447	-
Internal balances	185,193	(185,193)	-	-
Accrued compensated absences	3,743,843	55,677	3,799,520	-
Unearned revenues	6,578,247	-	6,578,247	-
Bonds payable	4,985,882	-	4,985,882	-
Other current liabilities	2,701,000	-	2,701,000	-
Total current liabilities	28,560,763	8,674	28,569,437	3,019
Noncurrent liabilities				
Deposits	436,506	-	436,506	-
Estimated liability for landfill closure and postclosure care costs	-	12,923,336	12,923,336	-
Arbitrage rebate liability	25,000	-	25,000	-
Accrued compensated absences	8,374,048	124,824	8,498,872	-
Bonds payable	92,505,046	-	92,505,046	-
Total noncurrent liabilities	101,340,600	13,048,160	114,388,760	-
Total liabilities	129,901,363	13,056,834	142,958,197	3,019
Net assets:				
Invested in capital assets, net of related debt	285,120,330	14,292,296	299,412,626	-
Unrestricted	106,644,325	3,974,228	110,618,553	409,371
Total net assets	\$ 391,764,655	\$ 18,266,524	\$ 410,031,179	\$ 409,371

The accompanying notes are an integral part of these financial statements.

Leon County, Florida
Statement of Activities
Year Ended September 30, 2007

	Program Revenues			
Functions/Programs	Expenses	Charges for Services	Operational Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 40,732,786	\$ 8,288,608	\$ 1,221,619	\$ -
Public safety	80,353,698	12,039,289	3,681,247	-
Physical environment	13,564,145	3,428,623	2,444,671	912,085
Transportation	23,555,950	779,158	-	-
Economic environment	8,290,534	1,796,477	303,995	-
Human services	10,439,865	41,030	(3,800)	-
Culture and recreation	12,404,847	250,499	339,763	112,500
Judicial	11,636,820	10,497,726	454,749	-
Interest on long term debt	4,799,245	-	-	-
Total governmental activities	205,777,890	37,121,410	8,442,244	1,024,585
Business-type activities:				
Landfill	12,236,345	8,200,649	-	-
Amtrack Station	-	-	-	-
Total business-type activities:	12,236,345	8,200,649	-	-
Total primary government	\$ 218,014,235	\$ 45,322,059	\$ 8,442,244	\$ 1,024,585
Component Unit:				
Economic environment	68,658	88,790	-	-
Total component unit	\$ 68,658	\$ 88,790	\$ -	\$ -

General Revenues:
Property taxes
Local option taxes
Franchise taxes
Communications services taxes
Motor fuel taxes
Utility services taxes
Other taxes
State shared revenues
Investment earnings
Miscellaneous revenues
Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Net assets - ending

The accompanying notes are an integral part of these financial statements.

Net Revenue (Expense) and Changes in Net Assets			
Governmental Activities	Business-type Activities	Total	Component Unit
			Housing Finance Authority
\$ (31,222,559)	\$ -	\$ (31,222,559)	\$ -
(64,633,162)	-	(64,633,162)	-
(6,778,766)	-	(6,778,766)	-
(22,776,792)	-	(22,776,792)	-
(6,190,062)	-	(6,190,062)	-
(10,402,635)	-	(10,402,635)	-
(11,702,085)	-	(11,702,085)	-
(684,345)	-	(684,345)	-
(4,799,245)	-	(4,799,245)	-
(159,189,651)	-	(159,189,651)	-
-	(4,035,696)	(4,035,696)	-
-	-	-	-
-	(4,035,696)	(4,035,696)	-
(159,189,651)	(4,035,696)	(163,225,347)	-
-	-	-	20,132
-	-	-	20,132
119,995,972	-	119,995,972	-
7,255,981	-	7,255,981	-
353,476	-	353,476	-
4,001,631	-	4,001,631	-
4,840,849	-	4,840,849	-
5,309,710	-	5,309,710	-
-	1,309,728	1,309,728	-
21,595,408	-	21,595,408	-
10,960,744	868,906	11,829,650	-
3,023,480	311,219	3,334,699	-
(1,037,469)	1,037,469	-	-
176,299,782	3,527,322	179,827,104	-
17,110,131	(508,374)	16,601,757	20,132
374,654,524	18,774,898	393,429,422	389,239
\$ 391,764,655	\$ 18,266,524	\$ 410,031,179	\$ 409,371

Leon County, Florida

Balance Sheet
Governmental Funds

September 30, 2007

	General Fund	Fine & Forfeiture	Grants Fund	Special Assessment Paving
Assets:				
Cash	\$ 4,847,305	\$ 596,660	\$ 341,573	\$ 332,531
Investments	31,331,374	12,611,109	3,233,020	-
Receivables:				
Accounts	636,088	83,576	-	-
Intergovernmental	1,588,895	8,233	2,148,822	-
Special assessments	-	-	-	1,869,544
Due from other funds	2,188,881	1,416,542	-	-
Inventory	515,712	-	-	-
Other assets	358	-	-	-
Advances to other funds	20,000	-	-	-
Total assets	<u>\$ 41,128,613</u>	<u>\$ 14,716,120</u>	<u>\$ 5,723,415</u>	<u>\$ 2,202,075</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 2,800,993	\$ 36,222	\$ 133,786	\$ 240
Accrued liabilities	3,201,470	-	4,977	-
Intergovernmental payables	108,459	-	-	-
Due to other funds	3,350,708	49,333	98,069	-
Deposits	70,447	193,491	-	-
Unearned revenues	-	-	3,880,535	1,869,544
Total liabilities	<u>9,532,077</u>	<u>279,046</u>	<u>4,117,367</u>	<u>1,869,784</u>
Fund balances:				
Reserved for encumbrances	31,421	-	-	-
Reserved for advances to other funds	20,000	-	-	-
Reserved for records modernization	-	-	-	-
Reserved for training	-	-	-	-
Reserve for special projects	-	-	-	-
Reserve for inmate expenditures	-	-	-	-
Unreserved, reported in:				
General fund	31,545,115	-	-	-
Special revenue funds	-	14,437,074	1,606,048	332,291
Debt service funds	-	-	-	-
Capital project funds	-	-	-	-
Total fund balances	<u>31,596,536</u>	<u>14,437,074</u>	<u>1,606,048</u>	<u>332,291</u>
Total liabilities and fund balances	<u>\$ 41,128,613</u>	<u>\$ 14,716,120</u>	<u>\$ 5,723,415</u>	<u>\$ 2,202,075</u>

The accompanying notes are an integral part of these financial statements.

Capital Improvement	Local Option Sales Tax	Nonmajor Governmental Funds	Total Governmental Funds
\$ 226,514	\$ 2,153,509	\$ 10,596,777	\$ 19,094,869
18,766,548	31,148,249	56,018,966	153,109,266
124,361	206,411	1,690,118	2,740,554
93,215	-	2,697,614	6,536,779
-	-	-	1,869,544
-	-	359,039	3,964,462
-	-	2,385	518,097
-	-	2,568	2,926
-	-	-	20,000
<u>\$ 19,210,638</u>	<u>\$ 33,508,169</u>	<u>\$ 71,367,467</u>	<u>\$ 187,856,497</u>
\$ 283,968	\$ 532,806	\$ 2,094,889	\$ 5,882,904
-	-	415,263	3,621,710
-	-	596,988	705,447
-	66,430	399,922	3,964,462
60,000	-	112,568	436,506
-	-	828,168	6,578,247
<u>343,968</u>	<u>599,236</u>	<u>4,447,798</u>	<u>21,189,276</u>
608,205	-	968,883	1,608,509
-	-	-	20,000
-	-	2,322,497	2,322,497
-	-	68,243	68,243
-	-	288,474	288,474
-	-	301,529	301,529
-	-	-	31,545,115
-	-	35,774,938	52,150,351
-	-	372,521	372,521
18,258,465	32,908,933	26,822,584	77,989,982
18,866,670	32,908,933	66,919,669	166,667,221
<u>\$ 19,210,638</u>	<u>\$ 33,508,169</u>	<u>\$ 71,367,467</u>	<u>\$ 187,856,497</u>

This page left intentionally blank.

Leon County, Florida

Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets

September 30, 2007

Total fund balances of governmental funds \$ 166,667,221

Amounts reported for governmental activities in the Statement of Net
Assets are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds.

Governmental capital assets	\$ 550,399,829	
Less accumulated depreciation	<u>(222,041,114)</u>	328,358,715

Other assets used in governmental activities are not financial
resources and therefore are not reported in the governmental funds.

Bond costs	2,391,313	
Less current year amortization	<u>(185,103)</u>	2,206,210

Long-term liabilities, including bonds payable are not due and payable
in the current period and therefore are not reported in the governmental
funds.

Governmental bonds payable	(97,490,928)	
Discount/(Premium)	(900,413)	
Current year amortization	47,390	
Compensated absences	(12,117,891)	
Arbitrage rebate liability	<u>(25,000)</u>	(110,486,842)

Internal service funds are used by management to charge the costs of
gasoline, vehicle repair, risk management, and telephone services to
individual funds. The assets and liabilities of the internal service funds
are included in governmental activities in the statement of net assets.

5,019,355

Rounding		<u>(4)</u>
----------	--	------------

Total net assets of governmental activities	<u>\$ 391,764,655</u>
---	-----------------------

The accompanying notes are an integral part of these financial statements.

Leon County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

Year Ended September 30, 2007

	General Fund	Fine & Forfeiture	Grants Fund	Special Assessment Paving
Revenues:				
Taxes	\$ 59,631,094	\$ 56,891,631	\$ -	\$ -
Licenses and permits	212,674	-	-	-
Intergovernmental	19,073,644	15,928	4,526,937	-
Charges for services	8,050,637	843,552	272,642	-
Fines and forfeitures	-	172,694	-	-
Interest	2,626,947	1,143,782	226,056	158,181
Miscellaneous	499,413	655	206,906	259,102
Total revenues	<u>90,094,409</u>	<u>59,068,242</u>	<u>5,232,541</u>	<u>417,283</u>
Expenditures:				
Current				
General government	35,424,384	-	40,953	-
Public safety	53,968,686	-	829,005	-
Physical environment	2,150,531	-	2,825,053	-
Transportation	-	-	75,394	-
Economic environment	3,672,331	-	303,995	-
Human services	5,108,456	105,792	255,124	-
Culture and recreation	7,096,716	-	783,762	-
Judicial	194,024	2,682,346	79,939	-
Debt Service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Other debt service costs	-	-	-	-
Total expenditures	<u>107,615,128</u>	<u>2,788,138</u>	<u>5,193,225</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,520,719)</u>	<u>56,280,104</u>	<u>39,316</u>	<u>417,283</u>
Other financing sources (uses):				
Transfers in	55,613,577	1,901,346	900,528	-
Transfers out	<u>(38,077,572)</u>	<u>(55,597,995)</u>	<u>(121,800)</u>	<u>(315,325)</u>
Total other financing sources (uses)	<u>17,536,005</u>	<u>(53,696,649)</u>	<u>778,728</u>	<u>(315,325)</u>
Net change in fund balance	15,286	2,583,455	818,044	101,958
Fund balances, October 1	<u>31,581,250</u>	<u>11,853,619</u>	<u>788,004</u>	<u>230,333</u>
Fund balances, September 30	<u>\$ 31,596,536</u>	<u>\$ 14,437,074</u>	<u>\$ 1,606,048</u>	<u>\$ 332,291</u>

The accompanying notes are an integral part of these financial statements.

Capital Improvement Fund	Local Option Sales Tax	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 25,234,894	\$ 141,757,619
-	-	3,371,901	3,584,575
-	-	7,445,728	31,062,237
41,030	76,329	23,399,266	32,683,456
-	-	959,836	1,132,530
942,348	2,028,907	3,412,099	10,538,320
70,050	-	1,931,952	2,968,078
<u>1,053,428</u>	<u>2,105,236</u>	<u>65,755,676</u>	<u>223,726,815</u>
2,732,460	-	5,408,015	43,605,812
499,963	253,630	24,768,805	80,320,089
2,755,624	-	10,700,496	18,431,704
87,700	9,188,553	10,232,201	19,583,848
-	-	4,318,225	8,294,551
176,407	-	4,999,597	10,645,376
1,944,838	-	4,171,268	13,996,584
-	-	8,720,262	11,676,571
-	-	4,730,311	4,730,311
-	-	4,656,474	4,656,474
-	-	5,058	5,058
<u>8,196,992</u>	<u>9,442,183</u>	<u>82,710,712</u>	<u>215,946,378</u>
<u>(7,143,564)</u>	<u>(7,336,947)</u>	<u>(16,955,036)</u>	<u>7,780,437</u>
13,529,845	-	29,780,954	101,726,250
<u>(177,325)</u>	<u>-</u>	<u>(8,473,702)</u>	<u>(102,763,719)</u>
<u>13,352,520</u>	<u>-</u>	<u>21,307,252</u>	<u>(1,037,469)</u>
6,208,956	(7,336,947)	4,352,216	6,742,968
<u>12,657,714</u>	<u>40,245,880</u>	<u>62,567,453</u>	<u>159,924,253</u>
<u>\$ 18,866,670</u>	<u>\$ 32,908,933</u>	<u>\$ 66,919,669</u>	<u>\$ 166,667,221</u>

Leon County, Florida

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities

September 30, 2007

Net change in fund balances - total governmental funds \$ 6,742,968

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However,
in the statement of activities, the cost of those assets is allocated over
their estimated useful lives as depreciation expense.

Expenditures for capital assets	\$ 21,896,061	
Less current year depreciation	<u>(16,979,448)</u>	4,916,613

Bond Proceeds provide current financial resources to governmental
funds, but issuing debt increases long-term liabilities in the statements
of net assets. Repayment of bond principal is an expenditure in the
governmental funds, but the repayment reduces long-term liabilities in
the statement of net assets. This is the amount by which proceeds
exceed repayments.

Principal payments	4,730,311
--------------------	-----------

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

Amortization of current year bond discount/premium	47,390	
Amortization of current year bond costs	(44,398)	
Amortization of current year deferred charge on refunding	(140,705)	
Change in long-term compensated absence	<u>(725,930)</u>	(863,643)

Internal service funds are used by management to charge the costs of
gasoline, vehicle repair, risk management, and telephone services to
individual funds. The net loss of the Internal Service Funds was reported with
governmental activities. (\$65,221 was included with business-type activities.)

1,583,882

Changes in net assets of governmental activities \$ 17,110,131

The accompanying notes are an integral part of these financial statements.

Leon County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund

Year Ended September 30, 2007

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 58,909,744	\$ 58,909,744	\$ 59,631,094	\$ 721,350
Licenses and Permits	201,253	201,253	212,674	11,421
Intergovernmental	18,877,093	18,993,600	19,073,644	60,929
Charges for services	12,105,373	12,432,046	8,050,637	(4,381,409)
Interest	1,387,656	1,387,656	2,626,947	1,239,291
Miscellaneous	2,294,888	148,138	499,413	351,275
Total revenues	93,776,007	92,072,437	90,094,409	(1,997,143)
Expenditures:				
Current:				
General government	36,650,947	38,382,832	35,424,384	2,938,448
Public safety	53,958,002	53,958,002	53,968,686	(30,480)
Physical environment	2,294,636	2,359,636	2,150,531	209,105
Economic environment	3,297,060	4,342,601	3,672,331	670,270
Human services	4,962,169	5,806,330	5,108,456	697,874
Culture and recreation	7,154,460	7,200,860	7,096,716	104,144
Judicial	504,973	575,990	194,024	381,966
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	108,822,247	112,626,251	107,615,128	4,971,327
Excess (deficiency) of revenues over (under) expenditures	(15,046,240)	(20,553,814)	(17,520,719)	2,974,184
Other financing sources (uses):				
Transfers in	64,653,579	64,824,965	55,613,577	(9,165,380)
Transfers out	(51,397,680)	(52,393,379)	(38,077,572)	14,328,710
Total other financing sources (uses)	13,255,899	12,431,586	17,536,005	5,163,330
Net change in fund balance	(1,790,341)	(8,122,228)	15,286	8,137,514
Fund balances, October 1	31,581,250	31,581,250	31,581,250	-
Fund balances, September 30	\$ 29,790,909	\$ 23,459,022	\$ 31,596,536	\$ 8,137,514

The accompanying notes are an integral part of these financial statements.

Leon County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Fine and Forfeiture Fund

Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Taxes	\$ 55,849,485	\$ 55,849,485	\$ 56,891,631	\$ 1,042,146
Intergovernmental	9,500	9,500	15,928	6,428
Charges for services	1,160,113	1,160,113	843,552	(316,561)
Fines and forfeitures	119,950	119,950	172,694	52,744
Interest	423,700	423,700	1,143,782	720,082
Total revenues	<u>57,562,748</u>	<u>57,562,748</u>	<u>59,068,242</u>	<u>1,505,494</u>
Expenditures:				
Human services	300,000	130,125	105,792	24,333
Judicial	2,309,628	2,726,945	2,682,346	-
Total expenditures	<u>2,609,628</u>	<u>2,857,070</u>	<u>2,788,138</u>	<u>24,333</u>
Excess (deficiency) of revenues over (under) expenditures	<u>54,953,120</u>	<u>54,705,678</u>	<u>56,280,104</u>	<u>1,529,827</u>
Other financing sources (uses):				
Transfers in	575,000	730,818	1,901,346	1,170,528
Transfers out	<u>(55,378,120)</u>	<u>(55,597,995)</u>	<u>(55,597,995)</u>	<u>-</u>
Total other financing sources (uses)	<u>(54,803,120)</u>	<u>(54,867,177)</u>	<u>(53,696,649)</u>	<u>1,170,528</u>
Net change in fund balance	150,000	(161,499)	2,583,455	2,700,355
Fund balances, October 1	<u>11,853,619</u>	<u>11,853,619</u>	<u>11,853,619</u>	<u>-</u>
Fund balances, September 30	<u>\$ 12,003,619</u>	<u>\$ 11,692,120</u>	<u>\$ 14,437,074</u>	<u>\$ 2,700,355</u>

-

The accompanying notes are an integral part of these financial statements.

Leon County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Grants Fund

Year Ended September 30, 2007

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Intergovernmental	\$ 504,344	\$ 9,556,014	\$ 4,526,937	\$ (5,029,077)
Charges for services	155,033	298,315	272,642	(25,673)
Interest	-	3,918	226,056	222,138
Miscellaneous	-	2,553,149	206,906	(2,346,243)
Total revenues	<u>659,377</u>	<u>12,411,396</u>	<u>5,232,541</u>	<u>(7,178,855)</u>
Expenditures:				
General government	-	43,933	40,953	2,980
Public safety	628,263	1,074,061	829,005	245,056
Physical environment	-	4,768,229	2,825,053	1,943,176
Transportation	-	2,350,833	75,394	2,275,439
Economic environment	-	1,428,454	303,995	1,124,459
Human services	155,033	371,090	255,124	115,966
Culture and recreation	500,000	3,125,390	783,762	2,341,628
Judicial	-	143,138	79,939	63,199
Total expenditures	<u>1,283,296</u>	<u>13,305,128</u>	<u>5,193,225</u>	<u>8,111,903</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(623,919)</u>	<u>(893,732)</u>	<u>39,316</u>	<u>933,048</u>
Other financing sources (uses):				
Transfers in	725,000	895,384	900,528	5,144
Transfers out	-	(143,138)	(121,800)	21,338
Total other financing sources (uses)	<u>725,000</u>	<u>752,246</u>	<u>778,728</u>	<u>26,482</u>
Net change in fund balance	101,081	(141,486)	818,044	959,530
Fund balances, October 1	<u>788,004</u>	<u>788,004</u>	<u>788,004</u>	<u>-</u>
Fund balances, September 30	<u>\$ 889,085</u>	<u>\$ 646,518</u>	<u>\$ 1,606,048</u>	<u>\$ 959,530</u>

The accompanying notes are an integral part of these financial statements.

Leon County, Florida

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Special Assessment Paving Fund

Year Ended September 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues:				
Interest	\$ 136,082	\$ 136,082	\$ 158,181	\$ 22,099
Miscellaneous	173,825	173,825	259,102	85,277
Total revenues	<u>309,907</u>	<u>309,907</u>	<u>417,283</u>	<u>107,376</u>
Other financing sources (uses):				
Transfers out	(309,907)	(315,325)	(315,325)	-
Total other financing sources (uses)	<u>(309,907)</u>	<u>(315,325)</u>	<u>(315,325)</u>	<u>-</u>
Net change in fund balance	-	(5,418)	101,958	107,376
Fund balances, October 1	<u>230,333</u>	<u>230,333</u>	<u>230,333</u>	<u>-</u>
Fund balances, September 30	<u>\$ 230,333</u>	<u>\$ 224,915</u>	<u>\$ 332,291</u>	<u>\$ 107,376</u>

The accompanying notes are an integral part of these financial statements.

Leon County, Florida
Statement of Net Assets
Proprietary Funds

September 30, 2007

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Landfill Fund	Nonmajor Fund Amtrak Station	Totals	
Assets:				
Current assets:				
Cash	\$ 405,236	\$ 127,946	\$ 533,182	\$ 246,285
Cash with fiscal agent	-	-	-	39,708
Investments	9,344,493	-	9,344,493	7,730,425
Receivables:				
Accounts	1,129,766	-	1,129,766	-
Inventory	-	-	-	65,667
Total current assets	10,879,495	127,946	11,007,441	8,082,085
Noncurrent assets:				
Restricted investments	6,023,621	-	6,023,621	-
Capital assets:				
Land non-depreciable	1,809,843	600,000	2,409,843	-
Depreciable (net)	11,108,772	773,681	11,882,453	-
Total noncurrent assets	18,942,236	1,373,681	20,315,917	-
Total assets	29,821,731	1,501,627	31,323,358	8,082,085
Liabilities:				
Current liabilities				
Accounts payable	92,513	-	92,513	142,398
Accrued liabilities	45,677	-	45,677	14,139
Compensated absences	55,677	-	55,677	-
Advances from other funds	-	-	-	20,000
Other current liabilities	-	-	-	2,701,000
Total current liabilities	193,867	-	193,867	2,877,537
Noncurrent liabilities:				
Compensated absences	124,824	-	124,824	-
Liability for closure costs/maintenance	12,923,336	-	12,923,336	-
Total noncurrent liabilities	13,048,160	-	13,048,160	-
Total liabilities	13,242,027	-	13,242,027	2,877,537
Net assets:				
Invested in capital assets	12,715,863	1,373,681	14,089,544	-
Unrestricted	3,863,841	127,946	3,991,787	5,204,548
Total net assets, invested in capital assets	\$ 16,579,704	\$ 1,501,627	18,081,331	\$ 5,204,548
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			185,193	
Net assets of business-type activities			<u>\$ 18,266,524</u>	

The accompanying notes are an integral part of these financial statements.

Leon County, Florida

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds

Year Ended September 30, 2007

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Landfill Fund	Nonmajor Fund Amtrak Station	Totals	
Operating revenues:				
Charges for services	\$ 8,198,899	\$ -	\$ 8,198,899	\$ 8,366,082
Intergovernmental	1,750		1,750	-
Total operating revenues	<u>8,200,649</u>	<u>-</u>	<u>8,200,649</u>	<u>8,366,082</u>
Operating expenses:				
Personnel services	2,299,925	-	2,299,925	678,612
Contractual services	4,989,680	-	4,989,680	137,510
Supplies	386,248	-	386,248	1,194,505
Communications services	25,731	-	25,731	284,503
Insurance	154,227	-	154,227	4,115,182
Utility services	522,391	-	522,391	18,458
Depreciation	755,394	-	755,394	-
Other services and charges	3,164,542	3,428	3,167,970	710,629
Total operating expenses	<u>12,298,138</u>	<u>3,428</u>	<u>12,301,566</u>	<u>7,139,399</u>
Operating income (loss)	<u>(4,097,489)</u>	<u>(3,428)</u>	<u>(4,100,917)</u>	<u>1,226,683</u>
Nonoperating revenues:				
Taxes	1,309,728	-	1,309,728	-
Interest revenue	862,390	6,516	868,906	422,424
Miscellaneous	311,219	-	311,219	-
Total nonoperating revenues	<u>2,483,337</u>	<u>6,516</u>	<u>2,489,853</u>	<u>422,424</u>
Income (loss) before transfers	(1,614,152)	3,088	(1,611,064)	1,649,107
Transfers In	1,063,680	-	1,063,680	-
Transfers out	<u>(26,211)</u>	<u>-</u>	<u>(26,211)</u>	<u>-</u>
Change in net assets	(576,683)	3,088	(573,595)	1,649,107
Net assets, October 1	<u>17,156,387</u>	<u>1,498,539</u>		<u>3,555,441</u>
Net assets, September 30	<u>\$ 16,579,704</u>	<u>\$ 1,501,627</u>		<u>\$ 5,204,548</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>65,221</u>	
Change in net assets of business-type activities			<u>\$ (508,374)</u>	

The accompanying notes are an integral part of these financial statements.

Leon County, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2007

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Landfill Fund	Nonmajor Fund Amtrak Station	Totals	
Cash flows from operating activities:				
Receipts from customers	\$ 8,980,023	\$ -	\$ 8,980,023	\$ 2,397,135
Receipts from interfund services	-	-	-	6,213,362
Payments to suppliers	(9,474,109)	(3,428)	(9,477,537)	(5,102,997)
Payments to employees	(2,287,812)	-	(2,287,812)	(684,355)
Claims paid	-	-	-	(1,526,171)
Payments for interfund services	(154,227)	-	(154,227)	(125,243)
Other receipts (payments)	1,750	-	1,750	-
Net cash (used in) provided by operating activities	(2,934,375)	(3,428)	(2,937,803)	1,171,731
Cash flows from noncapital financing activities:				
Tax proceeds	1,309,728	-	1,309,728	-
Transfers received from other funds	1,063,680	-	1,063,680	-
Transfers made to other funds	(26,211)	-	(26,211)	-
Net cash provided by (used in) noncapital financing activities	2,347,197	-	2,347,197	-
Cash flows from capital and related financing activities:				
Sale of property	311,219	-	311,219	-
Acquisition and/or construction of capital assets	(724,772)	-	(724,772)	-
Net cash used by capital and related financing activities	(413,553)	-	(413,553)	-
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	4,744,096	-	4,744,096	6,008,695
Purchase of investments	(4,494,606)	-	(4,494,606)	(7,730,425)
Interest and dividends received	923,497	6,516	930,013	422,424
Net cash provided by (used in) investing activities	1,172,987	6,516	1,179,503	(1,299,306)
Net increase (decrease) in cash	172,640	3,088	175,728	(127,575)
Cash and equivalents, October 1	232,980	124,858	357,838	413,568
Cash and equivalents, September 30	\$ 405,620	\$ 127,946	\$ 533,566	\$ 285,993

The accompanying notes are an integral part of these financial statements.

Leon County, Florida
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2007

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Landfill Fund	Nonmajor Fund Amtrak Station	Totals	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (4,097,489)	\$ (3,428)	\$ (4,100,917)	\$ 1,226,683
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	755,394	-	755,394	-
Change in assets and liabilities:				
Receivables	(60,740)	-	(60,740)	163,187
Inventories	-	-	-	(17,718)
Accounts payable	(385,517)	-	(385,517)	(119,998)
Accrued expenses	12,113	-	12,113	(4,423)
Other current liabilities	-	-	-	(76,000)
Estimated liability for closure	841,864	-	841,864	-
Net cash provided by operating activities	<u>\$ (2,934,375)</u>	<u>\$ (3,428)</u>	<u>\$ (2,937,803)</u>	<u>\$ 1,171,731</u>

The accompanying notes are an integral part of these financial statements.

Leon County, Florida

Statement of Fiduciary Net Assets
Agency Funds

September 30, 2007

	Total Agency Funds
Assets:	
Cash	\$ 9,566,535
Investments	1,571,729
Receivables:	
Accounts	830,568
Total assets	<u>\$ 11,968,832</u>
Liabilities:	
Accounts payable	\$ 1,694,015
Due to other governments	1,660,867
Deposits	6,965,531
Installment tax deposits	1,648,419
Total liabilities	<u>\$ 11,968,832</u>

The accompanying notes are an integral part of these financial statements.

LEON COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007

I.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
A.	Reporting Entity.....	31
B.	Measurement Focus and Basis of Accounting	33
C.	Basis of Presentation.....	36
D.	Assets, Liabilities and Net Assets.....	38
II.	RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS	
A.	Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets	43
B.	Explanation of Differences Between the Governmental Fund Operating Statements and the Government-wide Statement of Activities.....	46
III.	STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	
A.	Budgets and Budgetary Accounting	50
IV.	CASH AND INVESTMENTS	52
V.	PROPERTY TAXES	55
VI.	CAPITAL ASSETS	
A.	Capital Asset Activity	56
B.	Depreciation Expense	57
VII.	INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS	
A.	Interfund Balances	58
B.	Interfund Transfers	59
VIII.	LONG-TERM OBLIGATIONS	
A.	Long-term Obligations (Excluding Accrued Compensated Absences)	60
B.	Advances and Current Refundings	63
C.	A Summary of Changes in the Long-term Debt of the County	64
D.	Purchase Cards.....	65
E.	Special Assessment Debt.....	65
F.	Demand Bonds.....	65
G.	Discretely Presented Component Unit – Housing Finance Authority of Leon County	65
H.	Conduit Debt Obligations	66
I.	Debt Parity	67
IX.	CLOSURE AND POST CLOSURE CARE COST	68

X.	EMPLOYEE BENEFITS	
A.	Pension Plan	69
B.	Deferred Compensation Plan	70
C.	Liability for Compensated Absences	70
D.	Executive Service Plan	70
E.	Post Employment Benefits Other Than Pension Benefits.....	70
XI.	RISK MANAGEMENT AND CONVENTIONALLY INSURED CLAIMS & LOSSES	
A.	General Liability	71
B.	Workers Compensation.....	71
C.	Automobile Liability	72
XII.	SEGMENT INFORMATION – ENTERPRISE FUNDS.....	72
XIII.	OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES	
A.	Excess of Expenditures Over Appropriations	72
B.	Excess of Expenditures Over Revenue in the Budget Column	72
C.	Deficit Fund Balances.....	72
XIV.	COMMITMENTS AND CONTINGENCIES	
A.	Contract Commitments	73
B.	Blueprint 2000 Intergovernmental Agency.....	75
C.	Potential Liabilities Resulting from Litigation	75
XV.	SUBSEQUENT EVENTS	75

This page left intentionally blank.

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Leon County, Florida (the "County") is a political subdivision of the State of Florida and provides services to its residents in many areas, including Public Safety, Transportation, Recreation and Human Services. The County is governed by an elected Board of County Commissioners (seven members). In addition to the members of the Board of County Commissioners, there are five elected Constitutional Officers: Clerk of the Circuit Court, Sheriff, Tax Collector, Property Appraiser and Supervisor of Elections. The Constitutional Officers maintain separate accounting records and budgets. Effective for the 2003 fiscal year, the citizens of Leon County passed a voter referendum to make Leon County a Charter County. The Charter is a simple charter, which allows for the same powers and duties as provided in the Constitution of the State of Florida and Florida Statutes. However, in certain instances, the Charter may alter or expand the powers of the elected officials via voter referendum.

The accompanying financial statements present the combined financial position and results of operations of the entity as a whole, by major fund and nonmajor funds in aggregate, that are governed by the Board and the Constitutional Officers of Leon County, Florida.

The Board funds a portion, or in some cases all, of the operating budgets of the County's Constitutional Officers. The payments by the Board to fund the operating budgets of the Constitutional Officers are recorded as expenditures on the financial statements of the Board and as appropriations or charges for services on the financial statements of the Constitutional Officers. Accordingly, such amounts and the budget relating to those amounts have been eliminated in the accompanying combined financial statements.

Component Units

The component units discussed below are included in the County's reporting entity either because of the significance of the operational relationship or the County is financially accountable for the component unit. The County is financially accountable for an organization when the County appoints a voting majority of the organization's governing body and is able to impose its will on the organization. The County is also financially accountable when there is a potential for the organization to provide a financial benefit or impose a financial burden on Leon County; or the organization is fiscally dependent on the County.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (continued)

Component Units (continued)

Specific criteria used to determine financial accountability are:

- Selection of a Voting Majority of the Governing Body.
- Imposition of Will: Ability to remove appointed members at will; ability to approve or modify charges affecting revenue; ability to appoint, hire or dismiss management.
- Financial Benefit or Burden Relationship: The County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the obligation to finance the deficits of or provide support to the organization; or the County is obligated in some manner for the debt of the organization.
- Fiscal Dependency: Ability to approve or modify the organization's budget or rate charges and ability to approve debt issuances and/or tax levies.

The financial statements of the component units have been included in the financial reporting entity either as a blended component unit or as a discretely presented component unit in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," and GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units." At September 30, 2007, the only component unit of the County is The Housing Finance Authority of Leon County (the "Authority") and is presented in a separate column on the County's financial statements.

The Authority was created as a Florida public corporation in accordance with the Florida Housing Finance Authority Law, Part IV of Chapter 159, Florida Statutes (1979), following the adoption of an approving ordinance (#80-39) by the Board of County Commissioners of Leon County, Florida. The Authority is a Dependent Special District as defined in Chapter 89-169, Laws of Florida.

The Authority's governing board is appointed by the Board of County Commissioners; the budget is approved by the County; all bonds issued and contracts entered into must be approved by the County; the County may, at its sole discretion, and at anytime, alter or change the structure, organization, programs or activities of the Authority, including the power to terminate the Authority; and the County maintains the books and records of the Authority. This unit is reported in a separate column to emphasize that it is legally separate from the County. Separate financial information for the Authority is available in the Finance Department currently housed in the Bank of America Building, commonly known as BOA Building, 315 South Calhoun Street, Suite 450, Tallahassee, Florida 32301.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (continued)

Component Units (continued)

Excluded from the Reporting Entity:

The Leon County Health Facilities Authority, Leon County Research and Development Authority, and Leon County Education Facilities Authority have been established under Florida Statutes, Chapter 159, Part V; Chapter 154, Part III; and Chapter 243, respectively. Operations of the above authorities are not included in this report.

Other public entities located within Leon County and not included in the financial statements of the County include municipalities and the following independent taxing districts authorized and established by the laws of Florida:

Leon County School Board District
Leon County Health Department
Tallahassee – Leon County Civic Center Authority
Fallschase Special Taxing District
Northwest Florida Water Management District

These potential component units have been excluded because they do not meet the criteria for inclusion in the reporting entity.

B. Measurement Focus and Basis of Accounting

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

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

Government-wide Financial Statements

Government-wide financial statements (the Statement of Net Assets and Statement of Activities) provide financial information about Leon County government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government, as well as its discretely presented component unit and provide for a consolidated financial picture of the government. The Statement of Net Assets reports all financial and capital resources of Leon County's governmental and business-type

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus and Basis of Accounting (continued)

Government-wide Financial Statements (continued)

activities. The Statement of Activities reports functional categories of programs provided by the County and demonstrates how and to what degree those programs are supported by specific revenue. As part of the consolidation process, the effect of interfund activity has been removed from these statements to avoid distorted financial results. Any interfund services provided and used are not eliminated during this process, but reassigned to governmental activities. Any amounts reported as interfund balances represent the residual amounts due between governmental and business-type activities. Fiduciary funds of the government are also removed from this presentation since the resources are not available for general government funding purposes. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities. Business-type activities rely, to a significant extent, on fees and charges for support.

Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable. Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Program revenues include charges for services, fines and forfeiture, licenses and permits, and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the Statement of Activities to present the net cost of each program. Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than being reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liability, rather than as expenditures.

Fund Financial Statements

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus and Basis of Accounting (continued)

Fund Financial Statements (continued)

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

Governmental Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Franchise fees, licenses, sales taxes, gas taxes, operating and capital grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when the County receives cash.

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

Noncurrent portions of long-term receivables (special assessment) due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Noncurrent portions of other long-term receivables are offset by deferred revenue.

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

Amounts expended to acquire capital assets are recorded as expenditures in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an other financing source rather than as a fund liability. However, debt service

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus and Basis of Accounting (continued)

Fund Financial Statements (continued)

expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Proprietary Funds

The County's enterprise funds and internal service funds are proprietary funds. In the fund financial statements, proprietary funds are presented using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when the related goods or services are delivered. In the fund financial statements, proprietary funds are presented using the economic resources measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net assets. For the enterprise funds, as permitted by GASB Statement No. 20, the County has elected not to apply all FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins, issued on or after November 30, 1989.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, taxes, and investment earnings, result from nonexchange transactions or ancillary activities. Amounts paid to acquire capital assets are capitalized as assets in the fund financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the fund financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness are reported as a reduction of the related liabilities, rather than as an expense.

C. Basis of Presentation

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

Governmental Major Funds:

The County reports the following major funds in the governmental fund financial statements:

General Fund — The General Fund is the general operating fund of the County. This fund is used to account for all financial transactions not required to be accounted for in another fund.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (continued)

Governmental Major Funds (continued)

Fine and Forfeiture — This fund was established to account for revenues collected pursuant to the provisions of Section 142.01, Florida Statutes. It also accounts for expenditures related to the costs of criminal prosecutions and for the proceeds of certain court fines and costs as well as accounting for ad valorem tax revenues collected and used to support the Sheriff's Department.

Grants Fund — This fund is used to account for the revenues and expenses of federal, state and local grants awarded to the county. This fund also includes the corresponding county matching funds for the various grants.

Special Assessments Fund — This fund accounts for the repayment of special assessments associated with the county's paving program. Repayments are collected as a non-ad valorem special assessment on the annual tax bill. These revenues are repaying the county for the costs to construct the paving projects.

Capital Improvement Fund — This fund is used to account for the acquisition or construction of major non-transportation related capital facilities and/or projects other than those financed by proprietary funds.

Local Option Sales Tax — The Local Option Sales Tax Fund accounts for revenues generated by the local option one-cent sales tax. This tax, which was approved by the voters of Leon County in a referendum election held on November 4, 1989, provides for the levy of a one percent sales tax on every taxable item sold in the County and taxed pursuant to the provisions of Section 206, Florida Statutes. The statutory authority to collect these revenues expired October 31, 2004. Utilization of the proceeds of this tax is limited to the costs of acquisition, construction, reconstruction, and maintenance of roads and streets; and the costs of establishing, operating, and maintaining a transportation system and related facilities.

Proprietary Major Fund:

Landfill Fund — The Landfill Fund accounts for the revenues, expenses, assets and liabilities associated with the County landfill and transfer station.

Note: The major funds for Leon County will vary from year to year. This change is because of the calculation requirements established by GASB 34 in determining whether a fund is major or not.

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (continued)

Other Fund Types:

Internal Service Funds — Internal Service Funds account for Fleet Management, Communications, and Self Insurance services provided to other departments of the County on a cost reimbursement basis.

Agency Fund — The Agency Fund is used to account for the collection and disbursement of monies by the County on behalf of other governments and individuals, such as cash bonds, traffic fines, support payments and ad valorem taxes.

Non-current Governmental Assets/Liabilities

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

D. Assets, Liabilities and Net Assets

Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term highly liquid investments that are both readily convertible to known amounts of cash and have an original maturity of three months or less. This includes cash in banks, repurchase agreements with financial institutions, petty cash, cash with claims administrators and balances in the State Board of Administration Investment Pool.

Investments

Investments for the County are reported at fair value, in accordance with GASB Statement No. 31. In addition to reporting investments at fair value, the County is reporting investments in accordance with the requirements of GASB 40.

Receivables and Payables

Receivables are shown net of an allowance for uncollectibles. The emergency medical services allowance is equal to 41% of outstanding gross charges at September 30, 2007.

Inventories and Prepaid Items

Inventories, consisting primarily of expendable items (materials and supplies), are determined by

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (continued)

Inventories and Prepaid Items (continued)

physical count at the County's fiscal year-end and valued at cost on the basis of the "first-in first-out" method of accounting. Inventory shown in the Governmental Funds consists of fuel, medical supplies, vehicle parts and road materials. The inventory is recorded as an expenditure when consumed (consumption method) rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain funds of the County are classified as restricted assets on the Statement of Net Assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations. It is the practice of the County to utilize restricted net assets before unrestricted net assets. Certain Landfill Fund assets are required to be segregated from other current assets. These assets are legally restricted for specific purposes, such as landfill closure and post-closure care.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. Infrastructure assets are defined as public domain fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar assets that are immovable and of value only to the government unit. All qualified infrastructure assets have been capitalized and included in the September 30, 2007 financial statements. Capital assets are reported in the government-wide financial statements in the applicable governmental or business-type activities column, as well as the proprietary fund financial statements. Capital assets are defined by Section 274.02, Florida Statutes, to include items of a nonconsumable nature with a value of at least \$1,000 and a life of one year or more. The County maintains an administrative record of these assets. However, for reporting purposes, the threshold for capitalizing property, plant, and equipment is \$20,000, buildings \$50,000 and infrastructure is \$100,000. Capital assets are recorded at cost, or estimated historical cost. Contributed assets are recorded at estimated fair market value at the time received. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (continued)

Capital Assets (continued)

The ranges of the useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	30-50
Improvements other than buildings	6-50
Equipment	3-35
Library Collection	5
Furniture	4-20
Vehicles & rolling stock	3-10
Infrastructure	20-50

Florida Statutes require that the Board maintain accountability for all assets used in operations, except those maintained by the Sheriff.

Capitalization of Interest

Interest costs related to bond issues are capitalized during the construction period for Proprietary activities only; GASB Statement No. 37 removes the capitalization of construction period interest requirement for capitalized assets used in Governmental activities. Instead, such costs are netted against applicable interest earnings on construction fund investments. During the current period, the County did not have any capitalized interest.

Unearned Revenues

Deferred revenues reported in government-wide financial statements represent unearned revenues. The deferred revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Deferred revenues reported in governmental fund financial statements represent unearned revenues or revenues which are measurable but not available. In accordance with the modified accrual basis of accounting, these items are reported as deferred revenues.

Landfill Closure Costs

The County has adopted a policy based on U.S. Environmental Protection Agency rules and in accordance with Florida Law to set aside funds for the post-closure care costs of the County's landfills.

Within the Landfill Fund, deposits are made to the fund's other cash and cash equivalents account for the purpose of complying with the escrow requirements of Rule 17-701.630, Florida Administrative Code. This rule requires the County to annually deposit funds in an interest-

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (continued)

Landfill Closure Costs (continued)

bearing escrow account for the purpose of funding the minimum estimated landfill closure cost. This amount is represented as “Restricted Assets” on the Statement of Net Assets.

Per the above rule, an audited report is filed each year with the Florida Department of Environmental Protection. The liability on the face of the statements is equal to the total estimated cost of closure and post-closure care. The estimates are reviewed and adjusted each year for changes due to inflation, technology or applicable laws or regulations.

Accrued Compensated Absences

The County accrues accumulated unpaid vacation and sick leave when earned by the employee. The current portion is the amount estimated to be used in the following year. The non-current portion is the amount estimated to be used in subsequent fiscal years. Both the current and non-current estimated accrued compensated absences amounts for governmental funds are maintained separately and represent a reconciling item between the fund and the government-wide presentations.

Obligation for Bond Arbitrage Rebate

Pursuant to Section 148(f) of the U.S. Internal Revenue Code, the County must rebate to the United States Government the excess of interest earned from the investment of certain debt proceeds and pledged revenues over the yield rate of the applicable debt. The County uses the “revenue reduction” approach in accounting for rebatable arbitrage, which treats excess earnings as a reduction of revenue. The County has recorded an arbitrage liability outstanding as of September 30, 2007.

Due to/from Other Funds

These are activities between funds. Such amounts are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances to/from Other Funds

When reported in the fund financial statements, these are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available expendable financial resources.

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Assets (continued)

Reserves/Designations of Fund Balances and Net Assets

Reserves and designations recorded in the governmental funds represent portions of fund balance, which cannot be appropriated for expenditures or which have been segregated for specific future uses. Net assets of the Self Insurance Fund are reserved for anticipated future catastrophic losses pursuant to County policy and GASB Statement No. 10.

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

“Total fund balances” of the County’s governmental funds (\$166,667,221) differs from “net assets” of governmental activities (\$391,764,655) reported in the statement of net assets. This difference results primarily from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet.

Capital Related Items

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

Cost of capital assets	\$ 550,399,829
Accumulated depreciation	(222,041,114)
Net capital assets added	<u>\$ 328,358,715</u>

Long-term Debt Transactions

Long-term liabilities applicable to the County’s governmental activities are not due and payable in the current period and accordingly are not reported as current fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at September 30, 2007 were:

Capital Improvement Revenue Bonds, Series 2005	\$54,290,000
Capital Improvement Revenue Bonds, Series 2003A	7,965,000
Taxable Capital Improvement Revenue Bonds, Series 2003B	12,465,000
Capital Improvement Revenue Bonds, Series 1999	4,110,000
Capital Improvement Refunding Revenue Bonds, Series 1998B	14,475,000
Note Payable	4,185,927
Liability for compensated absences	12,117,880
Arbitrage rebate liability	25,000
	<u>\$109,633,807</u>

Internal Service Funds

Management uses internal service funds to charge the cost of fleet management and insurance activities to the individual funds benefited. Because internal service funds primarily serve

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets (continued)

Internal Service Funds (continued)

governmental activities of the County, the assets and liabilities of those funds are included in the governmental activities for government-wide reporting purposes. The total amount of internal service fund assets, net of liabilities, included with governmental activities on the September 30, 2007, statement of net assets is \$5,019,355.

	Total	
	Governmental	Capital Related
Assets	Funds	Items
Equity in pooled cash & equivalents	\$ 19,094,869	\$ —
Investments	153,109,266	—
Receivables (net)	11,146,877	—
Due from other funds	3,964,462	—
Advances to other funds	20,000	—
Inventories	518,097	—
Other Assets	2,926	—
Capital assets - net	—	328,358,711
Total Assets	\$187,856,497	\$328,358,711
 Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$ 5,882,904	\$ —
Accrued Liabilities	3,621,710	—
Intergovernmental Payables	705,447	—
Internal Balance	—	—
Estimated liability for self-insurance loss	—	—
Due to other funds	3,964,462	—
Deposits	436,506	—
Arbitrage rebate	—	—
Unearned revenue	6,578,247	—
Advances from other funds	—	—
Accrued compensated balances	—	—
Capital leases	—	—
Bond and notes payable (net)	—	—
Total liabilities	\$ 21,189,276	\$ —
Fund balances/net assets	\$166,667,221	\$328,358,711
Total liabilities and fund balances/net assets	\$187,856,497	\$328,358,711

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets (continued)

Long-term Debt Transactions	Internal Service Funds	Reclassifications & Eliminations	Statement of Net Assets
\$ —	\$ 285,993	\$ —	\$ 19,380,862
—	7,730,425	—	160,839,691
—	—	—	11,146,877
—	—	(3,964,462)	—
—	—	(20,000)	—
—	65,667	—	583,764
1,353,187	—	—	1,356,113
—	—	—	328,358,711
<u>\$ 1,353,187</u>	<u>\$8,082,085</u>	<u>(\$3,984,462)</u>	<u>\$ 521,666,018</u>
\$ —	\$ 142,398	\$ —	\$ 6,025,302
—	14,139	—	3,635,849
—	—	—	705,447
—	185,193	—	185,193
—	2,701,000	—	2,701,000
—	—	(3,964,462)	—
—	—	—	436,506
25,000	—	—	25,000
—	—	—	6,578,247
—	20,000	(20,000)	—
12,117,891	—	—	12,117,891
—	—	—	—
97,490,928	—	—	97,490,928
<u>\$ 109,633,819</u>	<u>\$3,062,730</u>	<u>(\$3,984,462)</u>	<u>\$ 129,901,363</u>
<u>(\$108,280,632)</u>	<u>\$5,019,355</u>	<u>\$ —</u>	<u>\$ 391,764,655</u>
<u>\$ 1,353,187</u>	<u>\$8,082,085</u>	<u>(\$3,984,462)</u>	<u>\$ 521,666,018</u>

Leon County, Florida
Notes to Financial Statements
September 30, 2007

**NOTE II .RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (CONTINUED)**

**B. Explanation of Differences Between the Governmental Fund Operating Statements and
the Government-wide Statement of Activities**

The “net change in fund balances” for governmental funds of \$6,742,968 differs from the “change in net assets” for governmental activities of \$17,110,131, reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities, versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital Related Items

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of the financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year.

Capital Outlay	\$ 21,896,061
Depreciation Expense	<u>(16,979,448)</u>
Net	<u><u>\$ 4,916,613</u></u>

Long-term Debt Transactions

In the statement of activities, debt and capital lease proceeds increase long-term liabilities. However, in the governmental funds, debt and capital lease proceeds are treated as other financing sources since they provide current financial resources to governmental funds.

Repayments of bond principal and capital lease principal are reported as an expenditure in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. However, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

<u>Principal payments</u>	<u><u>\$ 4,730,311</u></u>
---------------------------	----------------------------

Leon County, Florida
Notes to Financial Statements
September 30, 2007

**NOTE II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL
STATEMENTS (CONTINUED)**

**B. Explanation of Differences Between the Governmental Fund Operating Statements and
the Government-wide Statement of Activities (continued)**

Long-term Debt Transactions (continued)

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

Amortization of current year bond discount/premium	\$ 47,390
Amortization of current year bond costs	(44,398)
Amortization of current year deferred charge on refunding	(140,705)
Net increase in compensated absences	(725,930)
	<u>\$ (863,643)</u>

Internal Service Funds Aggregate Loss

The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets because they primarily serve governmental activities of the County. The net costs of the internal service funds are reported with governmental activities.

Internal service funds aggregate gain (loss) on governmental activities	\$ 1,583,882
	<u>\$ 1,583,882</u>

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Differences Between the Governmental Fund Operating Statements and the Government-wide Statement of Activities (continued)

		Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions
Revenues:	Taxes	\$ 141,757,619	\$ -	\$ -
	Licenses and Permits	3,584,575	-	-
	Intergovernmental	31,062,237	-	-
	Charges for services	32,683,456	-	-
	Fines and forfeitures	1,132,530	-	-
	Interest	10,538,320	-	-
	Miscellaneous	2,968,078	-	-
Total revenues		223,726,815	-	-
Expenditures:	Current			
	General government	43,605,812	(2,569,281)	-
	Public safety	80,320,089	255,574	-
	Physical environment	18,431,704	(4,857,307)	-
	Transportation	19,583,848	3,994,842	-
	Economic Environment	8,294,551	-	-
	Human services	10,645,376	(177,716)	-
	Culture and recreation	13,996,584	(1,594,232)	-
	Judicial	11,676,571	31,507	-
Debt Service	Principal	4,730,311	-	(4,730,311)
	Interest and fiscal charges	4,656,474	-	-
	Other debt service costs	5,058	-	137,713
Total expenditures		215,946,378	(4,916,613)	(4,592,598)
Excess (deficiency) of revenues over	(under) expenditures	7,780,437	4,916,613	4,592,598
Other financing sources (uses):	Operating transfers in	101,726,250	-	-
	Operating transfers out	(102,763,719)	-	-
Total other financing sources (uses)		(1,037,469)	-	-
Net change in fund balance		6,742,968	4,916,613	4,592,598
Fund balances, October 1		159,924,253		
Fund balances, September 30		\$ 166,667,221		

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Differences Between Governmental Fund Operating Statements and the Government-wide Statement of Activities (continued)

Compensated Absences	Internal- Service Funds	Reclassifications and Eliminations	Statement of Activities
\$ -	\$ -	\$ -	\$141,757,619
-	-	-	3,584,575
-	-	-	31,062,237
-	-	(279,151)	32,404,305
-	-	-	1,132,530
-	422,424	-	10,960,744
-	55,402	-	3,023,480
-	477,826	(279,151)	\$223,925,490
236,178	(539,923)	-	40,732,786
279,615	(245,156)	(256,424)	80,353,698
92,262	(92,033)	(10,481)	13,564,145
70,055	(92,795)	-	23,555,950
4,150	(2,871)	(5,296)	8,290,534
12,045	(32,890)	(6,950)	10,439,865
39,554	(37,059)	-	12,404,847
(7,929)	(63,329)	-	11,636,820
-	-	-	-
-	-	-	4,656,474
-	-	-	142,771
725,930	(1,106,056)	(279,151)	205,777,890
(725,930)	1,583,882	-	18,147,600
-	-	(101,726,250)	-
-	-	101,726,250	(1,037,469)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	(1,037,469)
(725,930)	1,583,882	-	17,110,131
			374,654,524
			\$391,764,655

NOTE III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

Section 129.01(2) (b), Florida Statutes, requires that "...the receipts division of the budget shall include ninety-five percent of all receipts reasonably expected to be anticipated from all sources, including taxes to be levied, and one hundred percent of the amount of the balances, both of cash and liquid securities, estimated to be brought forward at the beginning of the fiscal year." The County has complied with the provisions of the above Florida Statutes.

Annual budgets for the governmental fund types and the Housing Finance Authority of Leon County are adopted on a basis consistent with generally accepted accounting principles. Budgets are not adopted for the fiduciary funds. The legal level of budgetary control is at the fund level; however, budgets are monitored at varying levels of detail. All annual appropriations lapse at fiscal year end, although the County expects to honor purchase orders and contracts in process, subject to authority provided in the subsequent year's budget.

The budget information, as amended, presented in the financial statements was prepared on the modified accrual basis of accounting. All Board authorized amendments to the applicable budget originally approved, have been incorporated into the data reflected in the financial statements. The Board made several supplemental budgetary appropriations throughout the year.

The County uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. On or before May 1 of each year, the Clerk of Courts, Sheriff, and Supervisor of Elections submits to the Board a tentative budget for the ensuing fiscal year. The tentative budget includes proposed expenditures and funding sources.
2. Section 195.087, Florida Statutes, governs the preparation, adoption and administration of the annual budget of the Property Appraiser and Tax Collector. The proposed operating budget is presented to the Board of County Commissioners on or before June 1 of each year by the Property Appraiser and on or before August 1 of each year by the Tax Collector. Their budgets are simultaneously submitted to the State of Florida, Department of Revenue, from which the approval of the budget of the Property Appraiser and Tax Collector must emanate.
3. On or before July 15 of each year, or within 15 days after the receipt of certified taxable property values from the Property Appraiser, whichever occurs last, the Office of Management and Budget, presents to the Board a proposed budget for the fiscal year commencing the following October 1. Pursuant to the provisions of Section 129.01, Florida Statutes, the proposed budget as submitted contains balanced statements of estimated revenues (including unexpended fund balances to be carried forward) and proposed appropriations for each fund required to be presented by law or by sound financial practices, including the General, Special Revenue, Debt Service, and Capital Projects funds.

**NOTE III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY
(CONTINUED)**

A. Budgets and Budgetary Accounting (continued)

4. The Board shall require such changes to be made as it shall deem necessary, provided the budget remains in balance and subject to the notice and public hearing requirements of Section 200.065 of the Florida Statutes and the budget preparation and adoption procedures, as defined in Section 129.03 of the Florida Statutes.
5. Following the successful completion of the above referenced public hearings, the Board advertises and subsequently conducts a second public hearing to finally adopt a millage rate and budget for each of the taxing entities under their jurisdiction. These public hearings are ordinarily held prior to October 1, of each year. If, however for some reason the Board is unable to finally adopt a budget prior to October 1, state law permits the readoption by resolution of the budget of the preceding year as an interim measure. In its effort to get as much citizen input as possible, the Board holds a third public hearing prior to the adoption of a tentative millage.
6. Pursuant to the provisions of Section 129.07, Florida Statutes, the Board of County Commissioners is prohibited from expending or contracting for the expenditure of any amount in excess of the total amount budgeted in any fund. It is, however, legally permissible at the present time for the budgets of individual departments included within a particular fund to be overexpended in total without requiring mandatory action by either the Board of County Commissioners, the Clerk of the Circuit Court, as Clerk to the Board of County Commissioners (and finance officer), or the County Administrator (as budget officer). Transfers of appropriate amounts between funds require approval of the Board of County Commissioners.
7. Adoption and execution of the budgets of the Clerk of the Circuit and County Courts, Property Appraiser, Sheriff, Supervisor of Elections, and Tax Collector are governed by applicable provisions of the Florida Statutes.
8. Formal budgetary integration at the object level is used as a management control device for all governmental funds of the County for which annual budgets are adopted, including the General, Special Revenue, Debt Service, and Capital Projects funds. Proforma project length budgets are provided to the Board for certain Capital Projects for informational purposes only. The level at which expenditures may not legally exceed appropriations is the fund level.

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE IV. CASH AND INVESTMENTS

As of September 30, 2007, the value of the County's deposits and investments, with their respective credit ratings, was as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Maturity</u>
Deposits in Qualified Public Depositories	29,892,968	NA	NA
External Investment in State Pool:			
Local Government Surplus Funds Trust Fund	114,428,910	Unrated	<90 days
Money Market	1,062,480	AAA	<90 days
Externally Managed Portfolio:			Effective Duration
U.S. Treasury Notes	2,428,863	NA	4.34
U.S. Agencies	272,494	NA	0.24
Federal Instrumentalities	34,061,981	NA	1.93
Certificates of Deposits	587,016	AA-	1.60
Mortgage Backed Securities	633,170	AAA	0.09
Corporate Bonds	3,727,048	A	0.89
Corporate Bonds	763,394	AA	1.36
Corporate Bonds	293,422	AAA	1.81
Municipal Bonds	1,592,446	A	1.21
Municipal Bonds	2,300,737	AA	1.55
Municipal Bonds	9,917,272	AAA	1.18
Asset Backed Securities	5,710,300	AAA	1.08
Externally Managed Portfolio Effective Duration			1.15
Total Cash and Investments	\$ 207,672,501		

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE IV. CASH AND INVESTMENTS (CONTINUED)

Credit Risk

The County Investment Policy provides a structure for the portfolio that is designed to minimize credit risk. The majority of the securities held will be those of the highest available credit quality. These would include state guaranteed pools, U. S Government (AAA) securities, and commercial paper of only the highest applicable rating. To further limit the County's risk against possible credit losses, a maximum of 5% of the total portfolio may be held at any one time in all securities of any corporate entity, inclusive of commercial paper, medium term notes, or corporate notes and bonds. Credit quality risk identified with S&P ratings or Moody equivalents, is provided in the table above. Deposits and investments not exposed to credit quality risk, as defined by GASB 40, are designated as "NA" in the credit rating column. The Local Government Surplus Trust Fund is not rated by statistical rating organizations.

Florida Statutes, Chapter 218.415(17), stipulates the State-approved investment policy for all governmental entities and includes the following investments:

1. The Local Government Surplus Funds Trust Fund or any authorized intergovernmental investment pool.
2. Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally-recognized rating agency.
3. Interest-bearing time deposits or savings accounts in qualified public depositories.
4. Direct obligations of the U.S. Treasury.
5. Federal agencies and instrumentalities.
6. Securities of, or other interests in, any management type investment company or trust registered under the Investment Company Act of 1940, where the investment portfolio is limited to United States Government Obligations.
7. Other investments authorized by law or by ordinance for a county or a municipality.

The County's Investment Policy limits credit risk by restricting authorized investments to the following: Local Government Surplus Funds Trust Fund, State of Florida Special Purpose Investment Account, direct obligations of the United States or its agencies and instrumentalities, direct obligations of states and municipalities, repurchase agreements, commercial paper, bankers' acceptances, money market mutual funds, the Florida Local Government Investment Trust, and the Florida Municipal Investment Trust.

To provide liquidity for operations, the County maintains a core level of cash with the Local Government Surplus Funds Trust Fund (LGSF). The LGSF is administered by the Florida State Board of

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE IV. CASH AND INVESTMENTS (CONTINUED)

Administration (SBA). The LGSF is an external investment pool that is not a registrant with the Securities and Exchange Commission (SEC); however, the SBA has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. The LGSF is governed by Chapter 19-7 of the *Florida Administrative Code*, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the LGSF. Additionally, the Florida Office of the Auditor General performs the operational audit of the activities and investments of the SBA. The County's fair value of their position in the pool approximates its value of the pool shares. Investments with SBA are not evidenced by securities that exist in physical or book entry form.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure or the failure of the counterparty, the government's deposits may not be returned to it, or may not be able to recover the value of its investments that are in the possession of an outside party.

Qualified public depositories of public funds are required to provide collateral each month pursuant to Chapter 280.04, *Florida Statutes*. The collateral is held by the Florida Division of Treasury or other custodian with full legal rights maintained by the Florida Division of Treasury to transfer ownership. Any loss not covered by the pledged securities and deposit insurance would be assessed by the Florida Division of Treasury and paid by the other public depositories. The County's deposits are therefore considered fully insured or collateralized. Bank balances at September 30, 2007 were \$59,769,365.

Due to the nature of the County's cash and investments, there is no exposure to custodial credit risk and concentration of credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market value of investments. The county manages interest rate risk by setting the range of duration for the county's portfolio as 0.5 years to 2.5 years, with a five-year average of 1.5 years. The effective duration of investments is listed in the preceding table.

The externally managed portfolio totaling \$62,288,143 at September 30, 2007 was invested for a weighted average term of 899 days. The County also requires a minimum balance of short-term investments. The portfolio shall maintain in liquid investments (defined as repurchase agreements purchased under the terms of the County's depository contract, open repurchase agreements, negotiable certificates of deposit, banker's acceptance, commercial paper, U S. Treasury direct and agency obligations, all having a maturity of 90 days or less, the SBA, LGSF, and the Treasury Special Purpose Investment Account) a minimum balance equal to one-twelfth of the then-current fiscal year's budgeted operating expenditures. The average term for the Local Government Surplus Trust Fund managed by the State Board of Administration was 34 days.

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE IV. CASH AND INVESTMENTS (CONTINUED)

Foreign Currency Risk

The County contributes to the Florida Retirement System (System), the investments of which are administered by the State Board of Administration. The System's investment policy and exposure to foreign currency risk is disclosed in Note 2 A.2. of the State of Florida Comprehensive Annual Financial Report dated February 7, 2007. A copy of this report is available at http://www.fldfs.com/aadir/statewide_financial_reporting/index.htm.

NOTE V. PROPERTY TAXES

Under Florida Law, the assessment of all properties and the collection of all county, municipal, special taxing districts and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of the State regulating tax assessment are also designed to assure a consistent property valuation method statewide. State statutes permit counties to levy property taxes at a rate of up to 10 mills. The tax levy of Leon County is established by the Board prior to October 1 of each year. The millage rate collected by the County during the current fiscal year was 7.99 mills. County citizens were also assessed for Emergency Medical Services (EMS) and primary health care services through Municipal Services Taxing Units at millage rates of .5 and .12 mills, respectively. For County citizens charged a special assessment, the required annual payment is also included on their tax bill.

All property is reassessed according to its fair market value as of January 1st of each year. Each assessment roll is submitted to the Executive Director of the State Department of Revenue for review to determine if the rolls meet all of the appropriate requirements of State statutes.

All taxes are due and payable on November 1st of each year, or as soon thereafter as the assessment roll is certified and delivered to the Tax Collector. All unpaid taxes become delinquent on April 1 following the year in which they are assessed. Discounts are allowed for early payment at the rate of 4% in the month of November, 3% in the month of December, 2% in the month of January and 1% in the month of February. The taxes paid in March are without discount. No accrual for the property tax levy becoming due in November 2004 is included in the accompanying financial statements, since such taxes are collected to finance expenditures of the subsequent period.

On or prior to June 1, following the tax year, tax certificates are sold for all delinquent taxes on real property in accordance with the laws of Florida. After sale, tax certificates bear interest of 18% per year or at any lower rate bid by the buyer. Application for a tax deed on any unredeemed tax certificates may be made by the certificate holder after a period of two years.

Delinquent taxes on personal property bear interest at 18% per year until the tax is satisfied either by seizure and sale of the property or by the seven-year statute of limitations. Since tax certificates were sold for substantially all current year delinquent property taxes, there were no material property taxes receivable at September 30, 2007.

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE VI. CAPITAL ASSETS

A. Capital Asset Activity for the year ended September 30, 2007 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital not being depreciated				
Land	\$17,892,716	\$1,666,002	\$ —	\$19,558,718
Improvements other than buildings	10,846,121	66,754	—	10,912,875
Construction/Purchase in Progress	5,529,886	10,379,381	(295,127)	15,614,140
Total not being depreciated	34,268,723	12,112,137	(295,127)	46,085,733
Capital Assets being depreciated:				
Buildings	159,341,596	259,721	—	159,601,317
Equipment	28,472,025	2,969,287	(4,976,122)	26,465,190
Library Collection	3,360,370	636,760	(696,161)	3,300,969
Infrastructure	309,363,327	11,721,015	(6,137,722)	314,946,620
Total being depreciated	500,537,318	15,586,783	(11,810,005)	504,314,096
Less accumulated depreciation for:				
Buildings	(52,447,899)	(4,184,933)	—	(56,632,832)
Equipment	(14,220,105)	(2,335,806)	2,979,167	(13,576,744)
Library Collection	(2,070,500)	(660,194)	696,161	(2,034,533)
Infrastructure	(142,625,435)	(9,798,515)	2,626,945	(149,797,005)
Total accumulated depreciation	(211,363,939)	(16,979,448)	6,302,273	(222,041,114)
Total being depreciated, net	289,173,379	(1,392,665)	(5,507,732)	282,272,982
Governmental activities capital assets, net	\$323,442,102	\$10,719,472	\$(5,802,859)	\$328,358,715
Business-type Activities:				
Capital not being depreciated:				
Land	\$2,409,844	\$ —	\$ —	\$2,409,844
Total not being depreciated	2,409,844	—	—	2,409,844
Capital Assets being depreciated:				
Buildings	18,962,429	—	—	18,962,429
Equipment	6,076,872	1,094,541	(594,854)	6,576,559
Total being depreciated	25,039,301	1,094,541	(594,854)	25,538,988
Less accumulated depreciation for:				
Buildings	(10,954,722)	(58,603)	—	(11,013,325)
Equipment	(2,171,504)	(696,791)	225,085	(2,643,210)
Total accumulated depreciation	(13,126,226)	(755,394)	225,085	(13,656,535)
Total being depreciated, net	11,913,075	339,147	(369,769)	11,882,453
Business-type activities capital assets, net	\$14,322,919	\$ 339,147	\$(369,769)	\$14,292,297

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE VI. CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:

General government	\$ 2,391,980
Public safety	1,145,471
Physical environment	1,505,562
Transportation	9,495,865
Human services	209,721
Culture and recreation	2,199,342
Judicial	31,507
Total depreciation expense – governmental activities	<u>\$ 16,979,448</u>

Business-type Activities:

Landfill	\$ 755,394
Total depreciation expense – business-type activities	<u>\$ 755,394</u>

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE VII. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. Interfund Balances as of September 30, 2007, consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Primary Government:		
By Major Fund:		
General	\$2,188,881	\$3,350,708
Fine & Forfeiture	1,416,542	49,333
Grants	—	98,069
Local Option Sales Tax	—	66,430
Total Major Funds	<u>3,605,423</u>	<u>3,564,540</u>
Nonmajor Special Revenue Funds:		
Probation Fund	—	101,579
911 Emergency Communications	94,506	—
Sheriff Special Grants Fund	22,237	96,157
Emergency Management 911 Fees	52,279	125,016
Emergency Management Grants	85,560	77,170
Sheriff Inmate Fund	104,457	—
Total Nonmajor Special Revenue Funds	<u>359,039</u>	<u>399,922</u>
Total Nonmajor Governmental Funds	<u>359,039</u>	<u>399,922</u>
Total Governmental Funds	<u>3,964,462</u>	<u>3,964,462</u>
Total Primary Government	<u>3,964,462</u>	<u>3,964,462</u>
Total Primary Government & Component Unit	<u>\$3,964,462</u>	<u>\$3,964,462</u>

The General and Fine & Forfeiture Funds have amounts due to and from Constitutional Officers, which represent the return of excess balances due at the end of the fiscal year, from either budget officers or fee officers. All remaining balances resulted from the time lag between the dates that (a) interfund goods and services are provided or reimbursable expenditures occur, (b) transactions are recorded in the accounting system, and (c) payments between funds are made.

Leon County, Florida
Notes to Financial Statements
September 30, 2007

**NOTE VII. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS
(CONTINUED)**

B. Interfund Transfers for the year ended September 30, 2006, consisted of the following:

Transfers to the General Fund from:	
Fine & Forfeiture Fund	\$55,378,120
Special Assessment	5,418
Nonmajor Governmental Funds	<u>230,039</u>
Total Transfers to the General Fund	<u>55,613,577</u>
Transfers to the Fine & forfeiture Fund from:	
General Fund	1,438,814
Nonmajor Governmental Funds	<u>462,532</u>
Total Transfers to the Fine & Forfeiture Fund	<u>1,901,346</u>
Transfers to the Grants Fund from:	
General Fund	725,000
Nonmajor Governmental Funds	<u>175,528</u>
Total Transfers to Grants Fund	<u>900,528</u>
Transfers to the Capital Improvement Fund from:	
General Fund	12,699,700
Special assessment Fund	309,907
Nonmajor Governmental Funds	<u>520,238</u>
Total Transfers to the Capital Improvement Fund	<u>13,529,845</u>
Transfers to the Nonmajor Funds from:	
General Fund	22,176,589
Fine & Forfeiture Fund	219,875
Grant Fund	121,800
Capital Improvement Fund	177,325
Other Nonmajor Funds	<u>7,085,365</u>
Total Transfers to Nonmajor Funds	<u>29,780,954</u>
Total Transfers to Governmental Funds	<u>\$ 101,726,250</u>
Transfers to the Enterprise Fund from:	
General Fund	<u>\$ 1,037,469</u>
Total Transfers to Enterprise Funds	<u>1,037,469</u>
Total Interfund Transfers	<u>\$102,763,719</u>

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE VIII. LONG-TERM OBLIGATIONS

A. Long-term Obligations

The County has no general long-term obligations debt. The County's long-term obligations, excluding accrued compensated absences and notes payable, at September 30, 2007, is comprised of the following:

Revenue Bonds:

**Outstanding at
September 30, 2007**

\$54,695,000, Capital Improvement Revenue Refunding Bonds, Series 2005, (i) to finance a portion of the cost of the Series 2005 Project, (ii) to refund the County's Capital Improvement Revenue Bonds, Series 1997, maturing in the years 2008 through 2017, (iii) to refund the County's Capital Improvement Revenue Bonds, Series 1998A, maturing in the years 2014 through 2017, (iv) to refund the County's Capital Improvement Revenue Bonds, Series 1999, maturing in the years 2010 through 2017, (v) to pay capitalized interest on a portion of the Series 2005 Bonds, and (vi) to pay the costs of issuance of the 2005 Bonds, including the premiums in respect of a financial guaranty insurance policy and the surety bond to be deposited into the Reserve Fund. The bonds dated March 30, 2005, are in denominations of \$5,000 each and bear interest of 5% per annum. The interest on the bonds is payable on April 1, and October 1, beginning October 1, 2006. The bond principal matures serially on October 1 of each year beginning October 1, 2006.

\$ 54,290,000

\$7,965,000, Capital Improvement Revenue Bonds, Series 2003A, to, (i) pay a portion of the costs of the acquisition of the Bank of America Building, and (ii) the construction of improvements to the Bank of America Building, and (iii) to finance improvements to the County's courthouse and parking garage. The bonds dated May 27, 2003, are in denominations of \$5,000 each and bear interest of 3.70% to 4.50% per annum. The interest on the bonds is payable on April 1 and October 1, beginning October 1, 2003. The bond principal matures serially on October 1 of each year for three years beginning October 1, 2018.

7,965,000

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)

A. Long-term Obligations (continued)

**Outstanding at
September 30, 2007**

\$12,465,000, Taxable Capital Improvement Revenue Bonds, Series 2003B, to, (i) pay a portion of the costs of the acquisition of the Bank of America Building, and (ii) pay capitalized interest and issuance costs on the Series 2003 bonds, and (iii) pay bond issuance costs. The bonds dated May 27, 2003, are in denominations of \$5,000 each and bear interest from 4.80% to 4.85% per annum. The interest on the bonds is payable on April 1 and October 1, beginning October 1, 2003. The bond principal matures serially on October 1 of each year for two years beginning October 1, 2018.

12,465,000

\$29,900,000, Capital Improvement Revenue Bonds, Series 1999, to (i) pay the costs of certain capital improvements in Leon County, (ii) to fund bond reserves, and (iii) pay bond issuance costs. The bonds, dated June 1, 1999 are in denominations of \$5,000 each and bear interest from 3.5% to 5.25% per annum. The interest on the bonds is payable on April 1, and October 1, beginning October 1, 1999. The bond principal matures serially on October 1, of each year beginning October 1, 1999. There are also term bonds maturing in 2017.

4,110,000

\$28,395,000 Capital Improvement and Refunding Revenue Bonds, Series 1998B, to (i) refund the Capital Improvement Anticipation Notes, Series 1991 and (ii) pay the bond issuance costs. The bonds, dated July 6, 1999, are in denominations of \$5,000 each and bear interest of 5.25% per annum. The interest on the bonds is payable on April 1 and October 1, beginning October 1, 1999. The bond principal matures serially on October 1 of each year beginning October 1, 1999.

14,475,000

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)

A. Long-term Obligations (continued)

**Outstanding at
September 30, 2007**

The Capital Improvement Revenue Bonds, Series 2003A, 1998A, 1999 and 1997, Refunding Revenue Bonds, Series 1993, the Capital Improvement and Refunding Revenue Bonds, Series 1998B and Series 2005, and Taxable Capital Improvement Revenue Bonds, Series 2003B are parity bonds payable from and secured by a lien upon certain non-ad valorem revenue. The pledged revenues include the Local Government Half-Cent Sales Tax, Guaranteed Entitlement, Race Track Funds and other miscellaneous non-ad valorem revenue sources.

TOTAL BONDS PAYABLE

\$ 93,305,000

Note payable is comprised of the following;

Bank of America Leasing & Capital, LLC

On November 18, 2005, the BOCC borrowed \$4,466,238, (including \$3,986,522 tax exempt, and \$479,686 taxable), under provision of Section 489.145 *Florida Statutes*. Interest rates are 3.74% and 5.85% for the tax exempt and taxable portion, respectively. The proceeds were used to purchase energy savings equipment. The taxable portion matures on May 18, 2008, and the tax-exempt portion matures on May 18, 2018.

\$ 4,185,927

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)

A. A Schedule of Debt Service Requirements, including principal and interest, is as follows:

Special Revenue Bonds

Fiscal Year Ending September 30	Principal	Interest	Total
2008	\$ 4,675,000	\$ 4,250,430	\$ 8,925,430
2009	4,900,000	4,028,508	8,928,508
2010	5,135,000	3,792,841	8,927,841
2011-2015	29,230,000	15,405,094	44,635,094
2016-2020	34,080,000	8,311,776	42,391,776
2021-2025	15,285,000	2,246,863	17,531,863
Total	\$ 93,305,000	\$ 38,035,512	\$ 131,340,512

B. Advances and Current Refundings

Refunded Obligations

The Board has refunded certain obligations by placing amounts into an escrow account which will be invested so that the accumulated investment and interest earnings will be sufficient to pay the remaining principal and interest on the refunded obligations as they become due. The refunded obligations are not shown as liabilities of the Board; however, the escrow agreement states that in the unlikely event that the accumulated funds in the escrow accounts are insufficient to meet the required debt service payments, the Board would be required to fund any deficiency. At September 30, 2007, \$70,660,000 of outstanding general long-term debt special revenue bonds is considered defeased as follows:

Capital Improvement Bonds, Series 1976	\$ 100,000
Capital Improvement Bonds, Series 1977	100,000
Capital Improvement and Refunding Revenue Bonds, Series 1986	15,590,000
Capital Improvement Revenue Bonds, Series 1989	590,000
Capital Improvement Revenue Bonds, Series 1991	16,450,000
Capital Improvement Revenue Bonds, Series 1997	4,360,000
Capital Improvement Revenue Bonds, Series 1998A	9,710,000
Capital Improvement Revenue Bonds, Series 1999	23,760,000
	<u>\$ 70,660,000</u>

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)

C. A summary of changes in the long-term debt of the County is as follows:

	Balance October 1, 2006	Reductions	Additions	Balance September 30, 2007	Due Within One Year
Governmental Activities:					
Capital Improvement Revenue Bonds, Series 1997	\$ 325,000	\$ (325,000)	\$ —	\$ —	\$ —
Refunding Revenue Bonds, Series 1993	1,625,000	(1,625,000)	—	—	—
Capital Improvement Revenue Bonds, Series 2003A	7,965,000	—	—	7,965,000	—
Taxable Capital Improvement Revenue Bonds, Series 2003B	12,465,000	—	—	12,465,000	—
Capital Improvement Refunding Revenue Bonds, Series 1998B	16,480,000	(2,005,000)	—	14,475,000	2,115,000
Capital Improvement Revenue Bonds, Series 1999	4,400,000	(290,000)	—	4,110,000	2,005,000
Capital Improvement Refunding Revenue Bonds, Series 2005	54,495,000	(205,000)	—	54,290,000	555,000
Total Special Revenue Debt	97,755,000	(4,450,000)	—	93,305,000	4,675,000
Liability for compensated absences	11,391,961	(4,299,220)	5,025,139	12,117,880	3,743,843
Arbitrage rebate liability	25,000	—	—	25,000	—
Bank of America – Notes Payable	4,466,238	(280,311)	—	4,185,927	310,882
Governmental Activity Long- Term Debt	<u>\$ 113,638,199</u>	<u>\$ (9,029,531)</u>	<u>\$ 5,025,139</u>	<u>\$ 109,633,807</u>	<u>\$ 8,729,725</u>

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)

C. A summary of changes in the long-term debt of the County (continued):

	Balance October 1, 2006	Reductions	Additions	Balance September 30, 2007	Due Within One Year
Business-type activities:					
Liabilities for Compensated absences	\$ 164,609	\$ —	\$ 15,892	\$ 180,501	\$ 55,677
Landfill Closure and Postclosure Costs	12,081,472	—	841,864	12,923,336	—
Business-type activity Long-term liabilities	\$ 12,246,081	\$ —	\$ 857,756	\$ 13,103,837	\$ 55,677

The compensated absences liability attributable to governmental activities will be liquidated within the fund that the individual employees are paid in. Currently the county pays approximately 73 percent of its salaries in the General Fund with the remainder being paid in the special revenue and proprietary funds.

D. Purchase Cards - The County currently utilizes purchasing cards with a cumulative credit limit of \$460,000. The balance on the purchasing cards is paid within ten days of each billing cycle. The purchasing activity for fiscal year 2007 is as follows:

Beginning balance	\$ 185,772
Purchases	2,161,513
Payments	(2,131,406)
Ending balance	<u>\$ 215,879</u>

E. Special Assessment Debt - The County has no special assessment debt.

F. Demand Bonds - The County has no demand bonds.

G. Discretely presented Component Unit — Housing Finance Authority of Leon County

The Authority had the following bonds outstanding at September 30, 2007, pursuant to its authorization:

	<i>Unaudited Amount Outstanding</i>
Single Family Mortgage Revenue and Refunding Bonds:	
Series 1995 A	\$ 560,000
Series 1995 B	450,000
	<u>\$ 1,010,000</u>

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)

G. Discretely presented Component Unit — Housing Finance Authority of Leon County (continued)

The principal and interest thereon is payable solely from revenues and other amounts derived from the mortgage loans purchased with bond proceeds and certain reserve funds, all of which are administered by trustees. The Authority is not directly or indirectly liable for the collection of the mortgage loans. The principal and interest on the bonds do not constitute an indebtedness, liability, general obligation or pledge of the faith or credit of the Authority, Leon County, the State of Florida or any municipality or political subdivision thereof.

H. Conduit Debt Obligations - From time to time, the County has issued Industrial Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of health care and industrial facilities deemed to be in the public interest. These bonds are secured by the property financed and are payable solely from the payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of September 30, 2007, the Industrial Development Bonds outstanding were as follows:

Project Description	Fiscal Year Issued	Original Bond Issue	Principal Outstanding @ 09/30/2007
Southeastern Community Blood Center	1995	\$2,481,875	\$ 608,960
Holy Comforter Episcopal School	2002	4,400,000	3,980,656
North Florida Fairgrounds (Building Construction)	1995	600,000	146,653
Industrial Development Revenue Bonding Ring Power Corp. / Manufacturing Plant	1984	1,500,000	215,000
Total Conduit Debt Principal Balance as of September 30, 2007			\$ 4,951,269
Defeased Conduit Debt			
Educational Facilities Authority			\$ 14,950,000

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)

I. Debt Parity

The Capital Improvement Revenue Bonds, Series 1997 and Refunding Revenue Bonds, Series 1993 and Capital Improvement Revenue Bonds, represent the senior lien parity bonds payable from and secured by a lien upon certain non-ad valorem revenue. The pledged revenues include the Local Government Half-Cent Sales Tax, Guaranteed Entitlement, Race Track Funds and other miscellaneous non-ad valorem revenue sources. Both of these bond issues were paid off in 2007.

The Capital Improvement Revenue Bonds, Series 1998A, 1999, 2003A, 2003B and, the Capital Improvement and Refunding Revenue Bonds, Series 1998B and 2005, represent junior lien parity bonds payable from and secured by a lien upon certain non-ad valorem revenue. The pledged revenues include the Local Government Half-Cent Sales tax, Guaranteed Entitlement, 2nd Guaranteed Entitlement.

	Actual 2004	Actual 2005	Actual 2006	Actual 2007
Pledged Revenues:				
Total Revenues Available for Senior Lien Debt	\$4,166,102	\$5,015,733	\$4,126,693	\$ —
Combined Maximum Annual Debt Service for Senior Lien Debt (Series 1993 and 1997)	\$2,279,693	\$2,054,975	\$2,054,975	\$ —
Senior Lien Debt Service Coverage	1.83x	2.44x	2.01x	—
Revenues Available for Junior Lien Debt				
Local Government Half Cent Tax	\$11,788,873	\$11,863,400	\$12,433,395	\$12,085,764
Guaranteed Entitlement	316,798	316,798	316,798	316,798
Second Guaranteed Entitlement	<u>1,026,649</u>	<u>1,026,649</u>	<u>1,026,649</u>	<u>1,026,649</u>
Total Revenues Available for Junior Lien Debt	\$13,132,320	\$13,206,847	\$13,776,842	\$13,429,211
Combined Maximum Annual Debt Service for Junior Lien Debt (Series 1998A, 1998B and Series 1999, Series 2003A and 2003B, and Series 2005)	\$8,309,951	\$8,909,951	\$8,909,951	\$8,928,668
Junior Lien Debt Service Coverage	1.58x	1.59x	1.66x	1.50x

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE IX. CLOSURE AND POSTCLOSURE CARE COST

State and federal laws and regulations require the Board to place a final cover on each of its landfill cells when it stops accepting waste and to perform certain maintenance and monitoring functions on each cell for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Board reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$12,923,336 reported as landfill closure and post-closure care liability at September 30, 2007, represents the cumulative amount reported to date based on the use of 92.9% of the estimated capacity of the landfill cells placed in use. The Board will recognize the remaining estimated cost of closure and post-closure care of \$673,782 as the remaining estimated capacity is filled (approximately 6 years). These amounts are based on what it would cost to perform closure and post-closure care in 2007 on those cells placed in use. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The Board is required by state and federal laws to make annual contributions to an escrow account to finance a minimum of all closure costs and at least one year of post-closure costs. The Board is in compliance with those minimum requirements, and at September 30, 2007, held investments with a fair value of \$6,023,621 for these purposes that are reported as restricted assets on the balance sheet. The Board expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined, these costs may need to be covered by charges to future landfill users or from future tax revenue.

Net income of the landfill fund is accumulated in a reserve for rate stabilization. The intent of this reserve is to allow for consistent usage fee charges, construction or acquisition of landfill assets and accumulation of closure and post-closure costs. Because funding for closure and post-closure costs associated with unused capacity of landfill cells is to be derived from future usage fees, the rate stabilization reserve does not represent liquid assets available for that purpose.

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE X. EMPLOYEE BENEFITS

A. Pension Plan

Plan Description - The County contributes to the Florida Retirement System (System), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The System provides retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The System issues financial statements and required supplementary information for the System. That report may be obtained by writing to the Florida Retirement System, 2639 North Monroe Street, Tallahassee, Florida 32399, or by calling (850) 488-5706.

Funding Policy - The System is employee noncontributory. The County is required to contribute at an actuarially determined rate. The contributions required for the years ended September 30, 2007, 2006, and 2005 were \$10,558,906, \$8,778,211, and \$7,630,592 respectively, which is equal to 100% of the required contribution for each year. The rates for 2007 and 2006 fiscal years were as follows:

Membership Category	Benefit	Vesting	Employer Contribution Rate	
			July 1, 2006	July 1, 2007
Regular Class	Normal retirement at age 62 or at least 30 years of service: 1.60% times average compensation (five highest years) times years of creditable service.	After six years creditable service.	9.85%	9.85%
Senior Management Class	Normal retirement at seven years and age 62: 2.00% times average compensation (five highest years) times years of creditable service.	After six years creditable service.	13.12%	13.12%
Special Risk (sworn employees)	Normal retirement at age 55, or 25 years of special risk service: 2% to 3% times average compensation (five highest years) times years of creditable service.	After six years of creditable service.	20.92%	20.92%
Elected County Officers' Class (ESCOC) - Non-judicial	Normal retirement at eight years ESCOC service and age 62: 3.00% times average compensation (five highest years) times years of creditable service.	After six years creditable service.	16.53%	16.53%
Deferred Retirement Option Program (DROP)	Retirement benefit paid to DROP where it earns 6.5% interest, tax deferred, for up to five years while the member continues to work.	Available to vested members at normal retirement age or date.	10.91%	10.91%

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE X. EMPLOYEE BENEFITS (CONTINUED)

B. Deferred Compensation Plan

The County offers their employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The County complied with the requirements of subsection (g) of IRC Section 457 and, accordingly, all assets and income of the plan are held in trust for the exclusive benefit of the participants and their beneficiaries. Deferred compensation amounts withheld from participating employees' pay are not taxable as current income until withdrawn from the plan. Annual contributions by a participant may not exceed the lesser of \$15,500 or 50% of gross annual compensation. There is an "age 50 catch-up" provision that allows an additional \$5,000 contribution from the year the employee reaches age 50 until the employee terminates employment.

C. Liability for Compensated Absences

The County accrues a liability for employees' rights to receive compensation for future absences when certain conditions are met. The County does not, nor is it legally required to, accumulate expendable available financial resources to liquidate this obligation. Accordingly, the liability for the compensated absences is not reported in the governmental funds. However, the current and long-term portion of the liability for compensated absences is reported at the entity-wide financial statement level.

D. Executive Service Plan

Executive service and senior management employees of Leon County are entitled to one month's severance pay if terminated within two years of employment. Severance pay is increased by one month's salary for each additional year of employment after the second year up to a maximum of six months' salary.

E. Post Employment Benefits Other Than Pension Benefits

At the employee's expense, it has been the County's practice to provide post employment life and health insurance benefits to its retired employees. The benefits are provided only when paid for by the retired employee.

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE XI. RISK MANAGEMENT AND CONVENTIONALLY INSURED CLAIMS & LOSSES

A. General Liability

Effective October 1, 2002, the Board approved the purchase of commercial insurance for general liabilities from Preferred Governmental Insurance Trust. From October 1, 2001, through September 30, 2002, the board maintained commercial insurance for general liabilities from COREGIS. In prior years, the Board was a member of the Florida Association of Counties Trust (FACT), a local government liability risk pool. The Board and/or FACT will be liable for claims that occurred prior to October 1, 2001. The Board maintained a \$10,000 deductible with each insurance carrier.

B. Workers Compensation

The Board maintains a self-insurance Internal Service Fund to account for insurance activities relating to workers' compensation that is administered by a third-party administrator. Under this program, the Board absorbs losses up to a maximum of \$350,000 for each claim. At September 30, 2007, the Board had \$40,000 deposited with the third-party administrator for use against future claims. The Board purchases commercial insurance for claims in excess of coverage provided by the Fund. Settled claims have not exceeded this commercial coverage in the current year or any of the past three years.

All funds of the Board participate in this program and make payments to the Insurance Service Fund based upon payroll exposure in the amounts needed to pay prior and current year claims. Excess payments are recorded as a designation of retained earnings for catastrophic losses.

The claims liability for workers' compensation of \$2,574,000, which includes an actuarial evaluation for incurred but not reported claims of \$1,528,277, is included in other current liabilities and reported in the Internal Service Fund at September 30, 2007. The liability is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the Fund's claims liability amount in fiscal year 2007 were:

Year	Beginning of Fiscal Year	Current-Year Claims and Changes in Estimates		Balance at Fiscal Year-End
			Claim Payments	
2007	\$ 2,679,000	\$ 905,000	\$ 1,010,000	\$ 2,574,000

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE XI. RISK MANAGEMENT AND CONVENTIONALLY INSURED CLAIMS & LOSSES (CONTINUED)

C. Automobile Liability

The County purchases commercial coverage for automobile liability insurance through the same provider of its general liability insurance. In addition the County maintains physical damage coverage to vehicles valued at \$25,000 or greater.

All funds of the County participate in this program and pay premiums to the Insurance Service Fund based on the vehicles used by their personnel.

NOTE XII. SEGMENT INFORMATION - ENTERPRISE FUNDS

The County maintains two enterprise funds. The Landfill Fund accounts for revenues and expenditures related to the operation of the Leon County Landfill and for the collection of revenues related to the sale of processed recyclables and related costs to support the program. The Amtrak Fund accounts for revenues associated with leased office space at the railroad station and related maintenance costs. The County has not issued bonds to finance the activity of these two enterprise funds. Further, none of the revenues streams of these two enterprise funds are pledged in support of outstanding debt.

NOTE XIII. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

A. Excess of Expenditures Over Appropriations

There were no funds with an excess of expenditures over appropriations.

B. Excess of Expenditures Over Revenue in the Budget Column

Certain funds show an excess of expenditures over revenue in the budget column of the Statement of Revenue, Expenditures and Changes in Fund Balances, Budget and Actual. This excess is due to the appropriation and use of fund balance (which is not reported in the budget or variance column) during the fiscal year.

C. Deficit Fund Balances

There are no funds with deficit balances.

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE XIV. COMMITMENTS AND CONTINGENCIES

A. Contract Commitments

Lease Income

In June 2003, the Board purchased the Bank of America building. There are several noncancellable operating lease agreements for the rental of its building. The lease agreements provide for monthly rentals, which escalate over the lease terms and expire on various dates. Minimum future rentals to be collected under the terms of the lease agreements as of September 30, 2007 are as follows:

Fiscal Year Ending <u>September 30,</u>	Amount
2008	\$ 1,310,077
2009	1,280,121
2010	1,257,713
2011	1,173,269
2012	505,247
	<u>\$ 5,526,427</u>

The property being leased is included in the statement of net assets governmental activities column with a carrying value of \$18,745,881 and depreciation expense of \$509,185 for fiscal 2007. The facility is carried as a governmental activity because the county purchased the building to provide offices for County staff over the next twenty years.

Operating Leases

The Tax Collector has entered into noncancellable operating leases as lessee for office space and office equipment. Certain of these real property leases contain provisions for four- or five-year renewal options, with stated increases or decreases for lease payments.

At September 30, 2007, aggregate future minimum payments under non-cancelable operating leases with remaining terms equal to or exceeding one year are as follows:

Fiscal Year Ending <u>September 30,</u>	
2008	\$ 447,602
2009	436,332
2010	396,032
2011	398,332
2012	142,538
Total Minimum Payments	<u>\$ 1,820,836</u>

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE XIV. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Lease expenditures incurred under operating leases for the year ended September 30, 2007 were \$463,318.

The Sheriff is committed to various operating leases for certain office and telephone equipment. Operating leases are generally defined as leases that do not transfer benefits and risks of ownership to the lessee. For the year ended September 30, 2007, equipment lease expenses were \$719,626. Following is a schedule of future minimum lease payments under the equipment lease as of September 30:

2008	\$ 41,777
2009	21,025
2010	13,326
2011	6,240
Thereafter	10,920
Total Future Minimum Lease Payments	<u>\$ 93,288</u>

The County has other various operating leases for certain office and telephone equipment that is subject to funds being budgeted on an annual basis. These operating leases can be cancelled within the terms of the contract.

Grants

The County is currently receiving, and has received in the past, grants which are subject to special compliance audits by the grantor agency that may result in disallowed expense amounts. Such amounts, if any, constitute a contingent liability of the County. Accordingly, such liabilities are not reflected within the financial statements.

Advance Funding for Road Improvements

The State of Florida has enacted legislation to allow for local governments to advance funds to the Florida Department of Transportation ("FDOT") for road improvements on state roads within their jurisdiction. The State of Florida reimburses the local governments in future years, as funding becomes available. The Board entered into such agreements with the FDOT to advance fund the following improvements:

<u>Fiscal Year</u>	<u>Road</u>	<u>Amount</u>
1996-1997	Mahan Drive	\$ 3,360,000
1997-1998	Thomasville Road	7,295,007
1999-2000	Mahan Drive	5,040,000
2002-2003	Crawfordville Highway	19,650,000
		<u>\$ 35,345,007</u>

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE XIV. COMMITMENTS AND CONTINGENCIES (CONTINUED)

The advance funding is reimbursable by the FDOT, contingent upon the State appropriating the funds in future years. As of September 30, 2007, the Board has received cumulative reimbursements of \$32,171,959.

Long-Term Construction Projects

The County is committed to various material long-term construction projects at September 30, 2007. These commitments have been included in the 2006-2007 fiscal year budget and the five-year Capital Improvement Program and certain amounts have been reserved in the capital projects fund. Current contracts outstanding as of the report date approximate \$3.9 million as compared to \$30.8 million for fiscal year ended 2007.

B. Blueprint 2000 Intergovernmental Agency

In October 2000, the County entered into an interlocal agreement with the City of Tallahassee as authorized by Section 163.01(7), Florida Statutes. This agreement created the Blueprint 2000 Intergovernmental Agency to govern the project management structure for the project planning and construction of the Blueprint 2000 projects. The Board of County Commissioners and the City Commission constitute the Blueprint 2000 Intergovernmental Agency. The revenues to fund the projects under this agreement will be collections of the local government infrastructure sales surtax, beginning December 1, 2004, extended pursuant to the provisions in Section 212.055, Florida Statutes, until December 31, 2019. In March 2003, Blueprint 2000 issued \$70 million in debt maturing in 2019 at 3.58%. These bonds were issued to finance the projects approved by the voters of Leon County.

Financial statements may be obtained from the Blueprint 2000 Intergovernmental Agency at 1311 Executive Center Drive, Suite 109, Tallahassee, Florida, 32301.

C. Potential Liabilities Resulting from Litigation

The County is a defendant in various lawsuits arising from the normal course of operations. The outcome of these lawsuits is not presently determinable.

NOTE XV. SUBSEQUENT EVENTS

As discussed in Note IV, the County had \$114,428,910 invested in the State Board of Administration's Local Government Surplus Trust Fund Investment Pool (the Pool). On November 13, 2007, the County withdrew all funds invested at that date from the Pool. The funds withdrawn have been deposited in a demand deposit account with a qualified public depository.

Leon County, Florida
Notes to Financial Statements
September 30, 2007

NOTE XV. SUBSEQUENT EVENTS (CONTINUED)

On January 29, 2008, the Florida electorate approved an amendment to the Florida constitution relative to property taxation. This amendment (referred to as Amendment 1) was placed on the ballot by the Florida Legislature at a special session held in October, 2007. With respect to homestead property, Amendment 1 increases the current \$25,000 homestead exemption by an additional \$25,000 (for values between \$50,000 - \$75,000), except for school district taxes. Since the new \$25,000 homestead exemption does not apply to school district taxes, this effectively amounts to a \$15,000 increase in homestead exemption, resulting in an estimated savings of \$240 for an average homeowner. Amendment 1 also allows property owners to transfer (make portable) up to \$500,000 of their Save Our Homes benefits to their next homestead when they move. Save Our Homes became effective in 1995 and limits (caps) the annual increase in assessed value for homestead property to three percent (3%) or the percentage change in the Consumer Price Index, whichever is less.

With respect to non-homestead property, Amendment 1 limits (caps) the annual increase in assessed value for non-homestead property (business, industrial property, rental property, second homes, etc.) to ten percent (10%), except for school district taxes. The Amendment also provides for \$25,000 exemption for tangible personal property.

Amendment 1 becomes effective on October 1, 2008, with the exception of the ten percent (10%) cap on non-homestead property, which becomes effective on January 1, 2009.

Based on information received from the Leon County Property Appraiser's Office, the estimated annual loss of property tax revenues for Leon County from the additional homestead exemption and the \$25,000 exemption for tangible personal property is approximately \$10.6 million. The estimated loss for portability is \$2.1 million based on the numbers used by the legislature. There is no estimate made for the impact of 10% assessment cap on non-homestead property.

**INTERNAL CONTROL
AND
COMPLIANCE REPORTS**

Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

Honorable Board of County Commissioners
Leon County, Florida

We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Leon County, Florida (the County), as of and for the fiscal year ended September 30, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to management of the County in a separate letter dated February 15, 2008.

This report is intended solely for the information and use of the Board of County Commissioners of Leon County, Florida, the audit committee and management, the Auditor General, State of Florida, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Law, Redd, Crona & Munroe, P.A. *Thomas Howell Ferguson C.A.*

February 15, 2008

Report on Compliance with Requirements Applicable to Each
Major Program and on Internal Control Over Compliance in Accordance
with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*

Honorable Board of County Commissioners
Leon County, Florida

Compliance

We have audited the compliance of Leon County, Florida (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the requirements described in the *Florida Department of Financial Service's State Projects Compliance Supplement*, that are applicable to each of its major federal programs and state projects for the year ended September 30, 2007. The County's major federal programs and state projects are identified in the summary of auditors' results section of the accompanying Schedules of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs and state projects is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, *Rules of the Auditor General*. Those standards, OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program or state project being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of County Commissioners of Leon County, Florida, the audit committee and management, the Auditor General, State of Florida, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Law, Redd, Crona & Munroe, P.A. *Thomas Howell Ferguson P.A.*

February 15, 2008

Leon County Board of County Commissioners
Schedule of Expenditure of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2007

Federal / State Agency Pass-through Entity Federal Program / State Project	CFDA or CSFA Number	Grant Contract Number	Expenditures	Transfers to Subrecipients
FEDERAL AWARDS				
<u>U.S. Department of Housing and Urban Development</u>				
Pass through Florida Department of Community Affairs				
CDBG - Housing Rehabilitation	14.228	06-DB-3K-02-47-01-H12	\$ 269,995	\$ -
CDBG - Small Cities	14.228	07-DB-3K-02-47-01-E17	34,000	-
Total U.S. Department of Housing and Urban Development			303,995	-
<u>Fish & Wildlife Service, Department of the Interior</u>				
Direct Program				
St. Marks Headwaters Longleaf Restoration	15.608	2006-0139-000	7,883	-
<u>U.S. Department of Interior</u>				
Pass through FL Department of Environmental Protection				
Jackson View Park	15.916	LW519-12-00519	199,875	-
<u>U.S. Department of Justice</u>				
Direct Programs				
Bulletproof Vest Partnership Program-Zylon Replacement	16.607	Unknown	10,268	-
Secure Our Schools (SOS) - COPS Grant	16.710	2006CKWX0631	150,685	-
Local Law Enforcement Block Grants Program	16.592	1st Responder Bags	3,918	-
COPS in School	16.710	2004SHWX0177	57,362	-
State Criminal Alien Assistance Program (SCAAP)	16.606	2007-AP-BX-0254	6,792	-
Pass through State of Florida Office of the Attorney General				
Victims of Crime Act	16.575	V6135	74,106	-
Pass through Florida Department of Law Enforcement				
Byrne-Crime Scene Unit Equipment	16.738	2007-JAGC-LEON-3-P3-044	19,796	-
Byrne-JAG Enhanced Pretrial GPS	16.738	2007-JAGC-LEON-1-P3-075	50,000	-
Byrne-Juvenile Assessment Center	16.738	2007-JAGC-LEON-2-P3-201	58,000	-
Pass through City of Tallahassee				
Byrne-JAG Enhanced Pretrial/Probation GPS Tracking	16.738	2005-DJ-BX-0994	8,666	-
Byrne-JAG Enhanced Pretrial/Probation GPS Tracking	16.738	2006-F0969-FL-DJ	91,001	-
Total U.S. Department of Justice			530,594	-
<u>U.S. Department of Transportation</u>				
Pass through FL Department of Transportation				
EMS-Computer Hardware	20.600	Unknown	62,996	-
Leon County Aggressive Driving (LEAD)	20.605	AOK29/FS-07-27-28	79,233	-
Total U.S. Department of Transportation			142,229	-
<u>U.S. Department of State</u>				
Pass through Florida Department of State				
Voter Education Funding	39.011	Title I	33,235	-
Poll Worker Recruitment and Training Funds	39.011	Title I	15,925	-
Total U.S. Department of State			49,160	-
<u>Institute of Museum and Library Services</u>				
Direct Program				
Let's Read Together Grant	45.310	05-LSTA-E-05	3,177	-
<u>U.S. Environmental Protection Agency</u>				
Direct Program				
Leon County Aquifer Protection Project	66.606	97419201	101,457	-

Leon County Board of County Commissioners
Schedule of Expenditure of Federal Awards and State Financial Assistance (continued)
For the Year Ended September 30, 2007

Federal / State Agency Pass-through Entity Federal Program / State Project	CFDA or CSFA Number	Grant Contract Number	Expenditures	Transfers to Subrecipients
FEDERAL AWARDS (continued)				
<u>U.S. Election Assistance Commission</u>				
Pass through Florida Department of State ADA-HHS Vote Program Grant II	90.401	Title II	1,752	-
<u>U.S. Department of Health and Human Services</u>				
Pass through Florida Department of Revenue Title IV D - Child Support Enforcement	93.563	CC337	393,158	-
Child Support Enforcement-Service of Process	93.563	C02-37-07/06-06/07	7,194	-
Child Support Enforcement-Service of Process	93.563	C02-37-07/07-06/08	3,433	-
Total Department of Health and Human Services			403,785	-
<u>The Corporation for National Service</u>				
Pass through Florida Commission on Community Service Emergency Prevention & Readiness	94.002	04SVSFL001	14,907	-
<u>U.S. Department of Homeland Security</u>				
Direct Program EMS Responders Homeland Security	97.044	EMW-2006-FG-07850	81,536	-
Pass through Florida Department of Community Affairs FY04 Residual Issue 6 - City COOP Plans	97.004	07-DS-2N-02-47-01-400	20,000	-
Issue #21 SHSGP - Enhanced Regional All Discipline Build-Out	97.067	07-DS-5N-02-47-01-345	70,693	-
Hurricane Dennis	97.036	06-DN-@G-02-47-01-608	8,189	-
Domestic Preparedness Grant	97.067	07NF-2N-00-00-00-201	63,500	-
Domestic Preparedness Grant	97.067	07NF-2N-00-00-00	11,300	-
Pass through Florida Department of Law Enforcement #001C Enhance Local Dom Security All Disciplines-SHSP	97.004	2006-SHSP-LEON-2-N9-015	162,868	-
#005C ODP Training Regional Specialty Teams-SHSP	97.004	2006-SHSP-LEON-4-N9-047	44,920	-
#03 Continued Buildout-SWAT/Bomb-SHSP	97.004	2006-SHSP-LEON-1-N9-014	334,752	-
#18 Mobile Joint Information Package-SHSP	97.004	2006-SHSP-LEON-3-N9-038	36,043	-
Issue #7-Critical Infrastructure Enhancement	97.067	2007-LETP-LEON-3-Q4-051	13,987	-
#28 Region 2 Data Sharing Project - LETP	97.004	2006-LETP-LEON-2-N1-014	102,256	-
SHSP-Sustainment of Specialty Teams	97.067	2007-SHSP-LEON-1-Q5-034	75,544	-
SHSP-Enhancement of Specialty Teams	97.067	2007-SHSP-LEON-2-Q5-035	323,350	-
Total U.S. Department of Homeland Security			1,348,938	-
<u>Federal Emergency Management Agency</u>				
Pass through Florida Department of Community Affairs Emergency Management Performance Grant	97.042	07BG-04-02-47-01-342	30,179	-
Total Expenditures of Federal Awards			\$ 3,137,931	\$ -

Leon County Board of County Commissioners
Schedule of Expenditure of Federal Awards and State Financial Assistance (continued)
For the Year Ended September 30, 2007

Federal / State Agency Pass-through Entity Federal Program / State Project	CFDA or CSFA Number	Grant Contract Number	Expenditures	Transfers to Subrecipients
STATE FINANCIAL ASSISTANCE				
<u>Florida Department of Environmental Protection</u>				
Direct Projects				
Innovative Waste Reduction and Recycling	37.050	IG-0601	\$ 83,425	\$ -
Innovative Waste Reduction and Recycling	37.050	IG-0701	68,107	-
Greenways & Trails	37.057	S0288	76,500	-
NWFWMD Killearn Lakes	37.022	Unknown	196,914	-
NWFWMD Harbinwood	37.022	Unknown	436,626	-
NWFWMD Okecheepkee Basin	37.022	Unknown	500,000	-
Harbinwood Estates - CIP	37.039	LP6034	500,000	-
Rhoden Cove Water Project	37.069	LP6742	8,129	-
Woodville Community Park	37.017	FRDAP-F7030-Woodville	112,500	-
Total Florida Department of Environmental Protection			1,982,201	-
<u>Florida Department of Agriculture & Consumer Services</u>				
Direct Project				
State Mosquito Control	42.003	008607	28,315	-
<u>Florida Department of State</u>				
Direct Projects				
Aid to Libraries	45.030	05-ST-29	295,023	-
Gates Computer Upgrade Grant	NA	06-Gates-22	33,000	-
Total Florida Department of State			328,023	-
<u>Florida Department of Community Affairs</u>				
Direct Projects				
Emergency Management Base Grant	52.008	07BG-04-02-47-01-342	102,959	-
Hazardous Materials Planning & Prevention	52.023	07-CP-11-02-47-23-090	7,260	-
Hazardous Materials Emergency Plan	52.023	05-CP-11-02-47-01-099	4,266	-
FCT-St. Mark's Headwaters	52.002	06-CT-87-05-F5-A1-011	912,085	-
Hurricane Katrina MS EMAC	52.600308	FSA/DR 1602	2,878	-
Total Department of Community Affairs			1,029,448	-
<u>Florida Housing Finance Authority</u>				
Direct Projects				
State Housing Initiatives Partnership Program	52.901	SHIP 05	261,674	-
State Housing Initiatives Partnership Program	52.901	SHIP 06	488,646	184,125
State Housing Initiatives Partnership Program	52.901	SHIP 07	603,500	-
Total Florida Housing Finance Authority			1,353,820	184,125
<u>Florida Department of Health</u>				
Direct Project				
Emergency Medical Services	64.005	C5037	8,987	-
State EMS Matching Grant	64.005	M6129	91,876	-
State EMS Matching Grant	64.005	M6130	13,286	-
Emergency Medical Services	64.005	C6037	62,358	-
Total Florida Department of Health			176,507	-
<u>Florida Department of Law Enforcement</u>				
Direct Project				
Hurricane Dennis Mutual Aid #1595	52.600308	FSA/DR # 1595	2,000	-
Total Expenditures of State Financial Assistance			\$ 4,900,314	\$ 184,125

NOTES:

- (1) The Schedule of Expenditures of Federal Awards and State Financial Assistance was prepared on the modified accrual basis of accounting.
- (2) Transfers to subrecipients are included in expenditures shown.
- (3) Housing loans originated since 2001 and outstanding at year end:

Community Development Block Grant-Entitlement	14.218	\$ 420,565
State Housing Initiatives Partnership Program	52.901	3,144,595
		\$ 3,565,160

See independent auditors' report.

**Board of County Commissioners
Leon County, Florida
Schedule of Findings and Questioned Costs
Year ended September 30, 2007**

Schedule of Findings and Questioned Costs Relating to Federal Awards

Section I -- Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Significant deficiency(ies) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Significant deficiency(ies) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs?	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of major programs:

<u>CFDA #</u>	<u>Name of Federal Program</u>
	U.S. Department of Housing & Urban Development
14.228	CDBG-Housing Rehabilitation
	CDBG-Small Cities
	U.S. Department of Homeland Security
	Pass-through from Florida Department of Law Enforcement
97.004	State Domestic Preparedness Equipment Support Program
	U.S. Department of Homeland Security
	Pass-through from Florida Department of Law Enforcement
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II -- Financial Statement Findings

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Section III -- Federal Award Findings and Questioned Costs

We noted no matters involving noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133.

**Board of County Commissioners
Leon County, Florida
Schedule of Findings and Questioned Costs (continued)
Year ended September 30, 2007**

Schedule of Findings and Questioned Costs Relating to State Financial Assistance

Section I -- Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over major projects:

Significant deficiency(ies) identified? Yes

Significant deficiency(ies) identified considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

State Financial Assistance Awards

Internal control over major projects:

Significant deficiency(ies) identified? No

Significant deficiency(ies) identified considered to be material weaknesses? No

Type of auditors' report issued on compliance for major projects? Unqualified

Any audit findings disclosed that are required to be reported in accordance with
Rules of the Auditor General, Chapter 10.554(1)(k)(4)? No

Findings required to be reported in a management letter pursuant to
Rules of the Auditor General, Chapter 10.554(1)(h)? No

Identification of major projects:

<u>CSFA #</u>	<u>Name of State Project</u>
37.022	Florida Department of Environmental Protection Water Management Districts-Land Acquisition
37.039	Florida Department of Environmental Protection Statewide Surface Water Restoration and Wastewater Projects
52.002	Florida Department of Community Affairs Florida Forever Act
52.901	Florida Housing Finance Authority State Housing Initiatives Partnership Program

Dollar threshold used to distinguish between Type A and Type B projects: \$300,000

Section II -- Financial Statement Findings

See Finding Number 07-01 on the Schedule of Findings and Questioned Costs.

Section III -- State Financial Assistance Findings and Questioned Costs

We noted no matters involving noncompliance that are required to be reported in accordance with *Rules of the Auditor General*, Chapter 10.554(1)(k)(4).

**Board of County Commissioners
Leon County, Florida
Schedule of Findings and Questioned Costs (continued)
Year ended September 30, 2007**

Finding Number 07-01 - Northwest Florida Water Management District Grants

Condition: The County received a grant in the amount of \$500,000 for the Okeechepke Basin Retrofit, which was a cost reimbursable grant. During Single Audit testing, it was noted that expenditures in the amount of \$1,242,405 were recorded in funds 309 and 306 at September 30, 2006, for this grant. Because these expenditures were not properly recorded in fund 125, grant expenditures were not properly shown on the Schedule of Federal Awards and State Financial Assistance at September 30, 2006. Finance personnel discovered this when the grant monies came in and they were not able to locate the expenses. Per discussion with Theresa Heiker, she indicated that state grants are now only being reimbursed upon completion of the project. Per review of Banner, total revenue for fund 309 at September 30, 2006, was \$10,054,790. The \$500,000 represents 4.97% of that revenue, and therefore is not material. Additionally, as a result of discovery of these funds and inquiry of Theresa, it was discovered after completion of interim work that there were three additional grants for which the expenses (all current year) were also recorded in fund 309: NFWFMD Killearn Lakes in the amount of \$196,914; NFWFMD Harbinwood Estates in the amount of \$436,626; and Harbinwood Estates CIP in the amount of \$500,000, for a total of \$1,133,540.

Auditors' Recommendation: Individual departments and supervisors should be trained and informed of the necessity of maintaining expenses related to grant funds in fund 125.

Management's Response: Management concurs that a procedure needs to be established to ensure that grant expenditures are recorded in the proper fund.

**Board of County Commissioners
Leon County, Florida**

Summary Schedule of Prior Audit Findings

Year ended September 30, 2007

Federal Programs – None

State Financial Assistance Projects – None

MANAGEMENT LETTER

Management Letter

To the Honorable Board of County Commissioners
Leon County, Florida

We have audited the financial statements of Leon County, Florida (the County), as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated February 15, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on compliance and Internal Control over financial reporting, Independent Auditor's Report on Compliance and Internal Control over Compliance Applicable to each Major Federal Program and State Project, and Schedule of Findings and Questioned Costs. Disclosures in those reports, which are dated February 15, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the state of Florida and, unless otherwise required to be reported in the report on compliance and internal control or schedule of findings and questioned costs, require the following information be addressed in this letter.

Section 10.544(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The status of recommendations made in the preceding annual financial audit report is as follows.

Documentation for fixed assets purchased with Federal and State awards.

The *OMB Circular A-133 Compliance Supplement*, Part 3 – Compliance Requirements and the Florida Department of Financial Service's *State Projects Compliance Supplement*, Part 3 – Compliance Requirements, indicate that the recipient's property records should identify property acquired with federal and/or state funds and the percentage of federal and/or state participation in the cost of the asset. During performance of our audit compliance testing, we noted that the Property Clerk's records did not contain this information. We recommend that a procedure is developed to insure that this information is incorporated into the Property Clerk's records.

Current year Status: Corrective action is in process. Fixed asset tracking software has been purchased and will be implemented in the 2007-2008 fiscal year.

Management's Response: We are presently in the process of implementing the software that was purchased for the tracking of fixed assets. When the software has been implemented, this information will be tracked through this software.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the County complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3.), *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management, accounting policies and internal controls. In connection with our audit, we have made the following recommendations:

Submission of progress reports

The County received a \$500,000 grant from the Florida Department of Environmental Protection for the construction of the Harbinwood Estates drainage improvements. Per review of the grant agreement, progress reports are to be submitted to describe the work performed, problems encountered, problem resolution, schedule updates, and proposed work for the next reporting period. Progress reports should be submitted no later than 20 days following the completion of the quarterly reporting period (calendar quarters ending March 31, June 30, September 30 and December 31). The quarterly reports had not been submitted because there was no activity to report. However, construction began in June 2007; therefore, in order to be in compliance with the grant agreement, a report should have been submitted containing minimum information regarding the initiation of the construction and to report on proposed work for the upcoming quarter. We recommend that progress reports be submitted as required by the grant agreement.

Management's Response: Management concurs that progress reports should be submitted in a timely manner per the grant agreement.

Filing of travel expense reports

Based on the Board Travel Expense Policy No. 01-10 dated September 21, 2004, within 10 days of completing authorized travel, travelers must file a Travel Expense Report form, which should reflect the entire cost of the trip, including all advances and direct payments made. Of the eight travel expenses tested, three had not completed a Travel Expense Report to reflect the entire cost of their trips, including advance purchases made with a purchase card. We suggest the County comply with their policies with respect to travel expenses and the documentation thereof.

Management's Response: Management concurs that all employees of the County should follow the procedures established.

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., *Rules of the Auditor General*, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or are were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The name or official title and legal authority for the primary government and each component unit of the reporting entity are disclosed in Note 1 of Notes to the Financial Statements. The Leon County Housing Finance Authority, a component unit of Leon County, was authorized pursuant to Chapter 159, Part IV, of the Florida Statutes and was created by Leon County Ordinance 80-39.

Section 10.554(1)(i)7.a., *Rules of the Auditor General*, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the County did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., *Rules of the Auditor General*, requires that we determine whether the annual financial report for the County for the fiscal year ended September 30, 2007, filed with the Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2007. In connection with our audit, we determined that these two reports were in agreement.

Page Four

Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

This management letter is intended solely for the information and use of the Board of County Commissioners of Leon County, Florida and management and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Law, Redd, Crona & Munroe, P.A. Thomas Howell Ferguson C.A.

February 15, 2008