

# *Leon County, Florida*



## *Annual Financial Report* *For The Fiscal Year Ended September 30, 2010*

Prepared by the  
Department of Finance

Leon County, Florida

Annual Financial Report

Year ended September 30, 2010

**BOARD OF COUNTY COMMISIONERS**

Bob Rachleff, Chairman .....	District 5
John E. Dailey, Vice Chairman.....	District 3
William G. (Bill) Proctor, Jr .....	District 1
Jane G. Sauls .....	District 2
Bryan Desloge.....	District 4
Akin Akinyemi.....	At Large
Cliff Thaell .....	At Large

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**COUNTY ATTORNEY**

Herbert W. A. Thiele

**TAX COLLECTOR**

Doris Malloy

**SHERIFF**

Larry Campbell

**PROPERTY APPRAISER**

Bert Hartsfield

**SUPERVISOR OF ELECTIONS**

Ion Sancho

**CLERK OF THE CIRCUIT/COUNTY COURTS**

**AND**

**CLERK TO BOARD OF COUNTY COMMISSIONERS**

Robert B. (Bob) Inzer

**DIRECTOR OF FINANCE**

David C. Reid, CPA

**ASSISTANT FINANCE DIRECTOR**

Betsy Coxen, CPA, CGFO

Leon County, Florida  
Annual Financial Report  
Year ended September 30, 2010

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Annual Financial Report

Year ended September 30, 2010

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## 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 unit, each major fund, and the aggregate remaining fund information of Leon County, Florida (the County) as of and for the year ended September 30, 2010, 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 opinions 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 opinions.

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 unit, each major fund, and the aggregate remaining fund information of Leon County, Florida, as of September 30, 2010 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 18, 2011 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements. 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 Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Rules of the Auditor General*, and is also not a required part of the basic financial statements of Leon County, Florida. 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.

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

February 18, 2011

## **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, 2010. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and footnotes. We trust that the basic financial statements will, in conjunction with additional information provided in our letter of transmittal (pages *xii*–pages *xx*), 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 14-15, 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 effects of interfund activity have been removed from the government-wide financial statements and internal service activity has been eliminated. However, the interfund services between functions have not been 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 statements and proprietary fund financial statements. 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 Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (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.

<b>Table 1: Major Features of the Basic Financial Statements</b>				
	<b>Government-wide Fund Financial Statements</b>	<b>Fund Financial Statements</b>		
		<b><i>Governmental Funds</i></b>	<b><i>Proprietary Funds</i></b>	<b><i>Fiduciary Funds</i></b>
<b>Scope</b>	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
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Revenues, Expenses, and Changes in Net Assets</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Assets</li> </ul>
<b>Accounting basis and measurement focus</b>	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
<b>Type of asset/liability information</b>	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
<b>Type of inflow/outflow information</b>	All revenues and expenses during the year, regardless of when cash is received or paid	<ul style="list-style-type: none"> <li>• Revenues for which cash is received during or soon after the end of the year</li> <li>• Expenditures when goods or services have been received and payment is due during the year or soon thereafter</li> </ul>	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 I. to the financial statements for more detailed information on the elements of the financial statements.

### **Infrastructure Assets**

GASB 34 not only mandated changes in the financial statements, but it 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 \$303.5 million as compared to \$301.0 million a year ago; this is an increase of \$2.5 million. Capital assets net of related debt continues to increase because the County continues to reduce debt, while the depreciation on the related capital assets remains constant. The net effect is an increase in net assets that is invested in capital assets. Capital assets are used to provide services to the citizens and businesses in the County; consequently, the related net assets are not in liquid form and available for future spending. The remaining portion of net assets is unrestricted and can be used to finance government operations.

## Condensed Statement of Net Assets (continued)

Table 2 below presents the County's Condensed Statement of Net Assets as of September 30, 2010 and 2009, as derived from the government-wide Statement of Net Assets.

<b>Leon County, Florida</b> <b>Condensed Statement of Net Assets</b> <b>As of September 30</b> <i>(in thousands)</i>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Current and other assets	\$215,412	\$220,105	\$18,648	\$18,558	\$234,060	\$238,663
Capital assets	327,215	323,016	14,185	13,755	341,400	336,771
Total assets	<u>542,627</u>	<u>543,121</u>	<u>32,833</u>	<u>32,313</u>	<u>575,460</u>	<u>574,434</u>
Current liabilities	36,590	31,178	269	304	36,859	31,482
Non-current liabilities	90,180	94,521	11,169	11,020	101,349	105,541
Total liabilities	<u>126,770</u>	<u>125,699</u>	<u>11,438</u>	<u>11,324</u>	<u>138,208</u>	<u>137,023</u>
Net assets:						
Invested in capital assets, net of related debt	289,310	287,280	14,185	13,754	303,495	301,034
Unrestricted	<u>126,547</u>	<u>130,142</u>	<u>7,210</u>	<u>7,235</u>	<u>133,757</u>	<u>137,377</u>
*Total net assets	<u><u>\$415,857</u></u>	<u><u>\$417,422</u></u>	<u><u>\$21,395</u></u>	<u><u>\$20,989</u></u>	<u><u>\$437,252</u></u>	<u><u>\$438,411</u></u>
<i>*Differences from financial statements due to rounding.</i>						

## Condensed Statement of Activities

Table 3 on page 8 presents the County's condensed Statement of Activities for the fiscal years ended September 30, 2010 and 2009, as derived from the government-wide Statement of Activities. Over time, increases and decreases in net assets may measure whether the County's financial position is improving or deteriorating. During the fiscal year, the net assets of the governmental activities decreased by \$1.564 million, or 0.4 percent, and the net assets of the business-type activities increased by \$0.406 million, or 1.9 percent.

The County just completed its seventh year of several significant changes relating to tax proceeds. The Board of County Commissioners adopted an ordinance levying a Utility Services Tax on the unincorporated area of Leon County, which has created a stabilizing source of revenue. The tax generated \$6.2 million in FY 2010 versus \$5.9 million in FY 2009. Concurrent with the adoption of this tax, the County eliminated a Municipal Services Taxing Unit (MSTU) in the unincorporated area of Leon County. The MSTU 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 seventh full year of the tax, with \$4.2 million of revenues generated during FY 2010 and \$5.5 million in FY 2009. The \$4.2 million is more reflective of annual revenues, because the FY 2009 included prior year adjustments. This tax has also been a stabilizing factor in the County's financial picture.

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

Property taxes in FY 2010 decreased by 6.5%, and there may be little or no increase in property taxes in future years.

The County investment policy is very risk averse and places a premium on security. With the effective yield rate of the portfolio averaging 2.48% for the year, investment earnings decreased by \$2.4 million to \$5.7 million. This decrease was attributable to the lower interest rates that prevailed throughout the year. Additional information on investment income is provided in Note IV of the notes and in the Cash Management section of the Letter of Transmittal.

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**  
*(in thousands)*

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>		<b>Total % Change 2009 to 2010</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	
<b>Revenues</b>							
<b>Program Revenues:</b>							
Charges for services	\$24,869	\$30,222	\$7,665	\$7,698	\$32,534	\$37,920	-14%
Operating grants & contributions	18,088	10,138	—	—	18,088	10,138	78%
Capital grants & contributions	2,701	—	—	—	2,701	—	0%
<b>Total Program Revenues</b>	<b>45,658</b>	<b>40,360</b>	<b>7,665</b>	<b>7,698</b>	<b>53,323</b>	<b>48,058</b>	<b>11%</b>
<b>General Revenues:</b>							
Property taxes	118,365	126,650	—	—	118,365	126,650	-7%
Local option taxes	10,455	10,073	—	—	10,455	10,073	4%
Franchise taxes	329	333	—	—	329	333	-1%
Communications services taxes	4,201	5,534	—	—	4,201	5,534	-24%
Motor fuel taxes	1,345	1,330	—	—	1,345	1,330	1%
Utility services taxes	6,201	5,880	—	—	6,201	5,880	5%
Other taxes	—	—	1,441	1,426	1,441	1,426	1%
State shared revenues	19,874	19,842	—	—	19,874	19,842	0%
Investment earnings	5,204	7,610	483	521	5,687	8,131	-30%
Miscellaneous revenues	9,561	5,094	248	130	9,809	5,224	88%
<b>Total General Revenues</b>	<b>175,535</b>	<b>182,346</b>	<b>2,172</b>	<b>2,077</b>	<b>177,707</b>	<b>184,423</b>	<b>-4%</b>
<b>Total Revenues</b>	<b>221,193</b>	<b>222,706</b>	<b>9,837</b>	<b>9,775</b>	<b>231,030</b>	<b>232,481</b>	<b>-1%</b>
<b>Program Expenses</b>							
General government	34,303	33,543	—	—	34,303	33,543	2%
Public safety	93,050	88,946	—	—	93,050	88,946	5%
Physical environment	12,101	14,263	10,760	7,897	22,861	22,160	3%
Transportation	36,118	29,131	—	—	36,118	29,131	24%
Economic environment	5,312	7,153	—	—	5,312	7,153	-26%
Human services	9,493	9,112	—	—	9,493	9,112	4%
Culture and recreation	11,644	12,121	—	—	11,644	12,121	-4%
Judicial	15,341	17,390	—	—	15,341	17,390	-12%
Interest on long term debt	4,066	4,315	—	—	4,006	4,315	-7%
<b>*Total Program Expenses</b>	<b>221,428</b>	<b>215,974</b>	<b>10,760</b>	<b>7,897</b>	<b>232,188</b>	<b>223,871</b>	<b>4%</b>
Excess (deficiency) before transfers (net)	(235)	6,732	(923)	1,878	(1,158)	8,610	-113%
Transfers	(1,329)	(1,660)	1,329	1,660	—	—	—
<b>Change In Net Assets</b>	<b>(1,564)</b>	<b>5,072</b>	<b>406</b>	<b>3,538</b>	<b>(1,158)</b>	<b>8,610</b>	<b>-113%</b>
Beginning net assets	417,421	412,350	20,989	17,451	438,411	429,801	2%
Ending net assets	<u>\$415,857</u>	<u>\$417,421</u>	<u>\$21,395</u>	<u>\$20,989</u>	<u>\$437,253</u>	<u>\$438,411</u>	<u>0.3%</u>

\* Differences from financial statements 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 increased from fiscal year 2009 to fiscal year 2010 by 2 percent. It should be considered normal for the activities and associated program revenues to fluctuate on average plus or minus 4 to 5 percent from year to year.

<b>Table 4</b> <b>Program Expenses and Revenues</b> <b>for Governmental Activities</b> <b>For the Fiscal Year Ended September 30</b> <i>(in thousands)</i>						
	<b>Program Expenses</b>	<b>Less Program Revenues</b>	<b>Net Program Expenses (a)</b>		<b>Program Revenues as a Percentage of Program Expenses</b>	
<b>County Programs</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
General government	\$34,303	\$8,291	\$26,012	\$26,209	24%	22%
Public safety	93,050	18,962	74,088	72,880	20%	18%
Physical environment	12,101	2,497	9,604	11,742	21%	18%
Transportation	36,118	2,095	34,023	28,272	6%	3%
Economic environment	5,312	821	4,491	5,828	15%	19%
Human services	9,493	276	9,217	8,755	3%	4%
Culture and recreation	11,644	3,115	8,529	10,221	27%	16%
Judicial	15,341	9,599	5,742	7,392	63%	57%
Interest on long term debt	4,066		4,066	4,314	N/A	N/A
*Total governmental activities	\$221,428	\$45,656	\$175,772	\$175,614	21%	19%

(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 expenses and revenues for business-type activities. Revenues were not sufficient to cover program expenses in FY 2010, because in FY 2010 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 for citizens residing outside the city limits of the City of Tallahassee.

<b>Table 5</b> <b>Program Expenses and Revenues</b> <b>For Business-type Activities</b> <b>For the Fiscal Year Ended September 30</b> <i>(in thousands)</i>						
	<b>Program Expenses</b>	<b>Less Program Revenues</b>	<b>Net Program Expenses</b>		<b>Program Revenues as a Percentage of Program Expenses</b>	
<b>County Programs</b>	<b>2010</b>	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Physical environment	\$ 10,761	\$ 7,665	\$3,096	(\$199)	71%	96%

## **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 2010 by \$415,857,230, as compared to \$417,421,436 for fiscal year 2009, for governmental activities. The assets for business-type activities exceeded its liabilities (net assets) at the close of fiscal year 2010 by \$21,395,479 as compared to \$20,989,239 for fiscal year 2009. Please see the Statement of Activities discussed previously for an explanation of the differences above.
- The County's total net assets decreased by \$1,157,966 during fiscal year 2010, as compared to \$8,610,483 increase in fiscal year 2009. Net assets of governmental activities decreased by \$1,564,206 in fiscal year 2010, as compared to an increase of \$5,071,856 in 2009. Net assets of business-type activities increased by \$406,240 in 2010, as compared to an increase of \$3,538,627 in 2009. The increase in the prior year related to a downward adjustment of the liability for closure and post closure of the landfill based on the latest consultant's study.

## **Fund Analysis**

The following funds experienced significant changes during the year:

### **Governmental Funds**

The County's governmental funds reported a combined ending fund balance of \$181,194,162 for fiscal year 2010, as compared to \$191,845,968 for fiscal year 2009. All but \$2,155,629 for fiscal year 2010, as compared to \$2,789,246 for fiscal year 2009, is reported as unreserved.

### **General Fund**

Fund balance at September 30, 2010 has increased to a total of \$20,247,912, as compared to \$17,552,048 for September 30, 2009. For the last several years, The County's Office of Management and Budget has had discussions with the Board regarding the appropriate levels for reserves. All reserves are established within the policy levels of the approved policy.

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 end fund balance for the Countywide General Revenue funds is \$18,101,502 versus \$15,985,909 for FY 2009. The Non-Countywide fund balance is \$2,146,410 for FY 2010, versus \$1,566,139 for FY 2009.

### **Fine & Forfeiture Fund**

Fund balance at September 30, 2010 totaled \$12,610,387, as compared to \$9,723,755 for September 30, 2009. This is an increase of \$2,886,632 for the fiscal year.

### **Grants Fund**

The fund balance at September 30, 2010 totaled \$1,788,348, as compared to \$1,607,653 for September 30, 2009. This was an increase of \$180,695. This increase can be attributed to the fact that the County requires a grant to transfer the match money when it is set up for local, state, and federal grants. In addition, the County received \$1,524,907 in federal funding through the American Recovery and Reinvestment Act (ARRA) of 2009. These funds were used to purchase additional law enforcement equipment as well as fund construction of various sidewalks throughout the County.

### **Capital Improvement Fund**

Fund balance at September 30, 2010 totaled \$56,980,816, as compared to \$64,744,204 for September 30, 2009. This was a decrease of \$7,763,388. This decrease can be attributed to the County's spending on various capital projects from the fund balance that was set aside for future planned projects.

### **Local Option Sales Tax Fund**

Fund balance at September 30, 2010 totaled \$33,384,589, as compared to \$39,029,619 for September 30, 2009. This was a decrease of \$5,645,030. This decrease can be attributed to the fact that the County was spending down fund balance on several projects. In the future, the Fund Balance will continue to decline as spending continues on projects and no more revenues will be received as this Sales Tax has expired.

### **Extended Local Option Sales Tax**

Fund balance at September 30, 2010 is \$8,246,392, as compared to \$12,644,326 for September 30, 2009. This sales tax was extended beginning in 2004 for various road, stormwater, and park improvements. With the economy down, the Board made an effort to put funds into the local economy for projects. The fund balance was reduced as the appropriated projects came to fruition.

### **Enterprise Funds**

The County's enterprise funds reported net assets of \$21,395,479 for September 30, 2010, as compared to \$20,989,239 for September 30, 2009, which is a increase of \$406,240. This small increase shows that recovery of costs is not where it should be. There is a transfer of \$1,328,828 to ensure the Solid Waste fund meets its obligations.

### **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**

The County reported \$327,215,408 in capital assets for governmental activities and \$14,184,969 in capital assets for business-type activities at September 30, 2010, versus \$323,015,722 for governmental and \$13,754,775 for business-type activities at fiscal year ending September 30, 2009. Please refer to Note VI in the Notes to the Financial Statements for additional information on capital assets and Note XIV in the Notes to the Financial Statements for additional information on construction commitments.

#### **Debt Administration Activity**

At September 30, 2010, the County had \$78,595,000 of outstanding bonded debt, as compared to \$83,730,000 at September 30, 2009. 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.

## **Economic Factors**

Leon County, like the rest of the country, continued to feel the effects of the economic downturn during FY 2010. The following information indicates that the economy will take some time before it improves as we enter FY 2011:

- The estimated population in Leon County increased 0.04% from 274,803 to 275,800 during FY 2009/2010. This was after the first decline (0.03%) in population in FY 09 since the 1930's.
- Residential building permits issued in Leon County declined again in 2010. The number of single-family home permits fell 8%, attached single-family units (townhomes) permits fell 115%, and multi-family permits decreased to the lowest ever (27 permits). The year 2010 saw the fewest permits issued for new construction of housing units in a year in Leon County since 1970.
- The dollar value of commercial permits fell by 13.8%, after having fallen by 56.2% from 2008 to 2009.
- Leon County has seen a small decrease in vacancy rates for apartment rental units. Vacancies decreased from 12.7% in 2008 to 11.2% for 2009, the latest reported.

## **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 by fax at (850) 577-4255. We also suggest visiting our web-site at [www.clerk.leon.fl.us](http://www.clerk.leon.fl.us) for further financial information.



Leon County, Florida  
Statement of Net Assets

September 30, 2010

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit</b>
<b>Assets:</b>				
Current assets :				
Cash	\$ 18,283,960	\$ 134,497	\$ 18,418,457	\$ 239,074
Investments	184,285,429	11,024,176	195,309,605	-
Receivables	4,578,799	676,914	5,255,713	10
Receivables from other governments	6,689,884	-	6,689,884	-
Inventory	624,627	3,510	628,137	-
Other assets	948,905	-	948,905	-
Total current assets	<u>215,411,604</u>	<u>11,839,097</u>	<u>227,250,701</u>	<u>239,084</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	-	6,808,981	6,808,981	-
Capital assets:				
Land and construction in progress				
non-depreciable	66,187,403	2,409,844	68,597,247	-
Depreciable (net)	<u>261,028,005</u>	<u>11,775,125</u>	<u>272,803,130</u>	<u>-</u>
Total noncurrent assets	<u>327,215,408</u>	<u>20,993,950</u>	<u>348,209,358</u>	<u>-</u>
Total assets	<u>542,627,012</u>	<u>32,833,047</u>	<u>575,460,059</u>	<u>239,084</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	17,691,818	586,054	18,277,872	237
Payable to other governments	205,563	68	205,631	-
Internal balances	375,703	(375,703)	-	-
Accrued compensated absences	4,344,496	58,212	4,402,708	-
Unearned revenues	5,209,387	-	5,209,387	-
Bonds payable	5,350,000	-	5,350,000	-
Notes payable	363,463	-	363,463	-
Other current liabilities	<u>3,050,000</u>	<u>-</u>	<u>3,050,000</u>	<u>-</u>
Total current liabilities	<u>36,590,430</u>	<u>268,631</u>	<u>36,859,061</u>	<u>237</u>
Noncurrent liabilities:				
Deposits	660,620	-	660,620	-
Estimated liability for landfill closure and				
postclosure care costs	-	10,995,717	10,995,717	-
Arbitrage rebate liability	25,000	-	25,000	-
Accrued compensated absences	10,878,509	110,885	10,989,394	-
Other Postemployment Benefits Obligation	2,499,523	62,335	2,561,858	-
Bonds payable	73,245,000	-	73,245,000	-
Notes payable	<u>2,870,700</u>	<u>-</u>	<u>2,870,700</u>	<u>-</u>
Total noncurrent liabilities	<u>90,179,352</u>	<u>11,168,937</u>	<u>101,348,289</u>	<u>-</u>
Total liabilities	<u>126,769,782</u>	<u>11,437,568</u>	<u>138,207,350</u>	<u>237</u>
<b>Net assets:</b>				
Invested in capital assets, net of				
related debt	289,310,164	14,184,969	303,495,133	-
Unrestricted	<u>126,547,066</u>	<u>7,210,510</u>	<u>133,757,576</u>	<u>238,847</u>
Total net assets	<u>\$ 415,857,230</u>	<u>\$ 21,395,479</u>	<u>\$ 437,252,709</u>	<u>\$ 238,847</u>

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

Leon County, Florida

Statement of Activities

Year Ended September 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operational Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 34,302,931	\$ 6,129,558	\$ 2,161,449	\$ -
Public safety	93,050,396	13,084,824	5,100,201	777,051
Physical environment	12,100,907	972,767	1,216,664	308,021
Transportation	36,117,722	1,116,959	215,685	762,804
Economic environment	5,311,939	40,690	780,409	-
Human services	9,493,326	-	275,693	-
Culture and recreation	11,644,162	223,741	2,038,804	852,793
Judicial	15,340,815	3,300,041	6,298,998	-
Interest on long term debt	4,066,328	-	-	-
Total governmental activities	<u>221,428,526</u>	<u>24,868,580</u>	<u>18,087,903</u>	<u>2,700,669</u>
Business-type activities:				
Landfill	10,760,847	7,665,383	-	-
Amtrack Station	-	-	-	-
Total business-type activities:	<u>10,760,847</u>	<u>7,665,383</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 232,189,373</u>	<u>\$ 32,533,963</u>	<u>\$ 18,087,903</u>	<u>\$ 2,700,669</u>
<b>Component Unit:</b>				
Economic environment	16,741	34,600	-	-
Total component unit	<u>\$ 16,741</u>	<u>\$ 34,600</u>	<u>\$ -</u>	<u>\$ -</u>

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
\$ (26,011,924)	\$ -	\$ (26,011,924)	\$ -
(74,088,320)	-	(74,088,320)	-
(9,603,455)	-	(9,603,455)	-
(34,022,274)	-	(34,022,274)	-
(4,490,840)	-	(4,490,840)	-
(9,217,633)	-	(9,217,633)	-
(8,528,824)	-	(8,528,824)	-
(5,741,776)	-	(5,741,776)	-
(4,066,328)	-	(4,066,328)	-
(175,771,374)	-	(175,771,374)	-
-	(3,095,464)	(3,095,464)	-
-	-	-	-
-	(3,095,464)	(3,095,464)	-
(175,771,374)	(3,095,464)	(178,866,838)	-
-	-	-	17,859
-	-	-	17,859
118,365,233	-	118,365,233	-
10,455,428	-	10,455,428	-
329,168	-	329,168	-
4,200,504	-	4,200,504	-
1,344,691	-	1,344,691	-
6,201,090	-	6,201,090	-
-	1,441,095	1,441,095	-
19,874,886	-	19,874,886	-
5,203,974	483,496	5,687,470	5,764
9,561,022	248,285	9,809,307	-
(1,328,828)	1,328,828	-	-
174,207,168	3,501,704	177,708,872	5,764
(1,564,206)	406,240	(1,157,966)	23,623
417,421,436	20,989,239	438,410,675	215,224
\$ 415,857,230	\$ 21,395,479	\$ 437,252,709	\$ 238,847

Leon County, Florida

Balance Sheet  
Governmental Funds

September 30, 2010

	<b>General</b>	<b>Fine &amp; Forfeiture</b>	<b>Grants</b>	<b>Capital Improvement</b>
<b>Assets:</b>				
Cash	\$ 3,709,457	\$ 135,307	\$ 47,702	\$ 4,172,376
Investments	19,530,237	11,374,354	3,767,429	53,963,625
Receivables:				
Accounts	253,429	22,811	7,308	119,966
Intergovernmental	2,133,673	8,602	1,570,345	-
Special assessments	20,552	-	-	-
Due from other funds	2,390,570	1,397,550	-	17,141
Inventory	567,229	-	-	-
Other assets	5,446	-	-	-
Advances to other funds	20,000	-	-	-
Total assets	<u>\$ 28,630,593</u>	<u>\$ 12,938,624</u>	<u>\$ 5,392,784</u>	<u>\$ 58,273,108</u>
<b>Liabilities and fund balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 2,799,063	\$ 2,095	\$ 1,329,139	\$ 1,142,367
Accrued liabilities	2,771,460	-	2,886	-
Intergovernmental payables	136,412	-	-	-
Due to other funds	2,608,105	-	237,882	-
Deposits	67,641	326,142	-	149,925
Unearned revenues	-	-	2,034,529	-
Total liabilities	<u>8,382,681</u>	<u>328,237</u>	<u>3,604,436</u>	<u>1,292,292</u>
<b>Fund balances:</b>				
Reserved for advances to other funds	20,000	-	-	-
Reserved for records modernization	-	-	-	-
Reserved for training	-	-	-	-
Reserve for special projects	-	-	-	-
Reserve for 911 expenditures	-	-	-	-
Reserve for inmate expenditures	-	-	-	-
Unreserved, reported in:				
General fund	20,227,912	-	-	-
Special revenue funds	-	12,610,387	1,788,348	-
Debt service funds	-	-	-	-
Capital project funds	-	-	-	56,980,816
Total fund balances	<u>20,247,912</u>	<u>12,610,387</u>	<u>1,788,348</u>	<u>56,980,816</u>
Total liabilities and fund balances	<u>\$ 28,630,593</u>	<u>\$ 12,938,624</u>	<u>\$ 5,392,784</u>	<u>\$ 58,273,108</u>

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

<b>Local Option Sales Tax</b>	<b>Extended Local Option Sales Tax</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,842,955	\$ -	\$ 8,215,358	\$ 18,123,155
31,892,101	13,440,851	40,897,487	174,866,084
72,555	26,955	2,482,854	2,985,878
-	1,164,934	1,782,524	6,660,078
-	-	1,540,728	1,561,280
10,147	4,276	726,133	4,545,817
-	-	2,401	569,630
-	-	3,410	8,856
-	-	-	20,000
<u>\$ 33,817,758</u>	<u>\$ 14,637,016</u>	<u>\$ 55,650,895</u>	<u>\$ 209,340,778</u>
\$ 433,169	\$ 6,390,624	\$ 2,340,876	\$ 14,437,333
-	-	313,550	3,087,896
-	-	69,151	205,563
-	-	1,699,830	4,545,817
-	-	116,912	660,620
-	-	3,174,858	5,209,387
<u>433,169</u>	<u>6,390,624</u>	<u>7,715,177</u>	<u>28,146,616</u>
-	-	-	20,000
-	-	1,226,054	1,226,054
-	-	42,691	42,691
-	-	291,351	291,351
-	-	302,081	302,081
-	-	273,452	273,452
-	-	-	20,227,912
-	-	30,736,879	45,135,614
-	-	209,005	209,005
<u>33,384,589</u>	<u>8,246,392</u>	<u>14,854,205</u>	<u>113,466,002</u>
<u>33,384,589</u>	<u>8,246,392</u>	<u>47,935,718</u>	<u>181,194,162</u>
<u>\$ 33,817,758</u>	<u>\$ 14,637,016</u>	<u>\$ 55,650,895</u>	<u>\$ 209,340,778</u>

Leon County, Florida

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

September 30, 2010

Total fund balances of governmental funds		\$ 181,194,162
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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	\$ 587,353,875	
Less accumulated depreciation	<u>(260,138,467)</u>	327,215,408

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

Bond costs	1,836,005	
Less current year amortization	<u>(185,103)</u>	1,650,902

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	(81,829,163)	
Discount/(Premium)	(758,243)	
Current year amortization	47,390	
Compensated absences	(15,223,005)	
Other Postemployment Benefits	(2,484,291)	
Arbitrage rebate liability	<u>(25,000)</u>	(100,272,312)

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.

6,069,070

Total net assets of governmental activities		<u><u>\$ 415,857,230</u></u>
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*The accompanying notes are an integral part of these financial statements.*

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Leon County, Florida

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

Year Ended September 30, 2010

	<u>General</u>	<u>Fine &amp; Forfeiture</u>	<u>Grants</u>	<u>Capital Improvement</u>
<b>Revenues:</b>				
Taxes	\$ 52,761,605	\$ 62,193,568	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	16,560,164	20,539	6,778,741	-
Charges for services	7,193,970	933,035	162,371	-
Fines and forfeitures	-	131,472	-	-
Interest	20,391	552,857	100,201	1,592,632
Miscellaneous	1,277,793	-	199,162	48,984
Total revenues	<u>77,813,923</u>	<u>63,831,471</u>	<u>7,240,475</u>	<u>1,641,616</u>
<b>Expenditures:</b>				
Current:				
General government	31,219,517	-	22,932	1,965,076
Public safety	58,661,824	-	1,405,685	136,349
Physical environment	2,424,935	-	349,096	901,664
Transportation	-	-	992,740	1,878,894
Economic environment	2,311,158	-	778,596	-
Human services	7,137,626	-	41,989	96,529
Culture and recreation	6,163,105	-	2,977,048	3,867,316
Judicial	5,743,759	1,581,099	300,905	592,804
Debt service:				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Other debt service costs	-	-	-	-
Total expenditures	<u>113,661,924</u>	<u>1,581,099</u>	<u>6,868,991</u>	<u>9,438,632</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,848,001)</u>	<u>62,250,372</u>	<u>371,484</u>	<u>(7,797,016)</u>
Other financing sources (uses):				
Transfers in	61,415,816	1,633,722	317,906	2,538,413
Transfers out	<u>(22,871,951)</u>	<u>(60,997,462)</u>	<u>(508,695)</u>	<u>(2,504,785)</u>
Total other financing sources (uses)	<u>38,543,865</u>	<u>(59,363,740)</u>	<u>(190,789)</u>	<u>33,628</u>
Net change in fund balance	2,695,864	2,886,632	180,695	(7,763,388)
Fund balances, October 1	<u>17,552,048</u>	<u>9,723,755</u>	<u>1,607,653</u>	<u>64,744,204</u>
Fund balances, September 30	<u>\$ 20,247,912</u>	<u>\$ 12,610,387</u>	<u>\$ 1,788,348</u>	<u>\$ 56,980,816</u>

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



<b>Local Option Sales Tax</b>	<b>Extended Local Option Sales Tax</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 3,384,616	\$ 22,556,325	\$ 140,896,114
-	-	2,512,356	2,512,356
-	-	17,304,014	40,663,458
-	900,745	12,828,058	22,018,179
-	-	576,982	708,454
928,086	369,265	1,375,915	4,939,347
-	-	8,035,083	9,561,022
928,086	4,654,626	65,188,733	221,298,930
-	-	2,268,193	35,475,718
-	-	33,604,327	93,808,185
-	1,812,261	6,015,344	11,503,300
6,573,116	6,908,901	12,567,912	28,921,563
-	-	2,190,835	5,280,589
-	-	2,010,463	9,286,607
-	331,398	5,317,279	18,656,146
-	-	10,081,234	18,299,801
-	-	5,461,384	5,461,384
-	-	3,926,459	3,926,459
-	-	2,156	2,156
6,573,116	9,052,560	83,445,586	230,621,908
(5,645,030)	(4,397,934)	(18,256,853)	(9,322,978)
-	-	29,730,668	95,636,525
-	-	(10,082,460)	(96,965,353)
-	-	19,648,208	(1,328,828)
(5,645,030)	(4,397,934)	1,391,355	(10,651,806)
39,029,619	12,644,326	46,544,363	191,845,968
\$ 33,384,589	\$ 8,246,392	\$ 47,935,718	\$ 181,194,162

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, 2010

Net change in fund balances - total governmental funds \$ (10,651,806)

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	\$ 22,159,935	
Less current year depreciation	<u>(17,960,253)</u>	4,199,682

Repayment of bond principal is an expenditure in the governmental funds,  
but the repayment reduces long-term liabilities in the statement of net assets.

Principal payments	<u>5,461,384</u>	5,461,384
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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 Other Postemployment Benefits	(876,810)	
Change in long-term compensated absence	<u>(863,309)</u>	(1,877,832)

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. (\$64,065 was included with business-type activities.)

	<u>1,304,366</u>
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Changes in net assets of governmental activities	<u>\$ (1,564,206)</u>
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*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, 2010

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues:</b>				
Taxes	\$ 52,593,255	\$ 52,593,255	\$ 52,761,605	\$ 168,350
Intergovernmental	15,755,320	15,619,359	16,560,164	940,805
Charges for services	12,458,823	12,458,823	7,193,970	(5,264,853)
Interest	599,354	599,249	20,391	(578,858)
Miscellaneous	162,014	142,500	1,277,793	1,135,293
Total revenues	81,568,766	81,413,186	77,813,923	(3,599,263)
<b>Expenditures:</b>				
Current:				
General government	37,356,358	34,229,122	31,219,517	3,009,605
Public safety	59,120,240	59,120,240	58,661,824	458,416
Physical environment	2,529,100	2,365,451	2,424,935	(59,484)
Economic environment	2,401,899	2,400,783	2,311,158	89,625
Human services	7,533,810	6,910,854	7,137,626	(226,772)
Culture and recreation	6,683,788	6,741,996	6,163,105	578,891
Judicial	3,554,782	3,480,814	5,743,759	(2,262,945)
Total expenditures	119,179,977	115,249,260	113,661,924	1,587,336
Excess (deficiency) of revenues over (under) expenditures	(37,611,211)	(33,836,074)	(35,848,001)	(2,011,927)
Other financing sources (uses):				
Transfers in	73,888,692	74,061,732	61,415,816	(12,645,916)
Transfers out	(39,564,794)	(40,225,658)	(22,871,951)	17,353,707
Total other financing sources (uses)	34,323,898	33,836,074	38,543,865	4,707,791
Net change in fund balance	(3,287,313)	-	2,695,864	2,695,864
Fund balances, October 1	17,552,048	17,552,048	17,552,048	-
Fund balances, September 30	\$ 14,264,735	\$ 17,552,048	\$ 20,247,912	\$ 2,695,864

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, 2010

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues:</b>				
Taxes	\$ 61,853,568	\$ 61,853,568	\$ 62,193,568	\$ 340,000
Intergovernmental	11,875	11,875	20,539	8,664
Charges for services	1,089,950	1,089,950	933,035	(156,915)
Fines and forfeitures	159,600	159,600	131,472	(28,128)
Interest	321,385	321,385	552,857	231,472
Total revenues	<u>63,436,378</u>	<u>63,436,378</u>	<u>63,831,471</u>	<u>395,093</u>
<b>Expenditures:</b>				
Physical environment	10,438	10,438	-	10,438
Human services	100,000	200,000	-	200,000
Judicial	2,628,614	2,778,614	1,581,099	1,197,515
Total expenditures	<u>2,739,052</u>	<u>2,989,052</u>	<u>1,581,099</u>	<u>1,407,953</u>
Excess (deficiency) of revenues over (under) expenditures	<u>60,697,326</u>	<u>60,447,326</u>	<u>62,250,372</u>	<u>1,803,046</u>
Other financing sources (uses):				
Transfers in	-	-	1,633,722	1,633,722
Transfers out	(60,697,326)	(60,697,326)	(60,997,462)	(300,136)
Total other financing sources (uses)	<u>(60,697,326)</u>	<u>(60,697,326)</u>	<u>(59,363,740)</u>	<u>1,333,586</u>
Net change in fund balance	-	(250,000)	2,886,632	3,136,632
Fund balances, October 1	<u>9,723,755</u>	<u>9,723,755</u>	<u>9,723,755</u>	-
Fund balances, September 30	<u>\$ 9,723,755</u>	<u>\$ 9,473,755</u>	<u>\$ 12,610,387</u>	<u>\$ 3,136,632</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, 2010

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance With</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
				<b>Positive</b>
				<b>(Negative)</b>
<b>Revenues:</b>				
Intergovernmental	\$ 342,292	\$ 23,868,057	\$ 6,778,741	\$ (17,089,316)
Charges for services	125,875	253,958	162,371	(91,587)
Interest	-	-	100,201	100,201
Miscellaneous	-	1,358,700	199,162	(1,159,538)
Total revenues	<u>468,167</u>	<u>25,480,715</u>	<u>7,240,475</u>	<u>(18,240,240)</u>
<b>Expenditures:</b>				
General government	90,000	1,349,087	22,932	1,326,155
Public safety	482,010	4,569,598	1,405,685	3,163,913
Physical environment	-	9,185,965	349,096	8,836,869
Transportation	-	2,639,990	992,740	1,647,250
Economic environment	-	1,624,540	778,596	845,944
Human services	-	1,745,589	41,989	1,703,600
Culture and recreation	-	3,985,152	2,977,048	1,008,104
Judicial	-	371,958	300,905	71,053
Total expenditures	<u>572,010</u>	<u>25,471,879</u>	<u>6,868,991</u>	<u>18,602,888</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(103,843)</u>	<u>8,836</u>	<u>371,484</u>	<u>362,648</u>
Other financing sources (uses):				
Transfers in	224,998	548,387	317,906	(230,481)
Transfers out	<u>(121,155)</u>	<u>(690,205)</u>	<u>(508,695)</u>	<u>181,510</u>
Total other financing sources (uses)	<u>103,843</u>	<u>(141,818)</u>	<u>(190,789)</u>	<u>(48,971)</u>
Net change in fund balance	-	(132,982)	180,695	313,677
Fund balances, October 1	<u>1,607,653</u>	<u>1,607,653</u>	<u>1,607,653</u>	<u>-</u>
Fund balances, September 30	<u>\$ 1,607,653</u>	<u>\$ 1,474,671</u>	<u>\$ 1,788,348</u>	<u>\$ 313,677</u>

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

Leon County, Florida

Statement of Net Assets  
Proprietary Funds

September 30, 2010

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Nonmajor Fund</b>			
	<b>Landfill</b>	<b>Amtrak Station</b>	<b>Totals</b>	
<b>Assets:</b>				
Current assets:				
Cash	\$ 4,761	\$ 129,736	\$ 134,497	\$ 121,097
Cash with fiscal agent	-	-	-	39,708
Investments	11,024,176	-	11,024,176	9,419,345
Receivables:				
Accounts	676,914	-	676,914	31,641
Intergovernmental	-	-	-	29,806
Inventory	3,510	-	3,510	54,997
Total current assets	11,709,361	129,736	11,839,097	9,696,594
Noncurrent assets:				
Restricted cash and investments	6,808,981	-	6,808,981	-
Capital assets:				
Land non-depreciable	1,809,844	600,000	2,409,844	-
Depreciable (net)	11,001,444	773,681	11,775,125	-
Total noncurrent assets	19,620,269	1,373,681	20,993,950	-
Total assets	31,329,630	1,503,417	32,833,047	9,696,594
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	569,279	-	569,279	160,426
Accrued liabilities	79,110	-	79,110	21,395
Intergovernmental payable	68	-	68	-
Compensated absences	58,212	-	58,212	-
Advances from other funds	-	-	-	20,000
Other current liabilities	-	-	-	3,050,000
Total current liabilities	706,669	-	706,669	3,251,821
Noncurrent liabilities:				
Compensated absences	110,885	-	110,885	-
Liability for closure costs/maintenance	10,995,717	-	10,995,717	-
Total noncurrent liabilities	11,106,602	-	11,106,602	-
Total liabilities	11,813,271	-	11,813,271	3,251,821
<b>Net assets:</b>				
Net assets invested in capital assets	12,811,288	1,373,681	14,184,969	-
Unrestricted	6,705,071	129,736	6,834,807	6,444,773
Total net assets	\$ 19,516,359	\$ 1,503,417	21,019,776	\$ 6,444,773
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			375,703	
Net assets of business-type activities			\$ 21,395,479	

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, 2010

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Nonmajor Fund			
	Landfill	Amtrak Station	Totals	
<b>Operating revenues:</b>				
Charges for services	\$ 7,665,383	\$ -	\$ 7,665,383	\$ 6,045,786
Total operating revenues	<u>7,665,383</u>	<u>-</u>	<u>7,665,383</u>	<u>6,045,786</u>
<b>Operating expenses:</b>				
Personnel services	2,133,881	-	2,133,881	710,785
Contractual services	5,688,424	7,375	5,695,799	73,036
Supplies	307,706	-	307,706	1,159,147
Communications services	23,806	-	23,806	595,520
Insurance	91,735	1,253	92,988	1,686,952
Utility services	316,161	-	316,161	67,234
Depreciation	589,937	-	589,937	-
Other services and charges	1,664,634	-	1,664,634	649,198
Total operating expenses	<u>10,816,284</u>	<u>8,628</u>	<u>10,824,912</u>	<u>4,941,872</u>
Operating income (loss)	<u>(3,150,901)</u>	<u>(8,628)</u>	<u>(3,159,529)</u>	<u>1,103,914</u>
<b>Nonoperating revenues:</b>				
Taxes	1,441,095	-	1,441,095	-
Interest revenue	479,953	3,543	483,496	264,513
Miscellaneous	248,285	-	248,285	-
Total nonoperating revenues	<u>2,169,333</u>	<u>3,543</u>	<u>2,172,876</u>	<u>264,513</u>
Income (loss) before transfers	<u>(981,568)</u>	<u>(5,085)</u>	<u>(986,653)</u>	<u>1,368,427</u>
Transfers In	1,357,650	-	1,357,650	-
Transfers out	<u>(28,822)</u>	<u>-</u>	<u>(28,822)</u>	<u>-</u>
Change in net assets	347,260	(5,085)	342,175	1,368,427
<b>Net assets, October 1</b>	<u>19,169,099</u>	<u>1,508,502</u>		<u>5,076,346</u>
<b>Net assets, September 30</b>	<u>\$ 19,516,359</u>	<u>\$ 1,503,417</u>		<u>\$ 6,444,773</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.			<u>64,065</u>	
Change in net assets of business-type activities			<u>\$ 406,240</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, 2010

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Nonmajor Fund			Internal
	Landfill	Amtrak Station	Totals	Service Funds
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 7,899,539	\$ -	\$ 7,899,539	\$ 1,362,645
Receipts from interfund services	-	-	-	4,663,976
Payments to suppliers	(7,146,200)	(7,375)	(7,153,575)	(4,343,307)
Payments to employees	(2,117,111)	-	(2,117,111)	(717,144)
Claims paid	-	-	-	(266,593)
Payments for interfund services	(868,463)	(1,253)	(869,716)	(112,387)
Net cash (used in) provided by operating activities	(2,232,235)	(8,628)	(2,240,863)	587,190
<b>Cash flows from noncapital financing activities:</b>				
Tax proceeds	1,441,095	-	1,441,095	-
Repayments on interfund loans	(3,174)	-	(3,174)	-
Transfers received from other funds	1,357,650	-	1,357,650	-
Transfers made to other funds	(28,822)	-	(28,822)	-
Net cash provided by noncapital financing activities	2,766,749	-	2,766,749	-
<b>Cash flows from capital and related financing activities:</b>				
Sale of property	662,567	-	662,567	-
Acquisition and/or construction of capital assets	(1,456,662)	-	(1,456,662)	-
Net cash used in capital and related financing activities	(794,095)	-	(794,095)	-
<b>Cash flows from investing activities</b>				
Proceeds from sales and maturities of investments	5,489,329	-	5,489,329	4,109,616
Purchase of investments	(5,652,873)	-	(5,652,873)	(4,888,406)
Interest and dividends received	426,298	3,543	429,841	216,644
Net cash provided by (used in) investing activities	262,754	3,543	266,297	(562,146)
Net increase (decrease) in cash	3,173	(5,085)	(1,912)	25,044
Cash and equivalents, October 1	1,588	134,821	136,409	135,761
Cash and equivalents, September 30	\$ 4,761	\$ 129,736	\$ 134,497	\$ 160,805

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



Leon County, Florida  
Statement of Cash Flows  
Proprietary Funds  
Year Ended September 30, 2010

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Nonmajor Fund			Internal
	Landfill	Amtrak Station	Totals	Service Funds
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ (3,150,901)	\$ (8,628)	\$ (3,159,529)	\$ 1,103,914
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	589,938	-	589,938	-
Change in assets and liabilities:				
Receivables	125,290	-	125,290	(10,051)
Fixed assets	-	-	-	-
Inventories	630	-	630	(13,249)
Accounts payable	77,180	-	77,180	(442,941)
Accrued expenses	16,759	-	16,759	(50,483)
Estimated liability for closure	108,869	-	108,869	-
Net cash provided by (used in) operating activities	<u>\$ (2,232,235)</u>	<u>\$ (8,628)</u>	<u>\$ (2,240,863)</u>	<u>\$ 587,190</u>

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

Leon County, Florida  
Statement of Fiduciary Net Assets  
Agency Funds

September 30, 2010

	<b>Total Agency Funds</b>
<b>Assets:</b>	
Cash	\$ 6,653,464
Investments	907,467
Receivables:	
Accounts	1,012,647
Total assets	<u>\$ 8,573,578</u>
<b>Liabilities:</b>	
Accounts payable	\$ 2,071,471
Due to other governments	2,585,397
Deposits	2,182,982
Installment tax deposits	1,733,728
Total liabilities	<u>\$ 8,573,578</u>

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

LEON COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2010

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Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**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 of County Commissioners funds a portion, or in some cases all, of the operating budgets of the County's Constitutional Officers. The payments by the Board of County Commissioners 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 that are discussed below have been reviewed to see if they should be included in the County's reporting entity. They would be 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 would be 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, 2010, 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, Leon County Education Facilities Authority, and Community Redevelopment Agency have been established under Florida Statutes, Chapter 159, Part V; Chapter 154, Part III; Chapter 243; and Chapter 163, Part III, 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 demonstrate 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 another 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)**

A fund financial statement 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 excludes 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 another 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 another 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*— 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* — 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.

*Capital Improvement* — 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 on October 31, 2004. Utilization of the proceeds of this tax are 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.

*Extended Local Option Sales Tax* — In November of 2000, county residents approved a referendum extending the imposition of the one-cent local option sales tax beginning in fiscal year 2004 for 15 years. This fund is used for various road, storm-water and park improvements and is the continuation of the Local Option Sales Tax Fund.

**Proprietary Major Fund:**

*Landfill* — This fund accounts for the revenues, expenses, assets and liabilities associated with the County landfill and transfer station.

**Note:** The determination of which funds are major funds will vary from year to year because the determination is made using the calculation requirements established in GASB 34.

**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 Funds* — 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.

**Noncurrent Governmental Assets/Liabilities**

GASB Statement No. 34 requires noncurrent 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.

**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 reports investment risk strategies 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, 2010.

**NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Assets (continued)**

**Inventories and Prepaid Items**

Inventories, consisting primarily of expendable items (materials and supplies), are determined by 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, 2010 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  
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September 30, 2010

**NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Assets (continued)**

**Capital Assets (continued)**

The ranges of 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 and rolling stock	3-10
Infrastructure	20-50

Florida Statutes require that the County 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.

**NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities and Net Assets (continued)**

**Landfill Closure Costs (continued)**

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-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.

**Net Obligation for Other Postemployment Benefits**

The County offers retiree medical and life insurance benefits for qualifying employees that have retired from a Florida Retirement System (FRS) pension plan. Following the provisions of GASB Statement No. 45, a net obligation is accrued as a non-current liability and is 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, 2010.

**NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities and Net Assets (continued)**

**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.

**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.

**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 (\$181,194,162) differs from “net assets” of governmental activities (\$415,857,230) 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.



Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**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)**

**Capital Related Items**

When capital assets (property, plant, and 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	\$ 587,353,875
Accumulated depreciation	(260,138,467)
Net capital assets added	<u>\$ 327,215,408</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, 2010 were:

Capital Improvement Revenue Bonds, Series 2005	\$50,375,000
Capital Improvement Revenue Bonds, Series 2003A	7,965,000
Taxable Capital Improvement Revenue Bonds, Series 2003B	12,465,000
Capital Improvement Refunding Revenue Bonds, Series 1998B	7,790,000
Note Payable	3,234,163
Other Postemployment Benefits	2,484,291
Liability for Compensated Absences	15,223,005
Arbitrage Rebate Liability	25,000
	<u>\$99,561,459</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 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, 2010, statement of net assets is \$6,069,070.

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**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)**

	Total Governmental Funds	Capital Related Items
<b>Assets</b>		
Equity in pooled cash and equivalents	\$ 18,123,155	\$ —
Investments	174,866,084	—
Receivables (net)	11,207,236	—
Due from other funds	4,545,817	—
Advances to other funds	20,000	—
Inventories	569,630	—
Other assets	8,856	—
Capital assets – net	—	327,215,408
<b>Total Assets</b>	<b>\$209,340,778</b>	<b>\$327,215,408</b>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 14,437,333	\$ —
Accrued liabilities	3,087,896	—
Intergovernmental payables	205,563	—
Internal balance	—	—
Estimated liability for self-insurance loss	—	—
Due to other funds	4,545,817	—
Deposits	660,620	—
Arbitrage rebate	—	—
Unearned revenue	5,209,387	—
Advances from other funds	—	—
Other Postemployment Benefits	—	—
Accrued compensated balances	—	—
Bond and notes payable (net)	—	—
<b>Total liabilities</b>	<b>28,146,616</b>	<b>—</b>
<b>Fund balances/net assets</b>	<b>181,194,162</b>	<b>327,215,408</b>
<b>Total liabilities and fund balances/net assets</b>	<b>\$209,340,778</b>	<b>\$327,215,408</b>

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

Long-term Debt Transactions	Internal Service Funds	Reclassifications & Eliminations	Statement of Net Assets
\$ —	\$ 160,805	\$ —	\$ 18,283,960
—	9,419,345	—	184,285,429
—	61,447	—	11,268,683
—	—	(4,545,817)	—
—	—	(20,000)	—
—	54,997	—	624,627
940,049	—	—	948,905
—	—	—	327,215,408
<u>\$ 940,049</u>	<u>\$9,696,594</u>	<u>(\$4,565,817)</u>	<u>\$ 542,627,012</u>

\$ —	\$ 160,426	\$ —	\$ 14,597,759
(8,112)	14,275	—	3,094,059
—	—	—	205,563
—	375,703	—	375,703
—	3,050,000	—	3,050,000
—	—	(4,545,817)	—
—	—	—	660,620
25,000	—	—	25,000
—	—	—	5,209,387
—	20,000	(20,000)	—
2,492,403	7,120	—	2,499,523
15,223,005	—	—	15,223,005
81,829,163	—	—	81,829,163
<u>99,561,459</u>	<u>3,627,524</u>	<u>(4,565,817)</u>	<u>126,769,782</u>
<u>(98,621,410)</u>	<u>6,069,070</u>	<u>—</u>	<u>415,857,230</u>
<u>\$ 940,049</u>	<u>\$9,696,594</u>	<u>(\$4,565,817)</u>	<u>\$ 542,627,012</u>

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**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 (\$10,651,806) differs from the “change in net assets” for governmental activities of (\$1,564,206), 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	\$ 22,159,935
Depreciation Expense	<u>(17,960,253)</u>
Net	<u><u>\$ 4,199,682</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.

Principal payments	<u><u>\$ 5,461,384</u></u>
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Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**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	(863,309)
Net increase in Other Postemployment Benefits	(876,810)
	<u>\$ (1,877,832)</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	<u>\$ 1,304,366</u>
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Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

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

**A. 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
<b>Revenues:</b>				
	Taxes	\$ 140,896,114	\$ -	\$ -
	Licenses and permits	2,512,356	-	-
	Intergovernmental	40,663,458	-	-
	Charges for services	22,018,179	-	-
	Fines and forfeitures	708,454	-	-
	Interest	4,939,347	-	-
	Miscellaneous	9,561,022	-	-
Total revenues		221,298,930	-	-
<b>Expenditures:</b>				
	Current			
	General government	35,475,718	(1,677,392)	-
	Public safety	93,808,185	(632,604)	-
	Physical environment	11,503,300	688,290	-
	Transportation	28,921,563	7,253,854	-
	Economic environment	5,280,589	-	-
	Human services	9,286,607	199,500	-
	Culture and recreation	18,656,146	(7,020,679)	-
	Judicial	18,299,801	(3,010,651)	-
<b>Debt service</b>	Principal	5,461,384	-	(5,461,384)
	Interest and fiscal charges	3,926,459	-	-
	Other debt service costs	2,156	-	137,713
Total expenditures		230,621,908	(4,199,682)	(5,323,671)
Excess (deficiency) of revenues over (under) expenditures		(9,322,978)	4,199,682	5,323,671
<b>Other financing sources (uses):</b>				
	Operating transfers in	95,636,525	-	-
	Operating transfers out	(96,965,353)	-	-
Total other financing sources (uses)		(1,328,828)	-	-
<b>Net change in fund balance</b>		(10,651,806)	4,199,682	5,323,671
<b>Fund balances, October 1</b>		191,845,968		
<b>Fund balances, September 30</b>		\$ 181,194,162		

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

	Other				
Compensated	Postemployment	Internal	Reclassifications	Statement of	
Absences	Benefits	Service Funds	and Eliminations	Activities	
\$ -	\$ -	\$ -	-	\$140,896,114	
-	-	-	-	2,512,356	
-	-	-	-	40,663,458	
-	-	-	(370,409)	21,647,770	
-	-	-	-	708,454	
-	-	264,627	-	5,203,974	
-	-	-	-	9,561,022	
-	-	264,627	(370,409)	221,193,148	
549,143	208,005	(239,404)	(13,139)	34,302,931	
267,792	418,594	(463,429)	(348,142)	93,050,396	
(51,764)	50,975	(84,570)	(5,324)	12,100,907	
(9,194)	57,831	(106,332)	-	36,117,722	
25,128	8,923	(2,037)	(664)	5,311,939	
15,696	10,780	(16,217)	(3,040)	9,493,326	
(168)	50,425	(41,562)	-	11,644,162	
66,676	71,277	(86,188)	(100)	15,340,815	
-	-	-	-	-	
-	-	-	-	3,926,459	
-	-	-	-	139,869	
863,309	876,810	(1,039,739)	(370,409)	221,428,526	
(863,309)	(876,810)	1,304,366	-	(235,378)	
-	-	-	(95,636,525)	-	
-	-	-	95,636,525	(1,328,828)	
-	-	-	-	(1,328,828)	
(863,309)	(876,810)	1,304,366	-	(1,564,206)	
				417,421,436	
				<u>\$415,857,230</u>	

### **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 Statute.

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 and presented in the financial statements was prepared on the modified accrual basis of accounting. All County authorized amendments to the applicable budget originally approved, have been incorporated into data reflected in the financial statements. The County made several supplemental budgetary appropriations during 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 submit to the Board of County Commissioners 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 of County Commissioners 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 County 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 Florida Statutes, and the budget preparation and adoption procedures, as defined in Section 129.03 Florida Statutes.
5. Following the successful completion of the above referenced public hearings, the County 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 County 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 County holds a third public hearing prior to the adoption of a tentative millage rate.
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. During the 2009 legislative session, the Florida legislature reduced statewide funding for the Clerk's Court budgets for the current fiscal year. The legislature changed any future budget for the Clerk to a State fiscal year of July 1 to June 30. The Clerk's funding process was changed to an appropriation from the State of Florida and the revenues are collected and disbursed monthly to the State of Florida. The fiscal year for the Clerk continues to be from October 1 to September 30, and any unexpended appropriation is rolled into the new fiscal year.
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 County 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, 2010

**NOTE IV. CASH AND INVESTMENTS**

As of September 30, 2010, 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>Duration</u>
Deposits in qualified public depositories	\$ 25,273,660	NA	NA
Money market	33,802	NA	NA
Repurchase agreement sweep	58,635	NA	NA
External investment in government pools:			
Florida State Treasury Special Purpose Investment Account (SPIA)	35,195,650	Af	1.95
Florida SAFE Investment Pool	1,159,398	AAAm	0.16
Florida PRIME Investment Pool	100,722	AAAm	0.14
Florida Local Government Investment Trust Government Fund (FLGIT)	38,162,936	AAA	1.63
Florida Municipal Investment Trust (FMIT) 1-3 Year High Quality Bond Fund	40,420,085	AAA/V2	1.50
Florida Municipal Investment Trust (FMIT) 0-2 Year High Quality Bond Fund	14,935,622	AAAf/S1	0.70
Externally managed portfolio:			
U.S. Treasuries	21,299,040	NA	1.68
Government sponsored agencies:			
Fannie Mae*	11,153,835	AAA	1.54
Federal Home Loan Mortgage Corp*	4,731,875	AAA	1.89
Other government sponsored agencies	3,333,989	AAA	1.07
Temporary liquidity guarantee	8,682,315	AAA	1.62
Collateralized mortgage obligations	1,712,519	AAA	1.29
Collateralized mortgage obligations	342,586	AA	-0.20
Corporate bonds	2,199,719	AAA	3.30
Corporate bonds	7,411,127	AA	2.26
Corporate bonds	8,522,176	A	1.64
Municipal bonds	1,186,502	AAA	1.88
Asset-backed securities	1,608,533	AAA	1.59
Asset-backed securities	262,214	A	5.70
Asset-backed securities	160,179	BBB	-2.74
Asset-backed securities	352,593	BBB	-2.02
Total cash and investments	<u><u>\$ 228,299,712</u></u>		

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE IV. CASH AND INVESTMENTS (CONTINUED)**

The amount reported as deposits in qualified public depositories does not include cash on hand and cash held with other parties totaling \$40,933.

\*Represents a concentration of credit risk of five percent or more in a single issuer. This disclosure is in accordance with GASB. The Housing and Economic Recovery Act of 2008 (the Act) created a new government-sponsored entity (GSE) regulator, the Federal Housing Finance Agency (FHFA). Section 1117 of the Act gives the Treasury emergency authority to purchase an unlimited amount of GSE debt or equity securities, if necessary, to provide stability to the financial markets. On September 7, 2008, the FHFA established a conservatorship for Fannie Mae and Freddie Mac. As conservator, the FHFA has taken over the assets and assumed all the powers of the share holders, directors, and officers.

**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 ratings. These would include government pools, U.S. Government (AAA) securities, and commercial paper. Staff will notify the Investment Oversight Committee (IOC) at any time holdings drop below the minimum credit ratings specified in the policy. The IOC will consider the market environment and make recommendations to hold and continue to monitor the investments or liquidate the investments. To further limit the County's risk against possible credit losses, a maximum of 3% of the total portfolio managed by the County's external manager 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. The policy provides that 45% of the external portfolio may be invested in Federal instrumentalities, with a limit of 15% of the portfolio in any one issuer. As noted above, Fannie Mae and Federal Home Loan Mortgage Corporation, government-sponsored agencies, represented a concentration of credit risk of more than 5 percent in a single issuer. Credit quality risk identified with S&P ratings or Moody equivalents, is provided in the table above. Deposits not exposed to credit quality risk, as defined by GASB 40, are designated as "NA" in the credit rating column.

Section 218.415(16), *Florida Statutes*, stipulates the state-approved investment policy for all governmental entities and includes the following investments:

1. The Florida PRIME (formerly the Local Government Surplus Funds Trust Fund), administered by the State Board of Administration 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.

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE IV. CASH AND INVESTMENTS (CONTINUED)**

**Credit Risk (continued)**

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.

In addition, Section 17.61(1), Florida Statutes permits organizations created by the Florida Constitution to participate in the existing State Treasury Investment Pool “Special Purpose Investment Account” (SPIA).

The County’s Investment Policy limits credit risk by restricting authorized investments to the following: Florida PRIME, SPIA, 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 (FLGIT), and the Florida Municipal Investment Trust (FMIT).

The Chief Financial Officer for the State of Florida (formerly the State Treasurer) has been investing state revenues, excess revenues of state universities and community colleges and certain other public agencies in a commingled investment portfolio for several years. This program is authorized under Section 17.61(1), Florida Statutes and is called the Treasury Special Purpose Investment Account (SPIA). Historically, SPIA participants have received higher earnings reflecting the higher risk associated with the longer maturities and lower credit quality. The financial details and disclosures for the Treasury Investment Pool are made in Note 2 to the State of Florida Comprehensive Annual Financial Report (CAFR). At September 30, 2010, the County had invested \$35,195,650 in SPIA.

The FLGIT is a local government investment pool created by the Florida Association of Court Clerks, and the Florida Association of Counties for the purpose of providing public entities with an investment program that focuses on longer term securities with the highest credit ratings. The effective maturity of the underlying investments is five years or less. At year end, the FLGIT was invested in money markets, Treasury Notes, asset-backed securities, and Federal agency obligations. This investment type is subject to some market risk due to fluctuating prices and liquidity risk due to advance redemption notification requirements. However, it has a professional investment advisor and an investment advisory board, and provides diversity in the Fund’s portfolio. The FLGIT maintains a credit rating of AAA by Standard & Poor’s.

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE IV. CASH AND INVESTMENTS (CONTINUED)**

**Credit Risk (continued)**

Investments in this pool are limited to a maximum of 15% of the portfolio. At September 30, 2010, the County had \$38,162,936 invested with FLGIT.

The FMIT is a similar investment pool operated by the Florida League of Cities. Its rating, investment parameters, and liquidity generally mirror those of the FLGIT. The 1 to 3 Year High Quality Bond Fund is designed to provide an investment pool alternative to those members that have excess funds and that have an investment horizon greater than that of money market instruments. The investment objective is: 1) to preserve capital; 2) achieve a total rate of return that exceeds the return of T-Bills by 1% per year over rolling three-year periods; and 3) exceed the return of the Merrill Lynch One-to-Three-year Government Index over three year periods. The portfolio will generally invest in securities with greater potential returns and risk than those offered by money market type instruments. Due to the fact that the portfolio will be investing in securities with an average maturity of approximately two years, increases in interest rates will cause declines in the net asset value of the portfolio. Therefore, the portfolio may be an inappropriate investment for funds required to meet short-term needs. The portfolio is managed by Atlanta Capital Management and maintains an AAA rating from Fitch. Investments in this pool are limited to a maximum of 15% of the portfolio. At September 30, 2010, the County had \$40,420,085 invested with FMIT.

During the fiscal year, the County reallocated a portion of investments from money markets to the FMIT 0 to 2 Year High Quality Bond Fund also operated by the Florida League of Cities. This Fund, which was established in April 2009, invested in government and high quality securities while maintaining an average maturity of approximately one year. The performance of the portfolio is managed by Atlanta Capital Management. Investments in this pool are limited to a maximum of 15% of the portfolio. At September 30, 2010, the County had \$14,935,622 invested with FMIT.

The County also invests in Florida PRIME administered by the Florida State Board of Administration (SBA). Florida PRIME is an external investment pool that is not a registrant with the SEC; however, the SBA has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. Florida PRIME is governed by Chapter 19-7 of the *Florida Administrative Code*, which identifies the Rules of the SBA. These rules provide guidance and establish the general operating procedures for the administration of Florida PRIME. Additionally, the State of Florida, Office of the Auditor General performs the operational audit of the activities and investments of the SBA. Throughout the year and as of September 30, 2010, Florida PRIME contained certain floating rate and adjustable rate securities that were indexed based on the prime rate and/or one- and three-month LIBOR rates. These floating rate and adjustable rate securities are used to hedge against interest risk and provide diversification to the portfolio. Exposure to a single issuer is limited to 5% of the portfolio's

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE IV. CASH AND INVESTMENTS (CONTINUED)**

**Credit Risk (continued)**

amortized cost. Investments in Florida PRIME are not evidenced by securities that exist in physical or book entry form. The current rating for the Florida PRIME is AAAm by Standard and Poors. The weighted average of days to maturity of the Florida PRIME at September 30, 2010 is 52 days. The fair value of the county's position in the pool approximates the value of the pool shares. At September 30, 2010, the County had \$100,722 invested in Florida PRIME.

The County also invests in the Florida Surplus Asset Fund Trust (FLSAFE), a local government investment pool governed by Section 218.415, Florida Statutes, that provides for pooling of Florida's local government funds. FLSAFE is an external investment pool that is not a registrant with the SEC; however, the FLSAFE has adopted operating procedures consistent with the requirements for a SEC Rule 2a-7 fund. FLSAFE is managed by Davidson Fixed Income Management, Inc. (DFIM), a registered investment advisor, and the trust's investments are held in custody by U.S. Bank. Oversight for the pool is provided by a Board of Trustees consisting of members who represent participating local government entities. The trust invests primarily in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements, highly rated commercial paper, money market funds and deposits held in qualified public depositories. The current rating for the FLSAFE is AAAm by Standard and Poors. The weighted average days to maturity of the FLSAFE at September 30, 2010, is 57 days. Investments in the FLSAFE are not evidenced by securities that exist in physical or book entry form. The fair value of the County's position in the pool approximates the value of the pool shares. At September 30, 2010, the County had \$1,159,398 invested with the FLSAFE.

**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 it 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, 2010, were \$28,806,161.

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

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE IV. CASH AND INVESTMENTS (CONTINUED)**

**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 totaled \$73,052,293 at September 30, 2010 and was invested for a weighted average term of 712 days. The County 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, money market funds, all having a maturity of 90 days or less, 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 County was in compliance with this requirement.

**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 of the State of Florida Comprehensive Annual Financial Report. A copy of this report is available at [http://www.fldfs.com/statewide\\_financial\\_reporting/index.htm](http://www.fldfs.com/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 Florida 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 County prior to October 1 of each year. The millage rate collected by the County during the current fiscal year was 7.850 mills. County citizens were also assessed for emergency medical services (EMS) through a Municipal Services Taxing Unit at a millage rate of 0.5000 mills. For County citizens charged a special assessment, the required annual payment is also included on their tax bill.

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE V. PROPERTY TAXES (CONTINUED)**

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

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 Florida 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 2010 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, 2010.



Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE VI. CAPITAL ASSETS**

**A. Capital Asset Activity** for the year ended September 30, 2010 was as follows:

**Primary Government**

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$19,608,716	\$ —	\$ —	\$19,608,716
Improvements other than buildings	12,759,351	567,656	—	13,327,007
Construction/Purchase in progress	24,257,910	14,194,873	(5,201,103)	33,251,680
Total not being depreciated	56,625,977	14,762,529	(5,201,103)	66,187,403
Capital assets being depreciated:				
Buildings	160,159,056	4,863,477	—	165,022,533
Equipment	36,152,823	8,141,139	(4,078,060)	40,215,902
Library collection	3,037,081	588,173	(640,006)	2,985,248
Infrastructure	313,214,660	4,828,277	(5,100,149)	312,942,788
Total being depreciated	512,563,620	18,421,066	(9,818,215)	521,166,471
Less accumulated depreciation for:				
Buildings	(65,281,942)	(4,205,698)	—	(69,487,640)
Equipment	(15,987,212)	(3,570,679)	1,172,792	(18,385,099)
Library collection	(1,847,808)	(597,050)	640,006	(1,804,852)
Infrastructure	(163,056,913)	(9,586,826)	2,182,864	(170,460,875)
Total accumulated depreciation	(246,173,875)	(17,960,253)	3,995,662	(260,138,466)
Total being depreciated, net	266,389,745	460,813	(5,822,553)	261,028,005
<b>Governmental activities capital assets, net</b>	<b>\$323,015,722</b>	<b>\$15,223,342</b>	<b>\$(11,023,656)</b>	<b>\$327,215,408</b>

**Business-type Activities:**

Capital assets 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	19,136,138	785,095	—	19,921,233
Equipment	5,601,466	671,567	(1,003,299)	5,269,734
Total being depreciated	24,737,604	1,456,662	(1,003,299)	25,190,967
Less accumulated depreciation for:				
Buildings	(11,114,734)	(48,281)	—	(11,163,015)
Equipment	(2,277,939)	(541,656)	566,768	(2,252,827)
Total accumulated depreciation	(13,392,673)	(589,937)	566,768	(13,415,842)
Total being depreciated, net	11,344,931	866,725	(436,531)	11,775,125
<b>Business-type activities capital assets, net</b>	<b>\$13,754,775</b>	<b>\$ 866,725</b>	<b>\$ (436,531)</b>	<b>\$ 14,184,969</b>

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE VI. CAPITAL ASSETS (CONTINUED)**

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

**Governmental Activities:**

General government	\$ 3,858,944
Public safety	1,198,488
Physical environment	566,947
Transportation	10,064,824
Human services	199,500
Culture and recreation	<u>2,071,550</u>
Total depreciation expense – governmental activities	<u><u>\$ 17,960,253</u></u>

**Business-type Activities:**

Landfill	<u>\$ 589,937</u>
Total depreciation expense – business-type activities	<u><u>\$ 589,937</u></u>

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE VII. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

**A. Interfund Balances** as of September 30, 2010, consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>Primary Government:</b>		
By Major Fund:		
General	\$2,390,570	\$2,608,105
Fine & Forfeiture	1,397,550	—
Grants	—	237,882
Capital Improvement	17,141	—
Local Option Sales Tax	10,147	—
Extended Local Option Sales Tax	4,276	—
Total Major Funds	<u>3,819,684</u>	<u>2,845,987</u>
<b>Nonmajor Special Revenue Funds:</b>		
County Transportation Trust Fund	2,079	—
Probation Fund	276	—
Growth Management	355	—
Mosquito Control	275	3,289
MSBU Stormwater Utility	661	—
911 Emergency Communications	388,766	—
Radio Communications Systems	—	31,590
Emergency Medical Services	1,339	590
Municipal Service Fund	925	—
Tourist Development Trust Fund	1,352	—
Sheriff Special Grants Fund	140,516	870,336
Emergency Management 911 Fees	62,260	496,506
Emergency Management Grants	122,324	119,254
Sheriff Inmate Fund	568	178,265
Total Nonmajor Special Revenue Funds	<u>721,696</u>	<u>1,699,830</u>
<b>Nonmajor Capital Project Funds:</b>		
Gas Tax – Capital Projects	1,899	—
Construction Series 2003A-2003B	275	—
Construction Series 2005	316	—
Emergency Communications	457	—
Moving Violation Surcharge	551	—
Impact Fee - Countywide	939	—
Total Capital Project Funds	<u>4,437</u>	<u>—</u>
Total Nonmajor Governmental Funds	<u>726,133</u>	<u>1,699,830</u>
Total Governmental Funds	<u>4,545,817</u>	<u>4,545,817</u>
Total Primary Government	<u>4,545,817</u>	<u>4,545,817</u>
Total Primary Government and Component Unit	<u><u>\$4,545,817</u></u>	<u><u>\$4,545,817</u></u>

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

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

**A. Interfund Balances (continued)**

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, 2010

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

**B. Interfund Transfers** represent the movement of cash for operations in funds and constitutional officers. At year end, the balances for the year ended September 30, 2010, consisted of the following:

Transfers to the General Fund from:	
Fine & Forfeiture Fund	\$ 60,997,462
Nonmajor Governmental Funds	389,532
Enterprise Fund	28,822
Total Transfers to the General Fund	<u>61,415,816</u>
Transfers to the Fine & forfeiture Fund from:	
General Fund	1,316,122
Nonmajor Governmental Funds	317,600
Total Transfers to the Fine & Forfeiture Fund	<u>1,633,722</u>
Transfers to the Grants Fund from:	
General Fund	131,155
Capital Improvement Fund	173,040
Nonmajor Governmental Funds	13,711
Total Transfers to Grants Fund	<u>317,906</u>
Transfers to the Capital Improvement Fund from:	
General Fund	2,120,000
Nonmajor Governmental Funds	418,413
Total Transfers to the Capital Improvement Fund	<u>2,538,413</u>
Transfers to the Nonmajor Funds from:	
General Fund	17,947,023
Grants Fund	508,694
Capital Improvement Fund	2,359,785
Nonmajor Governmental Funds	8,915,166
Total Transfers to the Nonmajor Funds	<u>29,730,668</u>
Total Transfers to the Governmental Funds	<u>95,636,525</u>
Transfers to the Enterprise Fund from:	
General Fund	1,357,650
<b>Total Transfers to Enterprise Funds</b>	<u>1,357,650</u>
<b>Total Interfund Transfers</b>	<u><u>\$ 96,994,175</u></u>

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**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, 2010, are comprised of the following:

**Revenue Bonds:**

**Outstanding at  
September 30, 2010**

\$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.

\$ 50,375,000

\$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, 2010

**NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)**

**A. Long-term Obligations (continued)**

	<b>Outstanding at September 30, 2010</b>
<p>\$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.</p>	12,465,000
<p>\$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.</p>	7,790,000
<p><i>The Capital Improvement Revenue Bonds, Series 2003A, the Capital Improvement and Refunding Revenue Bonds, Series 2005, 1998B 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.</i></p>	
<b>TOTAL BONDS PAYABLE</b>	<b>\$ 78,595,000</b>

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)**

**A. Long-term Obligations (continued)**

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 matured on May 18, 2008, and the tax-exempt portion matures on May 18, 2018.

\$ 3,234,163



Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)**

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

**Special Revenue Bonds and Notes Payable**

<b>Fiscal Year Ending September 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 5,713,463	\$ 3,700,106	\$ 9,413,569
2012	5,957,200	3,455,981	9,413,181
2013	6,211,456	3,197,281	9,408,737
2014	6,496,251	2,911,348	9,407,599
2015	6,811,605	2,602,969	9,414,574
2016-2020	33,354,188	8,491,129	43,845,317
2021-2025	15,285,000	2,246,863	17,531,863
<b>Total</b>	<b>\$ 81,829,163</b>	<b>\$ 26,605,677</b>	<b>\$ 108,434,840</b>

**C. Advances and Current Refundings** – There are no current advances or current refundings.

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)**

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

	Balance October 1, 2009	Reductions	Additions	Balance September 30, 2010	Due Within One Year
<b>Governmental Activities:</b>					
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	10,135,000	(2,345,000)	—	7,790,000	2,465,000
Capital Improvement Refunding Revenue Bonds, Series 2005	53,165,000	(2,790,000)	—	50,375,000	2,885,000
Total Special Revenue Debt	83,730,000	(5,135,000)	—	78,595,000	5,350,000
Liability for compensated absences	14,359,696	(6,790,609)	7,653,918	15,223,005	4,344,496
Other Postemployment Benefits	1,615,593	(245,192)	1,129,122	2,499,523	—
Arbitrage rebate liability	25,000	—	—	25,000	—
Bank of America – Notes Payable	3,560,547	(326,384)	—	3,234,163	363,463
Governmental Activity Long-Term Debt	\$ 103,290,836	\$ (12,497,185)	\$ 8,783,040	\$ 99,576,691	\$ 10,057,959
<b>Business-type activities:</b>					
Liabilities for Compensated absences	\$ 152,211	\$ (90,484)	\$ 107,370	\$ 169,097	\$ 58,212
Other Postemployment Benefits	25,229	—	37,106	62,335	—
Landfill Closure and Postclosure Costs	10,886,848	—	108,869	10,995,717	—
Business-type activity Long-term liabilities	\$ 11,064,288	\$ (90,484)	\$ 253,345	\$ 11,227,149	\$ 58,212

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)**

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

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.

**E. 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 2010 is as follows:

Beginning balance	\$ 227,444
Purchases	2,683,459
Payments	<u>(2,628,223)</u>
Ending balance	<u><u>\$ 282,680</u></u>

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

**G. Demand Bonds** - The County has no demand bonds.

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

The Authority had the following bonds outstanding at September 30, 2010, pursuant to its authorization:

	<u>Amount Outstanding</u>
Single Family Mortgage Revenue and Refunding Bonds:	
Series 1995 A	<u><u>\$ 295,000</u></u>

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.

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)**

**I. 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, 2010, the conduit debts outstanding were as follows:

<b>Project Description</b>	<b>Fiscal Year Issued</b>	<b>Original Bond Issue</b>	<b>Principal Outstanding @ 09/30/2010</b>
Holy Comforter Episcopal School	2002	\$4,400,000	\$ 3,524,231
Industrial Development Revenue Bonding Ring Power Corp. / Manufacturing Plant	1984	1,500,000	35,000
<b>Total Conduit Debt Principal Balance as of September 30, 2010</b>			<b>\$ 3,559,231</b>
<b><u>Defeased Conduit Debt</u></b>			
Educational Facilities Authority			<b>\$ 8,755,000</b>

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE VIII. LONG-TERM OBLIGATIONS (CONTINUED)**

**J. Debt Parity**

The Capital Improvement Revenue Bonds, Series 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, 2<sup>nd</sup> Guaranteed Entitlement, and 50% of the additional state revenue funds received in the prior fiscal year.

	<b>Actual 2007</b>	<b>Actual 2008</b>	<b>Actual 2009</b>	<b>Actual 2010</b>
Pledged Revenues:				
Revenues Available for Debt Service:				
Local Government Half Cent Tax	\$12,085,764	\$11,693,726	\$10,466,447	\$10,288,684
Guaranteed Entitlement	316,798	316,798	316,798	316,798
Second Guaranteed Entitlement	1,026,649	1,026,649	1,026,649	1,026,649
Additional State Revenue Sharing	<u>1,244,381</u>	<u>1,142,489</u>	<u>935,798</u>	<u>699,931</u>
Funds				
Total Revenues Available for Debt Service	<u>\$14,673,592</u>	<u>\$14,179,662</u>	<u>\$12,745,692</u>	<u>\$12,332,062</u>
Combined Maximum Annual Debt:				
Service for Debt (Series 1998B, Series 2003A and 2003B, and Series 2005)	\$8,928,668	\$8,925,429	\$8,928,508	\$8,927,843
Debt Service Coverage	1.64x	1.59x	1.43x	1.38x

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE IX. CLOSURE AND POSTCLOSURE CARE COST**

State and federal laws and regulations require the County 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 County 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 \$10,995,717 reported as landfill closure and post-closure care liability at September 30, 2010, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill cells placed in use. These amounts are based on what it would cost to perform closure and post-closure care in 2010 on those cells placed in use. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The landfill is no longer accepting Class I waste; however, it is still accepting residuals from a Class II materials recovery facility and recovered screened materials. Since the landfill is permitted as a single permit, until the entire landfill is closed, the Board cannot begin to perform closure and post-closure care.

The County 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 County is in compliance with those minimum requirements, and at September 30, 2010, held investments with a fair value of \$6,808,981 for these purposes that are reported as restricted assets on the balance sheet. The County 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, 2010

**NOTE X. EMPLOYEE BENEFITS**

**A. Florida Retirement System**

*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 at [www.dms.myflorida.com/human\\_resource\\_support/retirement/publications/system\\_information/annual\\_reports](http://www.dms.myflorida.com/human_resource_support/retirement/publications/system_information/annual_reports).

*Funding Policy* - The System is employee noncontributory. The County is required to contribute at an actuarially determined rate.

The County also participates in the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing, multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. The benefit is a monthly cash payment to assist retirees of state-administered retirement systems in paying their health insurance costs.

The HIS Program is funded by required contributions from FRS participating employers as set by the State Legislature. Employer contributions are a percentage of gross compensation for all active FRS employees and are reported by employers with monthly payroll reports and included with the amount submitted for retirement contributions. For the fiscal year ended September 30, 2010, the contribution rate was 1.11% of payroll pursuant to Section 112.363, Florida Statutes.

The contributions required for the years ended September 30, 2010, 2009, and 2008 were \$11,595,076, \$11,289,233, and \$11,105,293, respectively, which is equal to 100% of the required contribution for each year. The rates for 2010 and 2009 fiscal years were as follows:

Membership Category	Benefit	Vesting	Employer Contribution Rate	
			July 1, 2009	July 1, 2010
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%	10.77%
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%	14.57%
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%	23.25%

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE X. EMPLOYEE BENEFITS (CONTINUED)**

**A. Florida Retirement System (continued)**

Membership Category	Benefit	Vesting	Employer Contribution Rate	
			July 1, 2009	July 1, 2010
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%	18.64%
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%	12.25%

**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.



Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE X. EMPLOYEE BENEFITS (CONTINUED)**

**E. Post Employment Benefits Other Than Pension Benefits**

*Plan Description* – The County participates and administers an agent multiple-employer plan under which qualified retired employees are permitted to participate in the health and life insurance benefits program (the Program). The Program is considered by the County’s health insurance provider to be community-rated and the Program may be amended by the County’s Board of County Commissioners. The liability is calculated for life insurance only. A stand alone financial report is not issued for the Program.

*Funding Policy* – Retired employees and their spouses for their lifetime are eligible for continuation of the benefits offered to active employees and are responsible for paying the required premium contributions.

*Annual OPEB Cost and Net OPEB Obligation* – As described in Note 1, the County consists of elected Constitutional Officers of the County. The annual Other Postemployment Benefit (OPEB) obligation of Constitutional Officers is recognized in the county-wide financial statements of the County and the obligation associated with each Constitutional Officer is disclosed within the notes of their respective financial statements. The County’s OPEB obligation is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the guidance provided by Governmental Accounting Standards Board Statement Number 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.” The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the County’s annual OPEB cost, its actual contributions and changes in the County’s net OPEB obligation:

	<b>FY 2010</b>	<b>FY 2009</b>	<b>FY 2008</b>
Normal cost (service cost for one year)	\$ <b>480,857</b>	\$ 480,857	\$ 458,244
Amortization of unfunded actuarial accrued liability	<b>668,455</b>	688,455	525,853
Interest on normal cost and amortization	<b>45,972</b>	45,972	39,364
Annual required contribution	<b>1,195,284</b>	1,195,284	1,023,461
Interest on net OPEB obligation	<b>65,633</b>	27,244	–
Adjustment to annual required contribution	<b>(94,889)</b>	(39,388)	–
Annual OPEB costs	<b>1,166,028</b>	1,183,140	1,023,461
Contributions made	<b>(245,192)</b>	(223,409)	(342,370)
Increase in net OPEB obligation	<b>920,836</b>	959,731	681,091
Net OPEB obligation at beginning of year	<b>1,640,822</b>	681,091	–
Net OPEB obligation at end of year	<b>\$ 2,561,658</b>	\$ 1,640,822	\$ 681,091

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE X. EMPLOYEE BENEFITS (CONTINUED)**

**E. Post Employment Benefits Other Than Pension Benefits (continued)**

The percentage of annual OPEB cost contributed to the plan for fiscal year 2010, 2009, and 2008 was 21.03%, 18.8%, and 33.5%, respectively.

*Funded Status and Funding Progress* – As of September 30, 2010, the County's share of the actuarial accrued liability for benefits recognized in the County's financial statements was \$12,021,295, all of which was unfunded. The County's covered payroll (annual payroll of active employees covered by the plan) was \$79,168,462. The ratio of the County's actuarial accrued liability to the County's covered payroll was 15.18% at September 30, 2010.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

*Actuarial Methods and Assumptions* – Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of the valuation. The actuarial calculations reflect a long-term perspective and the actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the October 1, 2008 actuarial valuation, the projected unit credit method of funding was used. The objective under that method is to fund each participant's benefits under the plan as they would accrue, taking into consideration the plan's benefit allocation formula. Thus, the total benefit value each participant is expected to become entitled to is broken down into units, each associated with a year of past or future credited service. The actuarial assumptions included a 4% rate of return based on the estimated long-term investments that are expected to be used to finance the payment of the benefits. In addition, the actuarial assumptions included a 3% salary growth rate. The unfunded actuarial liability is being amortized as a level of percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2010, was 30 years.

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE XI. RISK MANAGEMENT AND CONVENTIONALLY INSURED CLAIMS & LOSSES**

**A. General Liability**

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

**B. Workers Compensation**

The County maintains a self-insurance Internal Service Fund (the Fund) to account for insurance activities relating to workers' compensation that is administered by a third-party administrator. Under this program, the County absorbs losses up to a maximum of \$350,000 for each claim. At September 30, 2010, the County had \$40,000 deposited with the third-party administrator for use against future claims. The County 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 four years.

All funds of the County participate in this program and make payments to the 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 \$2,973,000, which includes an actuarial evaluation for incurred but not reported claims of \$2,637,277, is included in other current liabilities and reported in the Fund at September 30, 2010. 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 were as follows:

<b>Year</b>	<b>Beginning of Fiscal Year</b>	<b>Current-Year Claims and Changes in Estimates</b>	<b>Claims Payments</b>	<b>Balance at Fiscal Year- End</b>
2010	\$ 3,370,000	\$ (63,000)	\$ 334,000	\$ 2,973,000
2009	\$ 3,298,000	\$ 844,000	\$ 772,000	\$ 3,370,000

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**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.

Changes in the Fund's claims liability were as follows:

<b>Year</b>	<b>Beginning of Fiscal Year</b>	<b>Current-Year Claims and Changes in Estimates</b>	<b>Claims Payments</b>	<b>Balance at Fiscal Year- End</b>
2010	\$ 35,000	\$ (22,000)	\$ -	\$ 13,000
2009	\$ 33,000	\$ 2,000	\$ -	\$ 35,000

The claims liability of \$13,000 includes an actuarial valuation for incurred but not reported claims of \$1,840.

As a member of the Florida Sheriff's Association, the Sheriff participates in the Sheriffs' Automobile Risk Program (SHARP) for automobile liability insurance. Coverage includes liability for bodily injury and property damage, personal injury protection, auto medical payments, bodily injury for uninsured motorists and physical damage. Coverage for physical damage is also maintained on certain vehicles. The contribution required for the year ended September 30, 2010 was \$171,601.

**D. Professional Liability**

The Sheriff is currently a member of the Florida Sheriffs' Association and participates in the Florida Sheriffs' Self-Insurance Fund. The Self-Insurance Fund administers insurance activities related to professional liability and covers compensatory damages (except back pay), employment benefits, punitive damages, attorney fees or costs awarded to a prevailing Plaintiff, and all legal fees involved in defense of the Sheriff. The contribution required for the year ended September 30, 2010 was \$508,469.

The limits of the Self-Insurance Fund for the above-mentioned damages, fees and defense costs are \$3,100,000 per person, \$3,200,000 per incident or occurrence and \$5,000,000 in aggregate for the policy year. Settled claims did not exceed this coverage in the current year.

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

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

**E. Excess Insurance**

In the normal course of jail operations, the Sheriff seeks to limit its exposure to loss for catastrophic medical costs by purchasing insurance under an excess coverage contract. During the year ended September 30, 2010, the Sheriff maintained an excess insurance policy that provides a maximum specific benefit of \$250,000 per covered person, for claims in excess of \$75,000 reported during the annual contract term. The premium required for the year ended September 30, 2010 was \$59,994.

**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**

Certain funds show an excess of expenditures over appropriations. This excess is due to the appropriation and use of fund balance during the fiscal year.

**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, 2010

**NOTE XIV. COMMITMENTS AND CONTINGENCIES**

**A. Contract Commitments**

**Lease Income**

In June 2003, the County 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, 2010 are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Amount</b>
2011	\$ 1,091,484
2012	814,907
2013	675,749
2014	614,115
2015	568,509
Thereafter	756,797
Total minimum payments	<u>\$ 4,521,561</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 \$473,935 for fiscal 2010. The facility is carried as a governmental activity because the county purchased the building to provide offices for County staff.

**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, 2010, aggregate future minimum payments under non-cancelable operating leases with remaining terms equal to or exceeding one year are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Amount</b>
2011	\$ 541,540
2012	476,940
2013	373,136
2014	313,369
2015	316,602
Thereafter	1,690,965
Total minimum payments	<u>\$ 3,712,552</u>

Lease expenditures incurred under operating leases for the year ended September 30, 2010 were \$518,049.

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE XIV. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**A. Contract Commitments (continued)**

**Operating Leases (continued)**

The Sheriff is committed to various operating leases for certain office and radio 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, 2010, equipment lease expenses were \$90,146. Future minimum lease payments under the equipment leases are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Amount</b>
2011	\$ 45,288
2012	42,335
2013	18,780
2014	14,100
2015	2,349
Total minimum payments	<u>\$ 122,852</u>

The Clerk leases office equipment and building space under operating leases expiring in various years through 2012.

Minimum future lease payments under operating leases having remaining terms in excess of one year as of September 30, 2010, are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Amount</b>
2011	\$ 42,540
2012	12,168
Total minimum payments	<u>\$ 54,708</u>

On June 27, 2010, the Clerk entered into an agreement for installation and implementation of new software. The total fees under this contract are \$513,750. As of September 30, 2010, a total of \$127,098 has been paid. The remaining balance is expected to be paid within the 2010-2011 fiscal year.

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.

Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE XIV. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**A. Contract Commitments (continued)**

**Capital Leases**

On January 31, 2009, the County entered into a capital lease for the purchase of computer equipment. The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments:

<u>Fiscal Year Ending September 30,</u>	<u>Amount</u>
2011	\$ 229,120
2012	229,120
2013	<u>229,120</u>
Total minimum lease payments	687,360
Less amount representing interest	<u>(44,343)</u>
Present value of net minimum lease payments	<u><u>\$ 643,017</u></u>

**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.

**Long-term Construction Projects**

The County is committed to various material long-term construction projects at September 30, 2010. These commitments have been included in the 2009-2010 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 \$8.5 million as compared to \$1.8 million at September 30, 2009.

**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 are collections of the local government infrastructure



Leon County, Florida  
Notes to Financial Statements  
September 30, 2010

**NOTE XIV. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**B. Blueprint 2000 Intergovernmental Agency(continued)**

sales surtax, beginning December 1, 2004, extended pursuant to the provisions in Section 212.055, Florida Statutes, until December 31, 2019. Debt has been issued in conjunction with these projects and secured by the above revenues. These bonds were issued to finance the projects approved by the voters of Leon County. Further information can be found in the BluePrint 2000 Intergovernmental Agency Financial Statements.

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.

**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, 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 and for the fiscal year ended September 30, 2010, which collectively comprise Leon County, Florida's basic financial statements and have issued our report thereon dated February 18, 2011. 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 Leon County, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Leon County, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Leon County, Florida's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 Leon County, Florida'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*.

We noted certain other matters pursuant to the *Rules of the Auditor General*, Chapter 10.550 that we have reported to the management of Leon County, Florida in a separate letter dated February 18, 2011. Leon County's responses to our recommendations made pursuant to the *Rules of the Auditor General* have been included in that letter. We did not audit Leon County's responses and, accordingly, we express no opinion on the responses.

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.

 Thomas Howell Ferguson P.A. Law, Redd, Crona & Manroe, P.A.

February 18, 2011

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 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, 2010. Leon County, Florida'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 Leon County, Florida's management. Our responsibility is to express an opinion on Leon County, Florida'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 Leon County, Florida'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 Leon County, Florida's compliance with those requirements.

In our opinion, Leon County, Florida 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, 2010.

### **Internal Control Over Compliance**

Management of Leon County, Florida is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered Leon County, Florida's internal control over compliance with the 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 internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Leon County, Florida's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

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

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.

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

February 18, 2011

Leon County Board of County Commissioners  
Schedule of Expenditure of Federal Awards and State Financial Assistance  
For the year ended September 30, 2010

Federal / State Agency Pass-through Entity Federal Program / State Project	CFDA or CSFA Number	Grant Contract Number	Expenditures	Transfers to Subrecipients
<b>FEDERAL AWARDS</b>				
<b><u>U.S. Department of Agriculture-Natural Resources Conservation Service</u></b>				
Pass through Florida Department of Agriculture and Consumer Services				
Specialty Crop Block Grant Program - Farm Bill	10.170	3306	3,664	
Suppression and Management of Cogongrass	10.170	Unknown	19,059	
Direct Program				
Emergency Watershed Protection Program	10.923	69-4209-9-1696	7,048	
<b>Total U.S. Department of Agriculture-Natural Resources Conservation Service</b>			<b>29,771</b>	
<b><u>U.S. Department of Housing and Urban Development</u></b>				
Pass through Florida Department of Community Affairs				
CDBG - Small Cities	14.228	07DB-3K-02-47-01-E17	1,000	
CDBG Disaster Recovery Program	14.228	10DB-K4-02-47-01-K21	65,609	
<b>Total U.S. Department of Housing and Urban Development</b>			<b>66,609</b>	
<b><u>U.S. Department of Interior</u></b>				
Direct Program				
Payment in Lieu of Taxes	15.226	Unknown	169,161	
Pass through Florida Department of Financial Services				
Secure Rural Schools and Community Self-Determination	15.234	6540-2010	57,018	
<b>Total U.S. Department of Interior</b>			<b>226,179</b>	
<b><u>Fish &amp; Wildlife Service, Department of the Interior</u></b>				
Direct Program				
St. Marks Headwaters Longleaf Restoration	15.608	2006-0139-000	915	
<b><u>U.S. Department of Justice</u></b>				
Direct Programs				
State Criminal Alien Assistance Program (SCAAP)	16.606	2007-AP-BX-0254	11,768	
COPS Technical Program	16.710	2008CKWX0342	67,100	
Secure Our Schools (SOS) - COPS Grant	16.710	2007CKWX0092	73,998	
Pass through State of Florida Office of the Attorney General				
Victims of Crime Act	16.575	V8247	4,974	
Victims of Crime Act	16.575	V01951	48,023	
Pass through Florida Department of Law Enforcement				
ARRA-Byrne-JAG Grant Law Enforcement Equipment	16.803	2010-ARRC-LEON-1-W7-227	353,997	37,351
Byrne-JAG Grant Drug Court	16.738	2010-JAGC-LEON-2-4X-171	30,000	
Byrne-JAG Grant LCSO Internet Crime	16.738	2010-JAGC-LEON-1-4C-005	65,000	
Byrne-JAG Grant TPD Equipment	16.738	2010-JAGC-LEON-3-4X-152	104,836	
Pass through City of Tallahassee				
JAG-Law Enforcement Equipment	16.738	2009-H2361-FL-DJ	86,600	
ARRA-Recovery Act Justice Assistance	16.803	2009-F3418-FL-SB	402,434	
<b>Total U.S. Department of Justice</b>			<b>1,248,730</b>	<b>37,351</b>
<b><u>U.S. Department of Transportation</u></b>				
Pass through State of Florida Department of Transportation				
ARRA-Intersection Improvements Meridian Road at Bannerman				
And Ox Bottom Roads	20.205	26525-1-58-01 & 426526-1-58-0	446,550	
ARRA-Perkins Sidewalk Construction	20.205	426699-1-58-01	18,727	
ARRA-Dempsey Mayo Sidewalk Construction	20.205	426695-1-58-01	125,361	
ARRA-Velda Dairy Sidewalk Construction	20.205	426701-1-58-01	172,164	
Leon County Safety Belt Enforcement	20.609	K4PT-10-21-15 (APV22)	11,332	
<b>Total U.S. Department of Transportation</b>			<b>774,134</b>	

(continued)

Leon County Board of County Commissioners  
Schedule of Expenditure of Federal Awards and State Financial Assistance (continued)  
For the year ended September 30, 2010

Federal / State Agency Pass-through Entity Federal Program / State Project	CFDA or CSFA Number	Grant Contract Number	Expenditures	Transfers to Subrecipients
<b>FEDERAL AWARDS (continued)</b>				
<b><u>U.S. Department of State</u></b>				
Pass through Florida Department of State				
Voter Education Funding & Pollworker	90.401	Title I	62,074	
Military & Overseas Voter Empowerment Act Implementation Grant	90.401	Title III	6,434	
<b>Total U.S. Department of State</b>			<b>68,508</b>	
<b><u>National Endowment for the Arts</u></b>				
Direct Program				
ARRA-The Big Read	45.024	FY11	5,674	
<b><u>U.S. Department of Health and Human Services</u></b>				
Pass through Florida Department of Revenue				
Title IV D - Child Support Enforcement	93.563	CD337	275,407	
Child Support Enforcement-Service of Process	93.563	CSP37	17,622	
Child Support Enforcement-Title IV D Incentive	93.563	Unknown	1,861	
<b>Total U.S. Department of Health and Human Services</b>			<b>294,890</b>	
<b><u>U.S. Department of Homeland Security, Office of Domestic Preparedness</u></b>				
Pass through Florida Department of Community Affairs				
FEMA-Hurricane Ivan	97.036	05-PA-G-02-47-01-753	6,465	
Public Safety Interoperable Communications Grant	11.555	09-DS-31-02-47-01-417	1,990,564	
Radiation/Nuclear Detection Equipment	97.067	10-DS-07-02-47-01-257	47,400	
Issue - DEM Training	97.067	08-DS-60-02-47-01-336	37,500	
Issues #2, 5, 16, 26 - SWAT/EOD Enhancements, Aviation Equipment				
Regional Forensics, Fusion Center Analyst	97.067	10-DS-39-02-47-01-361	226,334	
Pass through Florida Department of Law Enforcement				
#28 Region 2 Data Sharing Project - LETP	97.004	2006-LETP-LEON-2-NI-014	314,872	
SWAT and EOD-GAP	97.067	2008-SHSP-LEON-1-S4-015	161,022	
Issue #7 -Critical Infrastructure Enhancement	97.067	2007-LETP-LEON-3-Q4-051	21,382	
Regional Critical Infrastructure Hardening	97.067	2008-LETP-LEON-3-S3-053	114,102	
Forensic	97.067	2009-SHSP-LEON-2-V3-062	15,365	
Enhanced SWAT & EOD Regional Team Capabilities	97.067	2009-SHSP-LEON-3-V3-036	208,795	
Region 2 RLEX Project	97.067	2010-LETP-LEON-1-S3-078	61,975	
Pass through Florida Department of Emergency Management				
State Hazard Mitigation Grant	97.039	11HM-3E-02-47-01-002	129,742	
<b>Total U.S. Department of Homeland Security</b>			<b>3,335,518</b>	
<b><u>Federal Emergency Management Agency</u></b>				
Pass through Florida Department of Community Affairs				
Emergency Management Performance Grant	97.042	09BG-03-02-47-01-140	31,072	
Tropical Storm Fay	97.036	09-FA-B9-02-47-00-541	181,726	
<b>Total Federal Emergency Management Agency</b>			<b>212,798</b>	
<b>Total Expenditures of Federal Awards</b>			<b>\$ 6,263,726</b>	<b>\$ 37,351</b>

(continued)



Leon County Board of County Commissioners  
Schedule of Expenditure of Federal Awards and State Financial Assistance (continued)  
For the year ended September 30, 2010

Federal / State Agency Pass-through Entity Federal Program / State Project	CFDA or CSFA Number	Grant Contract Number	Expenditures	Transfers to Subrecipients
<b>STATE FINANCIAL ASSISTANCE</b>				
<b><u>Florida Department of Environmental Protection</u></b>				
Direct Projects				
Rhoden Cove Stormwater Improvements	37.069	LP6742	242,412	
<b><u>Florida Department of Agriculture &amp; Consumer Services</u></b>				
Direct Project				
State Mosquito Control	42.003	14144	35,023	
<b><u>Florida Department of State</u></b>				
Direct Project				
State Aid to Libraries	45.030	10-ST-28	135,250	
<b><u>Florida Department of Community Affairs</u></b>				
Direct Projects				
Emergency Management Base Grant	52.008	10BG-25-02-47-01-070	102,724	
Fred George Basin - Florida Forever	52.002	07-102-FF7	846,204	
Hazardous Materials Planning & Prevention	52.023	10CP-04-02-47-23-157	7,500	
<b>Total Florida Department of Community Affairs</b>			<b>956,428</b>	
<b><u>Florida Housing Finance Corporation</u></b>				
Direct Projects				
State Housing Initiatives Partnership Program - FHOP	52.901	SHIP 10	3,117	
State Housing Initiatives Partnership Program	52.901	SHIP 08	2,040	
Foreclosure Prevention Grant	52.901	Unknown	779,409	
<b>Total Florida Housing Finance Corporation</b>			<b>784,566</b>	
<b><u>Florida Department of Children and Families</u></b>				
Direct Project				
Criminal Justice, Mental Health and Substance Abuse Reinvestment	60.115	LHZ19	234,273	
<b><u>Florida Department of Health</u></b>				
Direct Projects				
State EMS Matching Grant	64.003	M8020	27,353	
State EMS Matching Grant - AVL Software	64.003	M8019	24,051	
State EMS Matching Grant - Public Education Staff	64.003	M7063	37,756	
State EMS Matching Grant - AED Equipment	64.003	M9036	25,690	
State EMS Matching Grant - Bariatric Stretchers	64.003	M9037	22,004	
State EMS Matching Grant - Pneumatic Stretchers	64.003	M9038	118,809	
State EMS Matching Grant - Medical Response Cart	64.003	M9039	44,053	
Emergency Medical Services County Grant	64.005	C8037	25,178	
Emergency Medical Services County Grant	64.005	C9037	11,907	
<b>Total Florida Department of Health</b>			<b>336,801</b>	
<b><u>Florida Department of Management Services</u></b>				
Direct Project				
E-911 Regional Selective Routing Installation Project	72.002	S2-09-1-14	310,508	
<b>Total Expenditures of State Financial Assistance</b>			<b>\$ 3,035,261</b>	<b>\$ -</b>

**NOTES:**

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

Community Development Block Grant-Entitlement	14.218	\$ 195,339
State Housing Initiatives Partnership Program	52.901	5,184,290
		<b>\$ 5,379,629</b>

*See independent auditors' report.*

Board of County Commissioners  
Leon County, Florida  
Schedule of Findings and Questioned Costs  
Year ended September 30, 2010

*Schedule of Findings and Questioned Costs Relating to Federal Awards*

**Section I -- Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	None
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	None
Type of auditor's 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 Number</u>	<u>Name of Federal Program</u>
		U.S. Department of Homeland Security, Office of Domestic Preparedness
		Pass-through from Florida Department of Community Affairs
	11.555	Public Safety Interoperable Communications Grant
		U.S. Department of Justice
		Pass-through from Florida Department of Law Enforcement
	16.803	ARRA-Byrne-JAG Law Enforcement Equipment
		Pass-through from City of Tallahassee
	16.803	ARRA-Recovery Act Justice Assistance
		U.S. Department of Transportation
		Pass-through from State of Florida Department of Transportation
	20.205	ARRA-Intersection Improvements Meridian Road at Bannerman & Ox Bottom Roads
		ARRA-Perkins Sidewalk Construction
		ARRA-Dempsey Mayo Sidewalk Construction
		ARRA-Velda Dairy Sidewalk Construction
		National Endowment for the Arts
		Direct Program
	45.024	ARRA-The Big Read

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.

*See independent auditors' report.*

Board of County Commissioners  
Leon County, Florida  
Schedule of Findings and Questioned Costs  
Year ended September 30, 2010

*Schedule of Findings and Questioned Costs Relating to State Financial Assistance*

**Section I -- Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over major projects:

Significant deficiency(ies) identified? No

Significant deficiency(ies) identified considered to be material weaknesses? None

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? None

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)(l)(4)? No

Findings required to be reported in a management letter pursuant to  
*Rules of the Auditor General*, Chapter 10.554(1)(i)? None reported

Identification of major projects:	<u>CSFA Number</u>	<u>Name of State Project</u>
	52.002	Florida Department of Community Affairs Fred George Basin-Florida Forever
	52.901	Florida Housing Finance Authority State Housing Initiatives Partnership Program Foreclosure Prevention Grant
	72.002	Florida Department of Management Services E-911 Regional Selective Routing Installation Project

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

**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 -- 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)(l)(4).

*See independent auditors' report.*

Honorable Board of County Commissioners  
Leon County, Florida

We have audited the financial statements of Leon County, Florida, as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated February 18, 2011.

We conducted our audit in accordance with 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 25, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General*, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.
- Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to 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 Leon County, Florida complied with Section 218.415, *Florida Statutes*.
- The *Rules of the Auditor General* (Section 10.554(1)(i)3.) require that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have the following recommendation:

#### Security Assessment

During procedures performed over information technology controls, we noted the most recent security assessment was performed in August 2007. Given the limited scope of our procedures, substantial changes to the Board's environment, and introduction of new technologies (virtualization, MAN expansion, Wireless, etc.), we recommend the Board obtain an independent contractor to perform a security assessment similar to the one that was performed in August 2007. This will better enable the Board to identify and remediate outstanding security risks and vulnerabilities, enhance protection over the IT environment, and gain new insight on risks related to newly acquired hardware and software.

***Management's Response:***

Board MIS will retain an independent contractor to assess security controls in the IT environment. We recognize this is an ever changing environment and may well establish a long-term contract for periodic evaluations.

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➤ Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts or 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*, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we have the following recommendation:

**Remote Cash Receipt Collection Areas**

Upon performing walkthroughs at five of the 20 remote cash collection points, we noted that there were inconsistencies between documented and actual procedures. Additionally, auditor noted areas where the existing control structure could be strengthened. We recommend that the Internal Audit Department, in cooperation with the Finance Department, perform periodic walkthroughs of each remote cash collection point for the purpose of verifying adherence to, and consistency with, documented control procedures at the department level.

***Management's Response:***

Internal Audit and Finance will do periodic walkthroughs of cash collection locations over this next year. We will evaluate process and procedures, and then work with Board staff (Management, MIS, and Operating Departments) to ensure effective procedures and systems are in place.

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➤ 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 this management letter, unless disclosed in the notes to the financial statements. Leon County, Florida is a political subdivision of the State of Florida. Leon County, Florida included the following component unit: The Housing Finance Authority of Leon County, which 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 Leon County, Florida 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 Leon County, Florida for the fiscal year ended September 30, 2010, filed with the Florida 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, 2010. In connection with our audit, we determined that these two reports were in agreement.

➤ Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), *Rules of the Auditor General*, we applied financial condition assessment procedures. It is management's responsibility to monitor Leon County, Florida'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 same.

Pursuant to Chapter 119, *Florida Statutes*, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter 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.

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

February 18, 2011