

Leon County, Florida



Annual Financial Report *For The Fiscal Year Ended September 30, 2013*

Prepared by the Clerk of the Circuit Court and Comptroller
Department of Finance

LEON COUNTY, FLORIDA

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Ion Sancho

**CLERK OF THE CIRCUIT COURT AND COMPTROLLER
AND**

CLERK TO BOARD OF COUNTY COMMISSIONERS

Robert B. (Bob) Inzer

DIRECTOR OF FINANCE

Betsy Coxen, CPA, CGFO

Leon County, Florida
Annual Financial Report

Year ended September 30, 2013

CONTENTS

Independent Auditors Report.....	1
Management’s Discussion and Analysis	4
A. Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	14
Statement of Activities.....	15
Fund Financial Statements:	
Governmental Fund Financial Statements:	
Balance Sheet – Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	22
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for Major Funds with Annually Appropriated Budgets:	
General Fund.....	23
Fine and Forfeiture Fund.....	24
Grants Fund.....	25
Special Assessment Paving Fund.....	26
Proprietary Fund Financial Statements:	
Statement of Net Position – Proprietary Funds.....	27
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	28
Statement of Cash Flows – Proprietary Funds	29
Fiduciary Fund Statement:	
Statement of Fiduciary Net Position – Agency Funds	31
Notes to Financial Statements.....	32

Leon County, Florida
Annual Financial Report

Year ended September 30, 2013

CONTENTS (continued)

B. *Internal Control and Compliance Reports*

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	87
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and Chapter 10.550, <i>Rules of the Auditor General</i>	89
Schedule of Expenditures of Federal Awards and State Financial Assistance	92
Schedule of Findings and Questioned Costs.....	95

C. *Management Letter*

Letter to the Leon County Board of County Commissioners dated February 19, 2014	99
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Independent Auditors' Report

The Honorable Board of County Commissioners
Leon County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison statements of Leon County, Florida (the County) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparison statements of Leon County, Florida as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison statements of the major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

Other Information

Our audit was conducted for the purpose of forming opinions 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated February 19, 2014, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Thomas Howell Ferguson P.A.

Law, Redd, Crona & Munroe P.A.



Tallahassee, Florida
February 19, 2014

Tallahassee, Florida

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, 2013. 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 xix), 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 Position 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 Position presents information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position 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, deferred outflows of resources, deferred inflows of resources, 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.

Table 1 Major Features of the Basic Financial Statements

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

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. Refer to Note 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 Position

The net investment in capital assets is the largest portion of the County's net position. 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 \$325.7 million as compared to \$317.9 million a year ago; this is a increase of \$7.8 million. Capital assets net of related debt increased this year. This is 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 position. These capital assets are used to provide services to the citizens and businesses in the County; consequently, the net position is not available for future spending. The remaining portion of the net position is considered unrestricted and can be used to finance government operations.

Table 2 below presents the County's Condensed Statement of Net Position as of September 30, 2013 and 2012, as derived from the government-wide Statement of Net Position.

Table 2

Leon County, Florida
Condensed Statement of Net Position
As of September 30
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 178,455	\$ 198,608	\$ 16,691	\$ 17,842	\$ 195,146	\$ 216,450
Capital assets	338,609	333,746	13,483	12,886	352,092	346,632
Total assets	<u>517,064</u>	<u>532,354</u>	<u>30,174</u>	<u>30,728</u>	<u>547,238</u>	<u>563,082</u>
Current liabilities	31,640	43,125	(207)	(247)	31,433	42,878
Noncurrent liabilities	79,534	78,919	11,721	11,517	91,255	90,436
Total liabilities	<u>111,174</u>	<u>122,044</u>	<u>11,514</u>	<u>11,270</u>	<u>122,688</u>	<u>133,314</u>
Net position:						
Invested in capital assets, net of related debt	312,200	305,017	13,483	12,886	325,683	317,903
Unrestricted	93,691	105,293	5,177	6,572	98,868	111,865
*Total net position	<u>\$ 405,891</u>	<u>\$ 410,310</u>	<u>\$ 18,660</u>	<u>\$ 19,458</u>	<u>\$ 424,551</u>	<u>\$ 429,768</u>

**Differences due to rounding*

Condensed Statement of Activities

Table 3 on page 8 presents the County's condensed Statement of Activities for the fiscal years ended September 30, 2013 and 2012, as derived from the government-wide Statement of Activities. Over time, increases and decreases in net position may measure whether the County's financial position is improving or deteriorating. During the fiscal year, the net position of the governmental activities decreased by \$4.420 million, or 1.1 percent, and the net position of the business-type activities decreased by \$0.798 million, or 4.1 percent. These are planned reductions in appropriated expenditures by the Board of County Commissioners in response to the economic downturn from the Great Recession. Funding has only been increased in areas of critical need, such as the Public Safety Complex.

The County just completed its tenth year of several significant changes relating to tax proceeds. Since the Board of County Commissioners adopted an ordinance levying a Utility Services Tax on the unincorporated area of Leon County, this has created a stabilizing source of revenue. This tax generated \$7.3 million in FY 2012 versus \$6.3 million in FY 2013. The decrease in revenue can be attributed to the County reimbursing the City for over remittance of the electric portion of this tax in previous years. The remainder of the reimbursement will be paid back over the next three fiscal years. Concurrent with the adoption of this tax, the County eliminated a Municipal Services Taxing Unit in the unincorporated area of Leon County. This tax was used to pay for fire services in the unincorporated areas of Leon County. In FY 2003, the MSTU raised \$3.737 million.

The County also adopted a Communications Services Tax in FY 2003. This is the tenth full year of the tax, with revenues in the amount of \$3.6 million in FY 2013 and \$3.6 million FY 2012. This tax has 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, but the ten percent (10%) assessment cap on non-homestead property became effective on January 1, 2009. Property taxes in FY 13 increased by 1%, and future growth will be tempered by the above tax changes, with increases mirroring population growth.

The Board of County Commissioners (the Board) Investment Policy is very risk averse and places a premium on security. With the effective yield rate of the portfolio averaging 1% for the year, investment earnings in the portfolio increased slightly by \$143 thousand for a total income of \$1,986 million. This increase was attributable to a higher return even though invested funds decreased slightly as the County appropriated some of its reserves for capital projects. Additional information on investment income is provided in Note IV of the notes and in the Cash Management section of the Letter of Transmittal.

Condensed Statement of Activities (continued)

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)

	Governmental Activities		Business-Type Activities		Total Primary Government		Total % Change 2012 to 2013
	2013	2012	2013	2012	2013	2012	
Revenues							
Program Revenues:							
Charges for services	\$ 34,521	\$ 35,150	\$ 7,393	\$ 7,086	\$ 41,914	\$ 42,236	(1)%
Operating grants & contributions	10,964	12,905	0	0	10,964	12,905	(15)%
Capital grants & contributions	6,298	7,140	0	0	6,298	7,140	(12)%
Total Program Revenues	51,783	55,195	7,393	7,086	59,176	62,281	(5)%
General Revenues:							
Property taxes	115,113	113,452	0	0	115,113	113,452	1 %
Local option taxes	11,334	11,369	0	0	11,334	11,369	0 %
Franchise taxes	423	259	0	0	423	259	63 %
Communications services taxes	3,542	3,594	0	0	3,542	3,594	(1)%
Motor fuel taxes	1,334	1,395	0	0	1,334	1,395	(4)%
Utility services taxes	6,310	7,237	0	0	6,310	7,237	(13)%
Other taxes	0	0	1,469	1,482	1,469	1,482	(1)%
State shared revenues	21,058	20,678	0	0	21,058	20,678	2 %
Investment earnings	345	3,665	(39)	359	306	4,024	(92)%
Miscellaneous revenues	3,187	3,408	131	340	3,318	3,748	(11)%
Total General Revenues	162,646	165,057	1,561	2,181	164,207	167,238	(2)%
Total Revenues	214,429	220,252	8,954	9,267	223,383	229,519	(3)%
Program Expenses							
General government	35,523	43,640	0	0	35,523	43,640	(19)%
Public safety	93,835	91,374	0	0	93,835	91,374	3 %
Physical environment	13,718	18,770	10,412	11,028	24,130	29,798	(19)%
Transportation	27,691	24,010	0	0	27,691	24,010	15 %
Economic environment	5,495	5,440	0	0	5,495	5,440	1 %
Human services	9,655	10,311	0	0	9,655	10,311	(6)%
Culture and recreation	12,977	12,460	0	0	12,977	12,460	4 %
Judicial	15,691	12,498	0	0	15,691	12,498	26 %
Interest on long-term debt	3,603	3,377	0	0	3,603	3,377	7 %
*Total Program Expenses	218,188	221,880	10,412	11,028	228,600	232,908	(2)%
Deficiency before transfers (net)	(3,759)	(1,628)	(1,458)	(1,761)	(5,217)	(3,389)	54 %
Transfers	(660)	(997)	660	997	0	0	0 %
Change In Net Position	(4,419)	(2,625)	(798)	(764)	(5,217)	(3,389)	54 %
Beginning net position	410,310	412,933	19,458	20,222	429,768	433,155	(1)%
*Ending net position	\$ 405,891	\$ 410,308	\$ 18,660	\$ 19,458	\$ 424,551	\$ 429,766	(1)%

**Differences due to rounding*

Program Expenses and Revenues for Governmental Activities

Table 4 below presents program expenses and revenues for governmental activities. The nature of governmental activities is to be funded primarily from taxes and not to be self-supporting. As a result, overall program revenues were not sufficient to cover program expenses for governmental activities. General revenues, mainly taxes, therefore supported the net program expenses of these governmental activities. Program revenues as a percentage of program expenses decreased slightly to 24 percent from fiscal year 2012 to fiscal year 2013.

Table 4

Program Expenses and Revenues for Governmental Activities For the Fiscal Year Ended September 30 (in thousands)						
	Program Expenses	Less Program Revenues	Net Program Expenses (a)		Program Revenues as a Percentage Program Expenses	
	2013	2013	2013	2012	2013	2012
General government	\$ 35,523	\$ 9,103	\$ 26,420	\$ 36,660	26 %	45 %
Public safety	93,835	24,245	69,590	65,861	26 %	25 %
Physical environment	13,718	6,969	6,749	9,894	51 %	25 %
Transportation	27,691	581	27,110	21,935	2 %	2 %
Economic environment	5,495	160	5,335	5,047	3 %	13 %
Human services	9,655	283	9,372	10,039	3 %	4 %
Culture and recreation	12,977	241	12,736	11,343	2 %	4 %
Judicial	15,691	10,202	5,489	2,529	65 %	67 %
Interest on long-term debt	3,603	0	3,603	3,377	N/A	N/A
*Total governmental activities	<u>\$ 218,188</u>	<u>\$ 51,784</u>	<u>\$ 166,404</u>	<u>\$ 166,685</u>	<u>24 %</u>	<u>25 %</u>

(a) Net Program Expenses are mainly supported by taxes.

**Differences from financial statements due to rounding*

Program Expenses and Revenues for Business-type Activities

Table 5 below presents program expenses and revenues for business-type activities. Revenues were not sufficient to cover program expenses in FY 2013, because in FY 2013 the County chose to spend a portion of its net position 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.

Table 5

Program Expenses and Revenues for Business-type Activities For the Year Ended September 30 (in thousands)						
County Programs	Program Expenses	Less Program Revenues	Net Program Expenses		Program Revenues as a Percentage of Program Expenses	
	2013	2013	2013	2012	2013	2012
Landfill	\$ 10,412	\$ 7,393	\$ 3,019	\$ 3,942	71%	70%

Overall Analysis

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

- The assets of the County exceeded its liabilities (net position) at the close of fiscal year 2013 by \$405,890,728, as compared to \$410,310,410 for fiscal year 2012, for governmental activities. The assets for business-type activities exceeded its liabilities (net position) at the close of fiscal year 2013 by \$18,659,798 as compared to \$19,457,891 for fiscal year 2012. Please see the Statement of Activities discussed previously for an explanation of the differences above.
- The County's total net position decreased by \$5,217,775 during fiscal year 2013, as compared to a \$3,387,870 decrease in fiscal year 2012. The net position of governmental activities decreased by \$4,419,682 in fiscal year 2013, as compared to a decrease of \$2,622,957 in 2012. The net position of business-type activities decreased by \$798,093 in 2013, as compared to a decrease of \$764,913 in 2012. The decrease in both 2012 and 2013 occurred because of the decision by the Board of County Commissioners to support some of the expenses with net position.

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 \$149,218,632 for fiscal year 2013, as compared to \$162,404,628 for fiscal year 2012. This reduction is planned appropriated expenditures using Fund Balance in primarily the Capital Improvement Fund and the Local Option Sales Tax Fund.

General Fund

Fund balance at September 30, 2013 has increased to a total of \$44,005,713, as compared to \$36,329,482 for September 30, 2012. The \$7,676,231 increase is partially attributable to moving the unassigned fund balance in the Fine & Forfeiture Fund and a larger than expected collection of tax revenues. This move correctly reflects GASB 54 requirements and also more clearly shows the available funds in the General Fund, clearly demonstrating the revenue levels in the General Fund.

General Fund (continued)

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.) from unincorporated revenues. 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 \$38,172,170 for FY 2013 versus \$32,260,401 for FY 2012. The Non-Countywide fund balance is \$5,833,543 for FY 2013, versus \$4,051,182 for FY 2012.

Fine & Forfeiture Fund

Fund balance at September 30, 2013 totaled \$1,072,058, as compared to \$2,771,245 for September 30, 2012. This is a decrease of \$1,699,187 for the fiscal year and relates to moving unassigned fund balance to the General Fund. It should more clearly identify available funds for rating purposes, etc.

Grants Fund

The fund balance at September 30, 2013 totaled \$1,735,670, as compared to the September 30, 2012 balance of \$1,766,367. This was a small decrease of \$30,697. Grant expenditures were completely offset by grant revenues plus the County transfers required for matching requirements.

Special Assessments Paving Fund

The Special Assessment Paving Fund accounts for the repayment of special assessments associated with the County's paving program. Revenues are collected as a non-ad valorem special assessment on the annual tax bill. The revenues are from property owners that are repaying the county for the costs to construct the paving projects. The net change in fund balance is an increase of \$50,836 with fund balance in September 30, 2013 at \$1,191,097 from a fund balance in September 30, 2012 of \$1,140,261.

Capital Improvement Fund

Fund balance at September 30, 2013 totaled \$30,149,460, as compared to \$44,952,099 for September 30, 2012. This was a decrease of \$14,802,639. This decrease can be attributed to the County's planned spending on various capital projects from appropriated fund balance that was set aside for these projects, such as the Public Safety Complex.

Local Option Sales Tax Fund

Fund balance at September 30, 2013 totaled \$17,608,243, as compared to \$24,487,497 for September 30, 2012. This was a decrease of \$6,879,254. This decrease can be attributed to the fact that the County was spending down fund balance on road resurfacing and intersection and pavement improvements. 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.

Enterprise Funds

The County's proprietary funds reported net position of \$18,659,798 for September 30, 2013, as compared to \$19,457,891 for September 30, 2012, which is a decrease of \$798,093. This reflects a planned use of net position.

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 \$338,609,349 in capital assets for governmental activities and \$13,483,271 in capital assets for business-type activities at September 30, 2013, versus \$333,746,313 for governmental and \$12,885,785 for business-type activities at September 30, 2012. 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, 2013, the County had \$62,519,000 of outstanding bonded debt, as compared to \$65,127,570 at September 30, 2012. 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 2013.

- The estimated population in Leon County increased 0.5% from 277,670 to 278,377 during FY 2012/2013.
- Residential building permits issued in Leon County decreased by 8.88 percent in FY 2013. The number of single-family home permits increased 10.34 percent, and attached single-family units (townhomes) permits increased slightly by 8 units, while multi-family permits decreased to 159 (50.94 percent). Although the population has risen, construction indicators for FY 2013 appear to have decreased as we enter FY 2014.
- The dollar value of commercial permits decreased by 61.83 percent to \$52,676,975.
- Leon County has seen a small increase in vacancy rates for apartment rental units. Vacancies increased slightly from 8.1 percent in 2011 to 9.4 percent for 2012, 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 website at www.clerk.leon.fl.us for further financial information.

Leon County, Florida

Statement of Net Position

September 30, 2013

	Governmental Activities	Business-Type Activities	Total	Component Unit
Assets				
Current assets:				
Cash	\$ 24,508,033	\$ 700	\$ 24,508,733	\$ 740,527
Investments	138,697,631	8,112,861	146,810,492	0
Receivables	6,842,408	1,335,139	8,177,547	995
Receivables from other governments	7,212,976	0	7,212,976	0
Inventory	613,539	9,990	623,529	0
Other assets	580,045	0	580,045	0
Total current assets	<u>178,454,632</u>	<u>9,458,690</u>	<u>187,913,322</u>	<u>741,522</u>
Noncurrent assets:				
Restricted assets:				
Cash and investments	0	7,232,318	7,232,318	0
Capital assets:				
Land and construction in progress, nondepreciable	88,212,844	1,809,844	90,022,688	0
Depreciable (net)	<u>250,396,505</u>	<u>11,673,427</u>	<u>262,069,932</u>	<u>0</u>
Total noncurrent assets	<u>338,609,349</u>	<u>20,715,589</u>	<u>359,324,938</u>	<u>0</u>
Total assets	<u>517,063,981</u>	<u>30,174,279</u>	<u>547,238,260</u>	<u>741,522</u>
Liabilities				
Current liabilities:				
Accounts payable	14,710,944	179,690	14,890,634	3,003
Payable to other governments	1,081,730	0	1,081,730	0
Internal balances	437,918	(437,918)	0	0
Accrued compensated absences	4,627,263	51,567	4,678,830	0
Unearned revenues	6,984,069	0	6,984,069	0
Bonds and notes payable	1,031,051	0	1,031,051	0
Other current liabilities	<u>2,766,726</u>	<u>0</u>	<u>2,766,726</u>	<u>0</u>
Total current liabilities	<u>31,639,701</u>	<u>(206,661)</u>	<u>31,433,040</u>	<u>3,003</u>
Noncurrent liabilities:				
Deposits	680,587	0	680,587	0
Estimated liability for landfill closure and postclosure care costs	0	11,520,360	11,520,360	0
Arbitrage rebate liability	25,000	0	25,000	0
Accrued compensated absences	9,983,408	110,251	10,093,659	0
Other postemployment benefits obligation	5,254,564	90,532	5,345,096	0
Bonds and notes payable	<u>63,589,993</u>	<u>0</u>	<u>63,589,993</u>	<u>0</u>
Total noncurrent liabilities	<u>79,533,552</u>	<u>11,721,143</u>	<u>91,254,695</u>	<u>0</u>
Total liabilities	<u>111,173,253</u>	<u>11,514,482</u>	<u>122,687,735</u>	<u>3,003</u>
Net position				
Net investment in capital assets	312,199,600	13,483,271	325,682,871	0
Unrestricted	<u>93,691,128</u>	<u>5,176,527</u>	<u>98,867,655</u>	<u>738,519</u>
Total net position	<u>\$ 405,890,728</u>	<u>\$ 18,659,798</u>	<u>\$ 424,550,526</u>	<u>\$ 738,519</u>

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

Leon County, Florida

Statement of Activities

Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operational Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 35,523,042	\$ 7,033,768	\$ 2,022,007	\$ 46,783
Public safety	93,835,060	20,826,428	2,434,042	984,632
Physical environment	13,718,299	999,772	1,016,328	4,952,459
Transportation	27,690,945	261,116	128,970	191,105
Economic environment	5,495,475	134,843	25,591	0
Human services	9,655,271	0	159,551	123,188
Culture and recreation	12,976,686	186,296	54,415	-
Judicial	15,690,910	5,078,375	5,123,471	0
Interest on long-term debt	3,603,362	0	0	0
Total governmental activities	<u>218,189,050</u>	<u>34,520,598</u>	<u>10,964,375</u>	<u>6,298,167</u>
Business-type activities:				
Landfill	10,411,915	7,393,196	0	0
Total business-type activities	<u>10,411,915</u>	<u>7,393,196</u>	<u>-</u>	<u>0</u>
Total primary government	<u>\$ 228,600,965</u>	<u>\$ 41,913,794</u>	<u>\$ 10,964,375</u>	<u>\$ 6,298,167</u>
Component Unit:				
Economic environment	158,920	-	0	0
Total component unit	<u>\$ 158,920</u>	<u>\$ -</u>	<u>\$ 0</u>	<u>\$ 0</u>

General Revenues:

- Property taxes
- Local option taxes
- Franchise taxes
- Communication services taxes
- Motor fuel taxes
- Utility services taxes
- Other taxes
- State shared revenues
- Investment earnings
- Miscellaneous revenues
- Transfers
- Total general revenues and transfers
- Changes in net position
- Net position - beginning
- Net position - ending

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

Net Revenue (Expense) and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals	Component Unit Housing Finance Authority
\$ (26,420,484)	\$ 0	\$ (26,420,484)	\$ 0
(69,589,958)	0	(69,589,958)	0
(6,749,740)	0	(6,749,740)	0
(27,109,754)	0	(27,109,754)	0
(5,335,041)	0	(5,335,041)	0
(9,372,532)	0	(9,372,532)	0
(12,735,975)	0	(12,735,975)	0
(5,489,064)	0	(5,489,064)	0
(3,603,362)	0	(3,603,362)	0
<u>(166,405,910)</u>	<u>0</u>	<u>(166,405,910)</u>	<u>0</u>
<u>0</u>	<u>(3,018,719)</u>	<u>(3,018,719)</u>	<u>0</u>
<u>0</u>	<u>(3,018,719)</u>	<u>(3,018,719)</u>	<u>0</u>
<u>(166,405,910)</u>	<u>(3,018,719)</u>	<u>(169,424,629)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(158,920)</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(158,920)</u>
115,112,859	0	115,112,859	0
11,334,118	0	11,334,118	0
422,953	0	422,953	0
3,541,700	0	3,541,700	0
1,334,475	0	1,334,475	0
6,310,193	0	6,310,193	0
0	1,469,257	1,469,257	0
21,057,619	0	21,057,619	0
345,398	(39,482)	305,916	610
3,187,239	130,525	3,317,764	0
(660,326)	660,326	0	0
<u>161,986,228</u>	<u>2,220,626</u>	<u>164,206,854</u>	<u>610</u>
<u>(4,419,682)</u>	<u>(798,093)</u>	<u>(5,217,775)</u>	<u>(158,310)</u>
<u>410,310,410</u>	<u>19,457,891</u>	<u>429,768,301</u>	<u>896,829</u>
<u>\$ 405,890,728</u>	<u>\$ 18,659,798</u>	<u>\$ 424,550,526</u>	<u>\$ 738,519</u>

Leon County, Florida

Balance Sheet
Governmental Funds

September 30, 2013

	<u>General Fund</u>	<u>Fine & Forfeiture Fund</u>	<u>Grants Fund</u>	<u>Special Assessment Paving Fund</u>
Assets				
Cash	\$ 5,428,145	\$ 392,199	\$ 90,736	\$ 979
Investments	43,454,502	0	4,593,704	1,156,461
Receivables:				
Accounts	241,659	5,339	6,571	33,657
Intergovernmental	2,139,079	2,284	2,636,227	0
Special assessments	0	0	0	2,035,881
Due from other funds	1,103,454	1,069,831	0	0
Inventory	541,161	0	0	0
Other assets	6,333	0	0	0
Total assets	<u>\$ 52,914,333</u>	<u>\$ 1,469,653</u>	<u>\$ 7,327,238</u>	<u>\$ 3,226,978</u>
Liabilities and fund balances				
Liabilities:				
Accounts payable	\$ 3,657,723	\$ 23,065	\$ 1,042,091	\$ 0
Accrued liabilities	2,814,675	0	3,314	0
Intergovernmental payables	518,329	0	0	0
Due to other funds	1,851,071	27,000	0	0
Deposits	66,822	347,530	0	0
Unearned revenues	0	0	4,546,163	2,035,881
Total liabilities	<u>8,908,620</u>	<u>397,595</u>	<u>5,591,568</u>	<u>2,035,881</u>
Fund balances:				
Nonspendable	719,797	0	0	32,398
Restricted	0	0	1,337,637	0
Committed	1,986,530	127,305	73,054	1,158,699
Assigned	7,287,788	944,753	324,979	0
Unassigned	34,011,598	0	0	0
Total fund balances	<u>44,005,713</u>	<u>1,072,058</u>	<u>1,735,670</u>	<u>1,191,097</u>
Total liabilities and fund balances	<u>\$ 52,914,333</u>	<u>\$ 1,469,653</u>	<u>\$ 7,327,238</u>	<u>\$ 3,226,978</u>

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

Capital Improvement Fund	Local Option Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 10,000,001	\$ 915,199	\$ 6,924,404	\$ 23,751,663
20,666,929	17,335,003	46,871,186	134,077,785
246,610	19,401	4,181,090	4,734,327
0	0	2,411,578	7,189,168
0	0	0	2,035,881
0	0	75,866	2,249,151
0	0	972	542,133
0	0	46,800	53,133
<u>\$ 30,913,540</u>	<u>\$ 18,269,603</u>	<u>\$ 60,511,896</u>	<u>\$ 174,633,241</u>
\$ 614,155	\$ 661,360	\$ 5,226,970	\$ 11,225,364
0	0	377,238	3,195,227
0	0	563,401	1,081,730
0	0	369,561	2,247,632
149,925	0	116,310	680,587
0	0	402,025	6,984,069
<u>764,080</u>	<u>661,360</u>	<u>7,055,505</u>	<u>25,414,609</u>
216,385	0	4,060,209	5,028,789
5,275,557	0	14,443,315	21,056,509
2,517,290	108,442	10,145,796	16,117,116
22,140,228	17,499,801	24,808,284	73,005,833
0	0	(1,213)	34,010,385
<u>30,149,460</u>	<u>17,608,243</u>	<u>53,456,391</u>	<u>149,218,632</u>
<u>\$ 30,913,540</u>	<u>\$ 18,269,603</u>	<u>\$ 60,511,896</u>	<u>\$ 174,633,241</u>

Leon County, Florida

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

September 30, 2013

Total fund balances of governmental funds		\$ 149,218,632
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore are not reported as assets in governmental funds.		
Governmental capital assets	640,886,998	
Less accumulated depreciation	<u>(302,277,649)</u>	338,609,349
Other assets used in governmental activities are not financial resources, and therefore are not reported in the governmental funds.		
Bond costs	1,280,697	
Less current year amortization	<u>(185,103)</u>	1,095,594
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 and notes payable	(64,621,044)	
Discount/(Premium)	(616,072)	
Current year amortization	47,390	
Compensated absences net of internal service amount	(13,986,355)	
Other postemployment benefits	(5,227,292)	
Arbitrage rebate liability	<u>(25,000)</u>	(84,428,373)
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 Position.		
		1,395,526
Total net position of governmental activities		<u>\$ 405,890,728</u>

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, 2013

	<u>General Fund</u>	<u>Fine & Forfeiture Fund</u>	<u>Grants Fund</u>	<u>Special Assessment Paving Fund</u>
Revenues				
Taxes	\$ 47,180,157	\$ 64,456,115	\$ 0	\$ 0
Licenses and permits	0	0	0	0
Intergovernmental	18,068,971	17,592	6,944,442	0
Charges for services	8,122,776	795,006	152,358	0
Fines and forfeitures	0	106,938	0	0
Interest	355,622	139,902	60,337	72,961
Net increase (decrease) in fair value of investments	(309,269)	(15,012)	(26,758)	(9,431)
Miscellaneous	563,374	0	79,651	319,766
Total revenues	<u>73,981,631</u>	<u>65,500,541</u>	<u>7,210,030</u>	<u>383,296</u>
Expenditures				
Current:				
General government	30,338,773	0	0	0
Public safety	60,077,983	0	3,550,333	0
Physical environment	2,274,521	0	3,275,125	0
Transportation	0	0	104,179	0
Economic environment	1,857,497	0	56,970	0
Human services	7,118,057	115,543	61,570	0
Culture and recreation	6,384,080	0	185,769	0
Judicial	5,827,134	1,697,003	63,591	0
Debt service:				
Principal retirement	0	0	0	0
Interest and fiscal charges	0	0	0	0
Other debt service costs	0	0	0	0
Total expenditures	<u>113,878,045</u>	<u>1,812,546</u>	<u>7,297,537</u>	<u>0</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(39,896,414)</u>	<u>63,687,995</u>	<u>(87,507)</u>	<u>383,296</u>
Other financing sources (uses)				
Transfers in	67,376,285	980,789	200,883	0
Refunding bonds issued	0	0	0	0
Transfers out	(19,803,640)	(66,367,971)	(144,073)	(332,460)
Payment to refunding bond escrow agent	0	0	0	0
Total other financing sources (uses)	<u>47,572,645</u>	<u>(65,387,182)</u>	<u>56,810</u>	<u>(332,460)</u>
Net change in fund balances	7,676,231	(1,699,187)	(30,697)	50,836
Fund balances, October 1	<u>36,329,482</u>	<u>2,771,245</u>	<u>1,766,367</u>	<u>1,140,261</u>
Fund balances, September 30	<u>\$ 44,005,713</u>	<u>\$ 1,072,058</u>	<u>\$ 1,735,670</u>	<u>\$ 1,191,097</u>

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

Capital Improvement Fund	Local Option Sales Tax Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 0	\$ 0	\$ 26,420,026	\$ 138,056,298
0	0	2,173,034	2,173,034
0	0	13,289,156	38,320,161
0	0	22,602,436	31,672,576
0	0	568,050	674,988
351,972	210,028	481,669	1,672,491
(410,763)	(216,788)	(342,005)	(1,330,026)
0	0	2,228,825	3,191,616
<u>(58,791)</u>	<u>(6,760)</u>	<u>67,421,191</u>	<u>214,431,138</u>
2,374,429	0	3,566,210	36,279,412
8,300,585	365,158	31,723,645	104,017,704
645,333	0	7,556,541	13,751,520
939,455	6,507,336	12,075,248	19,626,218
0	0	3,572,364	5,486,831
104,630	0	2,195,327	9,595,127
2,805,448	0	4,364,385	13,739,682
219,941	0	7,693,470	15,501,139
0	0	6,286,526	6,286,526
0	0	2,673,783	2,673,783
0	0	76,043	76,043
<u>15,389,821</u>	<u>6,872,494</u>	<u>81,783,542</u>	<u>227,033,985</u>
<u>(15,448,612)</u>	<u>(6,879,254)</u>	<u>(14,362,351)</u>	<u>(12,602,847)</u>
720,368	0	25,422,793	94,701,118
0	0	21,223,000	21,223,000
(74,395)	0	(8,638,905)	(95,361,444)
0	0	(21,145,823)	(21,145,823)
<u>645,973</u>	<u>0</u>	<u>16,861,065</u>	<u>(583,149)</u>
(14,802,639)	(6,879,254)	2,498,714	(13,185,996)
<u>44,952,099</u>	<u>24,487,497</u>	<u>50,957,677</u>	<u>162,404,628</u>
<u>\$ 30,149,460</u>	<u>\$ 17,608,243</u>	<u>\$ 53,456,391</u>	<u>\$ 149,218,632</u>

Leon County, Florida

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

Year Ended September 30, 2013

Net change in fund balances - total governmental funds \$ (13,185,996)

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	23,878,025	
Less current year depreciation	<u>(19,014,989)</u>	4,863,036

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities.		26,716,526
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Bond proceeds provide current financial resources to governmental funds, but increase long-term liabilities in the statement net position.		(21,223,000)
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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	(918,897)	
Change in long-term compensated absence	<u>(81,608)</u>	(1,138,218)

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 (a loss of \$18,066 was included with business-type activities).

Change in net position of governmental activities		<u><u>\$ (4,419,682)</u></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, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 45,411,680	\$ 45,411,680	\$ 47,180,157	\$ 1,768,477
Intergovernmental	16,827,458	16,874,241	18,068,971	1,194,730
Charges for services	11,627,163	11,765,426	8,122,776	(3,642,650)
Interest	295,285	295,285	355,622	60,337
Net increase (decrease) in fair value of investments	0	0	(309,269)	(309,269)
Miscellaneous	295,824	195,221	563,374	368,153
Total revenues	<u>74,457,410</u>	<u>74,541,853</u>	<u>73,981,631</u>	<u>(560,222)</u>
Expenditures				
Current:				
General government	33,911,941	36,874,428	30,338,773	6,535,655
Public safety	61,166,777	61,166,777	60,077,983	1,088,794
Physical environment	2,344,035	2,350,385	2,274,521	75,864
Economic environment	1,940,388	1,965,388	1,857,497	107,891
Human services	8,747,197	8,884,197	7,118,057	1,766,140
Culture and recreation	6,698,891	6,628,943	6,384,080	244,863
Judicial	3,968,077	3,968,077	5,827,134	(1,859,057)
Total expenditures	<u>118,777,306</u>	<u>121,838,195</u>	<u>113,878,045</u>	<u>7,960,150</u>
Excess (deficiency) of revenues over (under) expenditure	<u>(44,319,896)</u>	<u>(47,296,342)</u>	<u>(39,896,414)</u>	<u>7,399,928</u>
Other financing sources (uses)				
Transfers in	73,720,049	78,361,406	67,376,285	(10,985,121)
Transfers out	<u>(34,362,068)</u>	<u>(38,964,274)</u>	<u>(19,803,640)</u>	<u>19,160,634</u>
Total other financing sources (uses)	<u>39,357,981</u>	<u>39,397,132</u>	<u>47,572,645</u>	<u>8,175,513</u>
Net change in fund balances	(4,961,915)	(7,899,210)	7,676,231	15,575,441
Fund balances, October 1	<u>36,329,482</u>	<u>36,329,482</u>	<u>36,329,482</u>	<u>0</u>
Fund balances, September 30	<u>\$ 31,367,567</u>	<u>\$ 28,430,272</u>	<u>\$ 44,005,713</u>	<u>\$ 15,575,441</u>

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

Leon County, Florida

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

Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 62,475,740	\$ 62,475,740	\$ 64,456,115	\$ 1,980,375
Intergovernmental	22,040	22,040	17,592	(4,448)
Charges for services	1,108,800	1,108,800	795,006	(313,794)
Fines and forfeitures	101,650	101,650	106,938	5,288
Interest	293,930	293,930	139,902	(154,028)
Net increase (decrease) in fair value of investments	0	0	(15,012)	(15,012)
Total revenues	<u>64,002,160</u>	<u>64,002,160</u>	<u>65,500,541</u>	<u>1,498,381</u>
Expenditures				
Human services	100,000	155,000	115,543	39,457
Judicial	<u>2,519,170</u>	<u>2,519,170</u>	<u>1,697,003</u>	<u>822,167</u>
Total expenditures	<u>2,619,170</u>	<u>2,674,170</u>	<u>1,812,546</u>	<u>861,624</u>
Excess (deficiency) of revenues over (under) expenditures	<u>61,382,990</u>	<u>61,327,990</u>	<u>63,687,995</u>	<u>2,360,005</u>
Other financing sources (uses)				
Transfers in	0	0	980,789	980,789
Transfers out	<u>(61,382,990)</u>	<u>(66,027,990)</u>	<u>(66,367,971)</u>	<u>(339,981)</u>
Total other financing sources (uses)	<u>(61,382,990)</u>	<u>(66,027,990)</u>	<u>(65,387,182)</u>	<u>640,808</u>
Net change in fund balances	0	(4,700,000)	(1,699,187)	3,000,813
Fund balances, October 1	<u>2,771,245</u>	<u>2,771,245</u>	<u>2,771,245</u>	<u>0</u>
Fund balances, September 30	<u>\$ 2,771,245</u>	<u>\$ (1,928,755)</u>	<u>\$ 1,072,058</u>	<u>\$ 3,000,813</u>

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

Leon County, Florida

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

Year Ended September 30, 2013

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	with Final Budget Positive (Negative)
Revenues				
Intergovernmental	\$ 335,692	\$ 18,020,648	\$ 6,944,442	\$ (11,076,206)
Charges for services	95,855	306,608	152,358	(154,250)
Interest	0	3,031	60,337	57,306
Net increase (decrease) in fair value of investments	0	0	(26,758)	(26,758)
Miscellaneous	0	1,875,083	79,651	(1,795,432)
Total revenues	<u>431,547</u>	<u>20,205,370</u>	<u>7,210,030</u>	<u>(12,995,340)</u>
Expenditures				
General government	0	18,586	0	18,586
Public safety	550,705	3,852,967	3,550,333	302,634
Physical environment	0	9,534,592	3,275,125	6,259,467
Transportation	0	3,825,812	104,179	3,721,633
Economic environment	0	174,814	56,970	117,844
Human services	18,500	439,643	61,570	378,073
Culture and recreation	15,000	2,057,331	185,769	1,871,562
Judicial	2,338	104,776	63,591	41,185
Total expenditures	<u>586,543</u>	<u>20,008,521</u>	<u>7,297,537</u>	<u>12,710,984</u>
Excess (deficiency) of revenue (under) over expenditures	<u>(154,996)</u>	<u>196,849</u>	<u>(87,507)</u>	<u>(284,356)</u>
Other financing sources (uses)				
Transfers in	244,996	327,578	200,883	(126,695)
Transfers out	<u>(90,000)</u>	<u>(885,640)</u>	<u>(144,073)</u>	<u>741,567</u>
Total other financing sources (uses)	<u>154,996</u>	<u>(558,062)</u>	<u>56,810</u>	<u>614,872</u>
Net change in fund balances	0	(361,213)	(30,697)	330,516
Fund balances, October 1	<u>1,766,367</u>	<u>1,766,367</u>	<u>1,766,367</u>	<u>0</u>
Fund balances, September 30	<u>\$ 1,766,367</u>	<u>\$ 1,405,154</u>	<u>\$ 1,735,670</u>	<u>\$ 330,516</u>

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

Leon County, Florida

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

Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Interest	\$ 94,872	\$ 94,872	\$ 72,961	\$ (21,911)
Net increase (decrease) in fair value of investments	0	0	(9,431)	(9,431)
Miscellaneous	237,588	237,588	319,766	82,178
Total revenues	<u>332,460</u>	<u>332,460</u>	<u>383,296</u>	<u>50,836</u>
Excess (deficiency) of revenues over (under) expenditures	<u>332,460</u>	<u>332,460</u>	<u>383,296</u>	<u>50,836</u>
Other financing sources (uses)				
Transfers out	(332,460)	(332,460)	(332,460)	0
Total other financing sources (uses)	<u>(332,460)</u>	<u>(332,460)</u>	<u>(332,460)</u>	<u>0</u>
Net change in fund balances	0	0	50,836	50,836
Fund balances, October 1	<u>1,140,261</u>	<u>1,140,261</u>	<u>1,140,261</u>	<u>0</u>
Fund balances, September 30	<u>\$ 1,140,261</u>	<u>\$ 1,140,261</u>	<u>\$ 1,191,097</u>	<u>\$ 50,836</u>

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

Leon County, Florida

Statement of Net Position
Proprietary Funds

September 30, 2013

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Assets		
Current assets:		
Cash	\$ 700	\$ 716,662
Cash with fiscal agent	0	39,708
Investments	8,112,861	4,619,846
Receivables:		
Accounts	1,335,139	72,200
Intergovernmental	0	23,808
Inventory	9,990	71,406
Total current assets	<u>9,458,690</u>	<u>5,543,630</u>
Noncurrent assets:		
Restricted cash and investments	7,232,318	0
Capital assets:		
Land nondepreciable	1,809,844	0
Depreciable (net)	11,673,427	0
Total noncurrent assets	<u>20,715,589</u>	<u>0</u>
Total assets	<u>30,174,279</u>	<u>5,543,630</u>
Liabilities		
Current liabilities:		
Accounts payable	158,480	282,636
Accrued liabilities	163,308	659,305
Due to other funds	0	1,519
Other current liabilities	0	2,766,726
Total current liabilities	<u>321,788</u>	<u>3,710,186</u>
Noncurrent liabilities:		
Compensated absences	110,251	0
Liability for closure costs/maintenance	11,520,360	0
Total noncurrent liabilities	<u>11,630,611</u>	<u>0</u>
Total liabilities	<u>11,952,399</u>	<u>3,710,186</u>
Net position		
Net investment in capital assets	13,483,271	0
Unrestricted	4,738,609	1,833,444
Total net position	<u>18,221,880</u>	<u>\$ 1,833,444</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	437,918	
Net position of business-type activities	<u>\$ 18,659,798</u>	

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

Leon County, Florida

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

Year Ended September 30, 2013

	Business-type Activities- Landfill Fund	Governmental Activities- Internal Service Funds
Operating revenues		
Charges for services	\$ 7,411,262	\$ 5,923,282
Total operating revenues	<u>7,411,262</u>	<u>5,923,282</u>
Operating expenses		
Personnel services	2,072,687	623,963
Contractual services	5,988,363	94,352
Supplies	376,685	1,609,182
Communications services	20,986	352,863
Insurance	25,657	2,877,011
Utility services	329,824	34,011
Depreciation	671,216	0
Other services and charges	926,497	805,274
Total operating expenses	<u>10,411,915</u>	<u>6,396,656</u>
Operating income (loss)	<u>(3,000,653)</u>	<u>(473,374)</u>
Nonoperating revenues		
Taxes	1,469,257	344
Interest	186,608	44,556
Net increase (decrease) in fair value of investments	(226,090)	(41,623)
Miscellaneous	130,525	0
Total nonoperating revenues	<u>1,560,300</u>	<u>3,277</u>
Income (loss) before transfers	(1,440,353)	(470,097)
Transfers in	689,699	0
Transfers out	<u>(29,373)</u>	<u>0</u>
* Change in net position	(780,027)	(470,097)
Net position, October 1	<u>19,001,907</u>	<u>2,303,541</u>
Net position, September 30	<u><u>\$ 18,221,880</u></u>	<u><u>\$ 1,833,444</u></u>

* Adjustment to reflect the consolidation of internal service
fund activities related to enterprise funds.
Change in net position of business-type activities

(18,066)
\$ (798,093)

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

Leon County, Florida

Statement of Cash Flows
Proprietary Funds

September 30, 2013

	Business-type Activities - Landfill Fund	Governmental Activities - Internal Service Funds
Cash flows from operating activities		
Receipts from customers	\$ 7,501,031	\$ 284,422
Payments to suppliers	(7,613,076)	(4,196,533)
Payments to employees	(2,067,023)	(627,924)
Claims paid	0	(1,403,380)
Payment for interfund services	(25,657)	6,221,713
Net cash used in operating activities	(2,204,725)	278,298
Cash flows from noncapital financing activities		
Tax proceeds	1,469,257	344
Transfers from other funds	689,699	0
Transfers to other funds	(29,373)	0
Net cash provided by (used in) noncapital financing activities	2,129,583	344
Cash flows from capital and related financing activities		
Sale of property	358,586	0
Acquisition and/or construction of capital assets	(1,496,763)	0
Net cash used in capital and related financing activities	(1,138,177)	0
Cash flows from investing activities		
Proceeds from sales and maturities of investments	5,085,677	2,484,109
Purchases of investments	(3,857,359)	(2,251,891)
Interest and dividends received	210,609	45,580
Net increase (decrease) in fair value of investments	(226,090)	(41,623)
Net cash provided by investing activities	1,212,837	236,175
Net decrease (increase) in cash	(482)	514,817
Cash and equivalents, October 1	1,182	241,553
Cash and equivalents, September 30	\$ 700	\$ 756,370

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

Leon County, Florida

Statement of Cash Flows
Proprietary Funds

September 30, 2013

	<u>Business-type Activities - Landfill Fund</u>	<u>Governmental Activities - Internal Service Funds</u>
Reconciliation of operating (loss) income to net cash used in operating activities		
Operating (loss) income	\$ (3,000,653)	\$ (473,374)
Adjustments to reconcile operating (loss) income to net cash used in operating activities:		
Depreciation expense	671,216	0
Change in assets and liabilities:		
Receivables	(102,804)	(41,463)
Due from other funds	0	578,335
Inventories	1,153	7,147
Accounts payable	28,126	165,633
Accrued expenses	5,664	42,020
Other current liabilities	0	0
Estimated liability for closure	192,573	0
Net cash used in operating activities	<u><u>\$ (2,204,725)</u></u>	<u><u>\$ 278,298</u></u>

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

Leon County, Florida

Statement of Fiduciary Net Position
Agency Funds

September 30, 2013

	<u>Total Agency Funds</u>
Assets	
Cash	\$ 7,086,357
Accounts receivable	1,012,009
Intergovernmental receivables	1,560
Total assets	<u>\$ 8,099,926</u>
Liabilities	
Accounts payable	\$ 1,682,391
Intergovernmental payables	2,201,133
Deposits	2,507,017
Installment tax deposits	1,709,385
Total liabilities	<u>\$ 8,099,926</u>

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

LEON COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

I.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
A.	Reporting Entity	32
B.	Measurement Focus and Basis of Accounting	34
C.	Basis of Presentation	37
D.	Assets, Liabilities, and Net Assets	39
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	44
B.	Explanation of Differences Between the Governmental Fund Operating Statements and the Government-wide Statement of Activities	48
III.	STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	
A.	Budgets and Budgetary Accounting	52
IV.	CASH AND INVESTMENTS	54
V.	PROPERTY TAXES	59
VI.	CAPITAL ASSETS	
A.	Capital Asset Activity	61
B.	Depreciation Expense	62
VII.	INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS	
A.	Interfund Balances	63
B.	Interfund Transfers	64
VIII.	LONG-TERM OBLIGATIONS	
A.	Long-term Obligations	65
B.	A Schedule of Debt Service Requirements	67
C.	Advances and Current Refundings	67
D.	A summary of changes in the long-term debt of the County	67
E.	Purchase Cards	68
F.	Special Assessment Debt	69
G.	Demand Bonds	69
H.	Discretely presented Component Unit – Housing Finance Authority of Leon County	69
I.	Conduit Debt Obligations	69
J.	Debt Parity	70
IX.	CLOSURE AND POST CLOSURE CARE COST	71
X.	EMPLOYEE BENEFITS	
A.	Florida Retirement System	71
B.	Deferred Compensation Plan	74
C.	Liability for Compensated Absences	74
D.	Executive Service Plan	74
E.	Post Employment Benefits Other Than Pension Benefits	75

XI.	RISK MANAGEMENT AND CONVENTIONALLY INSURED CLAIMS & LOSSES	
A.	General Liability.....	77
B.	Workers Compensation.....	77
C.	Automobile Liability	78
D.	Professional Liability.....	79
E.	Excess Insurance.....	79
XII.	SEGMENT INFORMATION – ENTERPRISE FUNDS.....	79
XIII.	OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES	
A.	Excess of Expenditures over Appropriations.....	79
B.	Excess of Expenditures Over Revenue in the Budget Column	79
C.	Deficit Fund Balances	80
D.	Minimum Fund Balance Policy	80
E.	Fund Balances	81
XIV.	COMMITMENTS AND CONTINGENCIES	
A.	Contract Commitments	81
B.	Blueprint 2000 Intergovernmental Agency.....	86
C.	Potential Liabilities Resulting from Litigation	86
D.	Subsequent Events	86

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

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.

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.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

- 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.

Financial statements of 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. At September 30, 2013, 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 Section 189.4041, *Florida Statutes*.

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 the BOA Building, 315 South Calhoun Street, Suite 450, Tallahassee, Florida 32301.

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, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

Leon County District School Board
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.

Consolidated Dispatch Agency

In May 2012, the City of Tallahassee, Leon County, Florida, and the Leon County Sheriff's Office entered into an inter-local agreement authorized by Section 163.01, Florida Statutes. This agreement created a Consolidated Dispatch Agency (CDA) for the purpose of dispatching law enforcement, fire and emergency medical services personnel. The term of this agreement is for a period of 10 years, commencing April 1, 2013, and will renew automatically thereafter. The CDA will govern and manage the provision of public safety consolidated dispatch services on a county-wide basis.

The governing body of the CDA consists of the City of Tallahassee City Manager, the Leon County Administrator and the Leon County Sheriff, hereinafter called the Council. The City and Sheriff shall fund the CDA budget proportionately based upon the per capita population within the corporate limits of the City of Tallahassee for the city, and the per capita population within the unincorporated area of Leon County for the Sheriff, and a service cost allocation shall be included in the CDA's annual budget.

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

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

Government-wide Financial Statements

Government-wide financial statements (the Statement of Net Position 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 Position reports all financial and capital resources of Leon County's governmental and business-type 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 due to the fact that agency funds do not have a measurement focus. 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 other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liability, rather than as expenditures.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

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.

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.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting (continued)

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 an other financing source rather than as a fund liability. However, debt service 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 position. 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 other financing sources. 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.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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 and report all financial resources not required to be accounted for and reported in another fund.

Fine & Forfeiture — This fund was established to account for and report the proceeds of specific revenues collected pursuant to the provisions of Section 142.01, *Florida Statutes*. It also accounts for and reports expenditures restricted or committed 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 and report the proceeds of revenues that are restricted or committed to expenditures of federal, state and local grants awarded to the County. This fund also includes the corresponding County matching funds for the various grants.

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

Capital Improvement — This fund is used to account for and report the financial resources restricted, committed, or assigned to the expenditures 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 fund accounts for and reports 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 restricted, committed, or assigned to the expenditures for acquisition, construction, reconstruction, and maintenance of roads and streets; and the costs of establishing, operating, and maintaining a transportation system and related facilities.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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.

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, as well as to report the funded and accrued compensated absences for the Clerk only.

Agency Funds — Agency Funds are 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 noncurrent 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 Position.

D. Assets, Liabilities, and Net Position

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 is reporting investments in accordance with the requirements of GASB 40.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Receivables and Payables

Receivables are shown net of an allowance for uncollectibles. The emergency medical services allowance is equal to 64% of outstanding gross charges at September 30, 2013.

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 Position 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 its restricted net position before its unrestricted net position. 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 2013 financial statements. Capital assets are reported in the government-wide financial statements in the applicable governmental or business-type activities column, as well as the proprietary fund financial statements. Capital assets are defined by Section 274.02, *Florida Statutes*, to include items of a nonconsumable nature with a value of at least \$1,000 and a life of one year or more. The County maintains an administrative record of these assets. However, for reporting purposes, the threshold for capitalizing property, plant, and equipment is \$20,000, buildings \$50,000 and infrastructure is \$100,000. Capital assets are recorded at cost or estimated historical cost. Contributed assets are recorded at estimated fair market value at the time received. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Position (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
Vehicle & rolling stock	3-10
Infrastructure	20-50

Florida Statutes require that the Board maintain accountability for all County 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

Revenues received in advance are reported in government-wide financial statements represent unearned revenues. The unearned 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.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Landfill Closure Costs

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

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

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 County's 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 noncurrent portion is the amount estimated to be used in subsequent fiscal years. Both the current and noncurrent estimated accrued compensated absences amounts for governmental funds are maintained separately and represent a reconciling item between the fund and the government-wide presentations.

Although the Clerk is not legally required to accumulate expendable available financial resources to liquidate this obligation, funding for the Court side of the Clerk's budget has been reduced each year since 2009. Due to the uncertainty of the Clerk's funding, an internal service fund has been established to record compensated absences earned but not paid for both the court and non-court functions.

Net Obligation for Other Postemployment Benefits

The County offers retiree medical and life insurance benefits for qualifying employees that have retired from the Florida Retirement System (FRS) pension plan. Following the provisions of GASB Statement No. 45, a net obligation is accrued as a noncurrent liability and is a reconciling item between the fund and the government-wide presentations.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, 2013.

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 noncurrent 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.”

Net Position/Fund Balances

Net Position is the difference between fund assets and liabilities on the government-wide, proprietary, and fiduciary fund statements. Fund Balances is the difference between assets and liabilities on the governmental fund statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other debt resulting from the acquisition, construction, or improvement of the assets. Restricted Net Position is the portion of the net position that is constrained externally by parties such as creditors, by grantors, legally through constitutional provisions, or by some type of enabling legislation. Restricted Net Position is calculated at the fund level.

In order to implement GASB 54, a County financial policy was written to define the different fund balance classifications for governmental funds and the order that the resources are used. There are five classifications of fund balance for governmental funds.

Nonspendable Fund Balance - Balances are comprised of funds that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance - Balances are comprised of funds that have legally enforceable constraints placed on their use or those funds that have externally-imposed restrictions by resource providers or creditors, grantors, contributors, voters, or interlocal agreement, or enabling legislation.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Net Position/Fund Balances (continued)

Committed Fund Balance - Balances are comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action such as ordinances, resolutions, or legislation of Leon County and that remain binding unless removed by a majority vote of the Board of County Commissioners.

Assigned Fund Balance - Balances are comprised of unrestricted funds informally constrained by a majority vote of the Board of County Commissioners, or by a designated county officer, in a manner that reflects the County's use of those resources such as appropriations of fund balance at year end or at the beginning of the new fiscal year.

Unassigned Fund Balance - Balances are comprised of the residual of the unrestricted funds in the General Fund and are not nonspendable, restricted, committed, or assigned. Other fund types can only report a negative unassigned residual amount.

The County's policy is that available resources will be spent in the following order: restricted, committed, assigned, and unassigned.

Reserves/Designations of Net Position

Net position of the Insurance Service Fund is maintained 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 Position

"Total fund balances" of the County's governmental funds of \$149,218,632 differs from "net position" of governmental activities of \$405,890,728 reported in the statement of net position. This difference results primarily from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund balance sheet.

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 Position included those capital assets among the assets of the County as a whole.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

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 Position (continued)

Capital Related Items (continued)

Cost of capital assets	\$ 640,886,998
Accumulated depreciation	<u>(302,277,649)</u>
Net capital assets added	<u><u>\$ 338,609,349</u></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 Position. Balances at September 30, 2013 were:

Capital Improvement Revenue Refunding Bonds	
Series 2005	\$ 41,415,000
Capital Improvement Revenue Bonds, Series 2012A	8,267,000
Taxable Capital Improvement Revenue Bonds,	
Series 2012B	12,837,000
Note payable	2,102,044
Other postemployment benefits	5,227,292
Liability for compensated absences	13,986,355
Arbitrage rebate liability	<u>25,000</u>
	<u><u>\$ 83,859,691</u></u>

Internal Service Funds

Management uses internal service funds to charge the cost of fleet management and insurance activities to the individual funds benefited, as well as to report the funded and accrued compensated absences for the Clerk only. 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, 2013, Statement of Net Position is \$1,395,526.

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Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

**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 Position (continued)**

	Total Governmental Funds	Capital Related Items	Long-term Debt Transactions
Assets			
Equity in pooled cash and equivalents	\$ 23,751,663	\$ 0	\$ 0
Investments	134,077,785	0	0
Receivables (net)	13,959,376	0	0
Due from other funds	2,249,151	0	0
Inventories	542,133	0	0
Other assets	53,133	0	526,912
Capital assets (net)	0	338,609,349	0
Total assets	<u>\$ 174,633,241</u>	<u>\$ 338,609,349</u>	<u>\$ 526,912</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 11,225,364	\$ 0	\$ 0
Accrued liabilities	3,195,227	0	0
Intergovernmental payables	1,081,730	0	0
Internal balance	0	0	0
Estimated liability for self-insurance loss	0	0	0
Due to other funds	2,247,632	0	0
Deposits	680,587	0	0
Arbitrage rebate	0	0	25,000
Unearned revenue	6,984,069	0	0
Other postemployment benefits	0	0	5,227,292
Accrued compensated balances	0	0	13,986,355
Bond and notes payable (net)	0	0	64,621,044
Total liabilities	<u>25,414,609</u>	<u>0</u>	<u>83,859,691</u>
Fund balances/net position	<u>149,218,632</u>	<u>338,609,349</u>	<u>(83,332,779)</u>
Total liabilities and fund balances/net position	<u>\$ 174,633,241</u>	<u>\$ 338,609,349</u>	<u>\$ 526,912</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

**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 Position (continued)**

Internal Service Funds	Reclassifications & Eliminations	Statement of Net Position
\$ 756,370	\$ 0	\$ 24,508,033
4,619,846	0	138,697,631
96,008	0	14,055,384
0	(2,249,151)	0
71,406	0	613,539
0	0	580,045
0	0	338,609,349
<u>\$ 5,543,630</u>	<u>\$ (2,249,151)</u>	<u>\$ 517,063,981</u>

\$ 282,606	\$ 3,202,974	\$ 14,710,944
7,747	(3,202,974)	0
0	0	1,081,730
437,918	0	437,918
2,766,726	0	2,766,726
1,519	(2,249,151)	0
0	0	680,587
0	0	25,000
0	0	6,984,069
27,272	0	5,254,564
624,316	0	14,610,671
0	0	64,621,044
<u>4,148,104</u>	<u>(2,249,151)</u>	<u>111,173,253</u>
<u>1,395,526</u>	<u>0</u>	<u>405,890,728</u>
<u>\$ 5,543,630</u>	<u>\$ (2,249,151)</u>	<u>\$ 517,063,981</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

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 (\$13,185,996) differs from the “change in net position” for governmental activities of (\$4,419,682), 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 position decreases by the amount of depreciation expense charged for the year.

Capital outlay	\$ 23,878,025
Depreciation expense	<u>(19,014,989)</u>
Net	<u>\$ 4,863,036</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 expenditures 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 Position and do not result in an expense in the Statement of Activities.

Bond proceeds	\$ (21,223,000)
Payments to refunding bond escrow agent	21,145,823
Bond costs	(853,536)
Principal payments	<u>6,286,526</u>
	<u>\$ 5,355,813</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

**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)**

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	(81,608)
Net decrease in other postemployment benefits	(918,897)
	<u>\$ (1,138,218)</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 Position 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 loss on governmental activities	<u>\$ (452,030)</u>
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Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

Note II. RECONCILIATION OF GOVERNMENT- WIDE AND FUND FINANCIAL STATEMENTS (continued)

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

		Total Governmental Funds	Capital Related Items
Revenues			
	Taxes	\$ 138,056,298	\$ 0
	Licenses and permits	2,173,034	0
	Intergovernmental	38,320,161	0
	Charges for services	31,672,576	0
	Fines and forfeitures	674,988	0
	Interest	1,672,491	0
	Net increase (decrease) in fair value of investments	(1,330,026)	0
	Miscellaneous	3,191,616	0
Total revenues		<u>214,431,138</u>	<u>0</u>
Expenditures			
	Current		
	General government	36,279,412	(1,128,844)
	Public safety	104,017,704	(10,730,111)
	Physical environment	13,751,520	(147,928)
	Transportation	19,626,218	7,952,948
	Economic environment	5,486,831	0
	Human services	9,595,127	42,949
	Culture and recreation	13,739,682	(852,050)
	Judicial	15,501,139	0
Debt service			
	Principal	6,286,526	0
	Interest and fiscal charges	2,673,783	0
	Other debt service costs	76,043	0
Total expenditures		<u>227,033,985</u>	<u>(4,863,036)</u>
Excess (deficiency) of revenues over (under) expenditures		<u>(12,602,847)</u>	<u>4,863,036</u>
Other financing sources (uses)			
	Transfers in	94,701,121	0
	Refunding bonds issued	21,223,000	0
	Transfers out	(95,361,447)	0
	Payment to refunding bond escrow agent	(21,145,823)	0
Total other financing sources (uses)		<u>(583,149)</u>	<u>0</u>
Net change in fund balance		<u>(13,185,996)</u>	<u>4,863,036</u>
Fund balances, October 1		<u>162,404,628</u>	
Fund balances, September 30		<u><u>\$ 149,218,632</u></u>	

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

**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	Compensated Absences	Other Postemployment Benefits	Internal Service Funds	Reclassifications and Eliminations	Statement of Activities
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 138,056,298
0	0	0	0	(2,173,034)	0
0	0	0	0	0	38,320,161
0	0	0	0	2,848,022	34,520,598
0	0	0	0	(674,988)	0
0	0	0	44,556	(1,371,649)	345,398
0	0	0	(41,623)	1,371,649	0
0	0	0	0	0	3,191,616
0	0	0	2,933	0	214,434,071
0	9,082	268,279	95,116	0	35,523,045
0	84,832	369,955	97,056	0	93,839,436
0	(5,627)	75,722	44,612	0	13,718,299
0	(1,725)	62,023	51,481	0	27,690,945
0	(3,280)	10,078	1,845	0	5,495,474
0	(2,513)	11,165	8,543	0	9,655,271
0	(192)	60,306	28,940	0	12,976,686
0	1,031	61,369	127,370	0	15,690,909
(6,286,526)	0	0	0	0	0
929,579	0	0	0	0	3,603,362
(76,043)	0	0	0	0	0
(5,432,990)	81,608	918,897	454,963	0	218,193,427
5,432,990	(81,608)	(918,897)	(452,030)	0	(3,759,356)
0	0	0	0	(94,305,142)	395,979
(21,223,000)	0	0	0	0	0
0	0	0	0	94,305,142	(1,056,305)
21,145,823	0	0	0	0	0
(77,177)	0	0	0	0	(660,326)
5,355,813	(81,608)	(918,897)	(452,030)	0	(4,419,682)
					410,310,410
					<u>\$ 405,890,728</u>

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

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.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

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 and Comptroller (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 Court and Comptroller, 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. The legislature changed any future budget for the Clerk's court function to a State fiscal year of July 1 to June 30. The Clerk's funding process for the court function was changed to an appropriation from the State of Florida and the revenues were collected and disbursed monthly to the State of Florida. During the 2013 legislative session, the Florida legislature returned the Clerks' budget to the county fiscal year with SB 1512. Budgets for the Courts for each Clerk will be submitted by June 1 to be approved by the legislature. Beginning June 2013, all court revenues will be collected monthly and available for use by the Clerks in the month following collection. Beginning November 1st and by the 10th day of the each month, the Clerks will submit that portion of all fines, fees, service charges, and costs collected in the previous month that exceeds one twelfth of the Clerks' total budget. The remainder of the available revenues will be appropriated for the following month's court expenditures up to the budget cap authorized by the legislature. Any revenue deficits will be certified by the Florida Clerk of the Court Operations Corporation. Any unexpended appropriation for the court's budget will be paid to the State by January 25 of the following year. For the Fiscal Year 2014, the excess will be based on fifteen budget months to allow for the change in budget year from June 30 to September 30. For Fiscal Year 2015, the excess will be based on the county fiscal year from October 1 to September 30. The fiscal year for the Clerk continues to be from October 1 to September 30, and any unexpended appropriation for the Court budget is rolled into the new fiscal year.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

Note III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. Budgets and Budgetary Accounting (continued)

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.

Note IV. CASH AND INVESTMENTS

As of September 30, 2013, 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	\$ 32,295,910	N/A	N/A
External Investment in Government Pools:			
Florida State Treasury Special Purpose Investment Account (SPIA)	7,826,505	A+f	2.55
Florida Local Government Investment Trust Government Fund (FLGIT)	10,567,455	AAAf/S1	1.54
Florida Municipal Investment Trust (FMIVT) 1-3 Year High Quality Bond Fund	7,654,997	AAA/V2	1.50
Florida Municipal Investment Trust (FMIVT) 0-2 Year High Quality Bond Fund	49,853	AAAf/S1	0.70
Florida PRIME Investment Pool	50,118,410	AAAm	0.12
Florida Safe Investment Pool	1,163,212	AAAm	N/A
Externally Managed Portfolio:			
Money Market	567,487	AAA	N/A
U.S. Treasuries	22,373,855	AA+	2.02
Government Sponsored Agencies:			
Fannie Mae	9,422,775	AA+	2.09
Federal Home Loan Mortgage Corp	2,208,929	AA+	3.10
Other Government Sponsored Agencies	8,689,554	AA+	0.80
Temporary Liquidity Guarantee	475,141	AA+	1.68
Collateralized Mortgage Obligations	801,751	AA+	1.33
Commercial Paper	631,776		1.93
Corporate Bonds	8,826,549	AA	1.75
Corporate Bonds	9,788,525	A	1.54

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note IV. CASH AND INVESTMENTS (continued)

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Duration</u>
Municipal Bonds	2,909,004	AAA	3.00
Municipal Bonds	4,408,598	AA	1.17
Municipal Bonds	505,977	A-	2.28
Asset-backed Securities	4,770,561	AAA	0.41
Asset-backed Securities	452,409	AA+	1.83
Total Cash and Investments	<u>\$ 186,509,233</u>		

The County's deposits and investments include \$170,824 in accrued interest as of September 30, 2013.

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. Credit-quality risk identified with S&P ratings or Moody equivalents, is provided in the preceeding table. 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) or any authorized intergovernmental investment pool.
2. Securities and Exchange Commission (SEC) registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
3. Interest-bearing time deposits or savings accounts in qualified public depositories.
4. Direct obligations of the U.S. Treasury.
5. Federal agencies and instrumentalities.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

Note IV. CASH AND INVESTMENTS (continued)

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

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). The rating as of September 30, 2013 was A+f. A copy of SPIA's most recent financial statements can be found at http://www.fltreasury.org/fs_01.html. Investments in this pool are limited to a maximum of 50% of the portfolio. At September 30, 2013, the County had \$7,826,505 with SPIA.

The FLGIT is a local government investment pool created by the Florida Association of Court Clerks and Clerk, 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 AA+ by Standard & Poor's. A copy of FLGIT's most recent financial statements can be found at <http://www.floridatrusionline.com/>. Investments in this pool are limited to a maximum of 15% of the portfolio. At September 30, 2013, the County had \$10,567,455 with FLGIT.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note IV. CASH AND INVESTMENTS (continued)

The FMIvT 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 a AAA/V2 rating from Fitch. Investments in this pool are limited to a maximum of 15% of the portfolio. At September 30, 2013, the County had \$7,654,997 invested with FMIvT, 1 to 3 Year High Quality Bond Fund.

The FMIvT 0 to 2 Year High Quality Bond Fund is 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 and maintains a AAA/V1 rating from Fitch. A copy of FMIvT's most recent financial statements can be found at <http://www.floridaleagueofcities.com/Default.aspx>. Investments in this pool are limited to a maximum of 15% of the portfolio. At September 30, 2013, the County had \$49,853 invested with FMIvT, 1 to 2 High Quality Bond Fund.

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, 2013, 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. 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 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, 2013 is 44 days. The fair value of the County's position in the pool approximates the value of the pool shares. At September 30, 2013, the County had \$50,118,410 invested in Florida PRIME. Florida PRIME's most recent financial statements can be found at <https://www.sbafla.com/prime/Audits/tabid/582/Default.aspx>.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note IV. CASH AND INVESTMENTS (continued)

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, 2013, is 35 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, 2013, the County had \$1,163,212 invested with the FLSAFE. A copy of FLSAFE's most recent financial statements can be found at: http://www.flSAFE.org/financial_statements.aspx.

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, 2013, were \$34,901,848. Due to the nature of the County's cash and investments, there is no exposure to custodial credit risk and concentration of credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair 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.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

Note IV. CASH AND INVESTMENTS (continued)

The externally managed portfolio totaled \$76,832,891 at September 30, 2013, and was invested for a weighted average term of 854 days. In accordance with its investment policy, 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 SBA. 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.myfloridacfo.com/aadir/statewide_financial_reporting/index.htm.

Note V. PROPERTY TAXES

Under Florida law, the assessment of all properties and the collection of all county, municipal, special taxing districts, and school board property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The laws of 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) and primary health care services through Municipal Services Taxing Units at millage rates of 0.5000 and 0.000 mills, respectively. For County citizens charged a special assessment, the required annual payment is also included on their tax bill.

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.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

Note V. PROPERTY TAXES (continued)

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 2013 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, 2013.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

Note VI. CAPITAL ASSETS

A. Capital Asset Activity for the year ended September 30, 2013 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital not being depreciated:				
Land	\$ 20,208,716	\$ 338,000	\$ 0	\$ 20,546,716
Improvements other than buildings	14,626,845	6,628,370	(7,990)	21,247,225
Construction/Purchase in progress	49,096,615	20,829,894	(23,507,606)	46,418,903
Total not being depreciated	<u>83,932,176</u>	<u>27,796,264</u>	<u>(23,515,596)</u>	<u>88,212,844</u>
Capital assets being depreciated:				
Buildings	169,664,697	12,111,023	0	181,775,720
Equipment	46,855,747	5,080,137	(1,020,289)	50,915,595
Library collection	3,115,463	655,202	(566,235)	3,204,430
Infrastructure	317,429,604	5,440,444	(6,091,639)	316,778,409
Total being depreciated	<u>537,065,511</u>	<u>23,286,806</u>	<u>(7,678,163)</u>	<u>552,674,154</u>
Less accumulated depreciation:				
Buildings	(78,068,980)	(5,054,149)	0	(83,123,129)
Equipment	(23,628,503)	(3,758,293)	815,258	(26,571,538)
Library collection	(1,791,071)	(640,886)	566,235	(1,865,722)
Infrastructure	<u>(183,762,820)</u>	<u>(9,561,661)</u>	<u>2,607,221</u>	<u>(190,717,260)</u>
Total accumulated depreciation	<u>(287,251,374)</u>	<u>(19,014,989)</u>	<u>3,988,714</u>	<u>(302,277,649)</u>
Total being depreciated, net	<u>249,814,137</u>	<u>4,271,817</u>	<u>(3,689,449)</u>	<u>250,396,505</u>
Governmental activities capital assets, net	<u><u>\$ 333,746,313</u></u>	<u><u>\$ 32,068,081</u></u>	<u><u>\$ (27,205,045)</u></u>	<u><u>\$ 338,609,349</u></u>
Business-type activities:				
Capital not being depreciated:				
Land	\$ 1,809,844	\$ 0	\$ 0	\$ 1,809,844
Total not being depreciated	<u>1,809,844</u>	<u>0</u>	<u>0</u>	<u>1,809,844</u>
Capital assets being depreciated:				
Buildings	19,428,232	8,887,600	(7,854,737)	20,461,095
Equipment	5,425,737	463,899	(407,234)	5,482,402
Total being depreciated	<u>24,853,969</u>	<u>9,351,499</u>	<u>(8,261,971)</u>	<u>25,943,497</u>
Less accumulated depreciation:				
Buildings	(11,152,096)	(294,333)	0	(11,446,429)
Equipment	<u>(2,625,932)</u>	<u>(376,883)</u>	<u>179,174</u>	<u>(2,823,641)</u>
Total accumulated depreciation	<u>(13,778,028)</u>	<u>(671,216)</u>	<u>179,174</u>	<u>(14,270,070)</u>
Total being depreciated, net	<u>11,075,941</u>	<u>8,680,283</u>	<u>(8,082,797)</u>	<u>11,673,427</u>
Business-type activities capital assets, net	<u><u>\$ 12,885,785</u></u>	<u><u>\$ 8,680,283</u></u>	<u><u>\$ (8,082,797)</u></u>	<u><u>\$ 13,483,271</u></u>

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note VI. CAPITAL ASSETS (continued)

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

Governmental activities:

General government	\$ 5,055,405
Public safety	697,381
Physical environment	444,710
Transportation	10,007,031
Human services	192,757
Culture and recreation	<u>2,617,705</u>
Total depreciation expense - governmental activities	<u><u>\$19,014,989</u></u>

Business-type activities:

Landfill	<u>\$ 671,216</u>
Total depreciation expense - business-type activities	<u><u>\$ 671,216</u></u>

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note VII. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Balances as of September 30, 2013, consisted of the following:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Primary Government:		
By Major Fund:		
General	\$ 1,103,454	\$ 1,851,071
Fine & Forfeiture	<u>1,069,831</u>	<u>27,000</u>
Total Major Funds	2,173,285	1,878,071
Nonmajor Special Revenue Funds:		
911 Emergency Communications	17,649	0
Sheriff Special Grants Fund	27,000	192,844
Emergency Management 911 Fees	0	103,393
Emergency Management Grant	30,966	29,114
Sheriff Inmate Fund	<u>251</u>	<u>44,210</u>
Total Nonmajor Special Revenue Funds	<u>75,866</u>	<u>369,561</u>
Total Nonmajor Governmental Funds	<u>75,866</u>	<u>369,561</u>
Total Governmental Funds	<u>2,249,151</u>	<u>2,247,632</u>
Proprietary Funds:		
Communications Trust	<u>0</u>	<u>1,519</u>
Total Proprietary Funds	<u>0</u>	<u>1,519</u>
Total Primary Government	<u>2,249,151</u>	<u>2,249,151</u>
Total Primary Government & Component Unit	<u><u>\$ 2,249,151</u></u>	<u><u>\$ 2,249,151</u></u>

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

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

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, 2013, consisted of the following:

Transfers to the General Fund from:

Fine & Forfeiture Fund	\$ 66,322,971
Grants Fund	29,318
Nonmajor Governmental Funds	994,623
Enterprise Fund	29,373
Total Transfers to the General Fund	<u>67,376,285</u>

Transfers to the Fine & Forfeiture Fund from:

General Fund	<u>980,789</u>
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Transfers to the Grants Fund from:

General Fund	121,155
Capital Improvement Fund	74,395
Nonmajor Governmental Funds	5,333
Total Transfers to Grants Fund	<u>200,883</u>

Transfers to the Capital Improvement Fund from:

Special Assessment Paving Fund	326,060
Nonmajor Governmental Funds	394,308
Total Transfers to the Capital Improvement Fund	<u>720,368</u>

Transfers to the Nonmajor Funds from:

General Fund	18,011,997
Fine & Forfeiture Fund	45,000
Grants Fund	121,155
Nonmajor Governmental Funds	7,244,641
Total Transfers to the Nonmajor Funds	<u>25,422,793</u>
Total Transfers to the Governmental Funds	<u>94,701,118</u>

Transfers to the Enterprise Fund from:

General Fund	<u>689,699</u>
Total Transfers to Enterprise Funds	<u>689,699</u>

Total Interfund Transfers	<u><u>\$ 95,390,817</u></u>
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Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

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, at September 30, 2013, are comprised of the following:

Revenue Bonds:	<u>Outstanding at September 30, 2013</u>
<p>\$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.</p>	\$ 41,415,000
<p>\$8,267,000, Capital Improvement Revenue Bonds, Series 2012A, (i) to refund the County's Capital Improvement Revenue Bonds, Series 2003A of which \$7,965,000 was outstanding and maturing in the years 2018 through 2020, and (ii) to pay a portion of the costs of the acquisition of the Bank of America Building, and (iii) the construction of improvements to the Bank of America Building, and (iv) to finance improvements to the County's courthouse and parking garage. The economic gain resulting from the refunding was \$1,279,488. The bonds dated December 20, 2012, bear interest of 1.65% per annum. The interest on the bonds is payable on April 1 and October 1, beginning April 1, 2013. The bond principal matures serially on October 1 of each year for two years beginning October 1, 2019.</p>	8,267,000

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

Note VIII. LONG-TERM OBLIGATIONS (continued)

Revenue Bonds:

**Outstanding at
September 30, 2013**

\$12,956,000, Taxable Capital Improvement Revenue Bonds, Series 2012B, to, (i) refund the Capital Improvement Revenue Bonds, Series 2003B of which \$12,465,000 was currently outstanding and maturing in the years 2018 through 2019, and (ii) pay a portion of the costs of the acquisition of the Bank of America Building, and (iii) pay capitalized interest and issuance costs on the Series 2012B bonds, and (iii) pay bond issuance costs. The economic gain resulting from the refunding was \$1,405,034. The bonds dated December 20, 2012 and bear interest of 2.22% per annum. The interest on the bonds is payable on April 1 and October 1, beginning April 1, 2013. The bond principal matures serially on October 1 of each year through the final maturity of October 1, 2019.

12,837,000

The Capital Improvement Revenue Bonds, Series 2012A, the Capital Improvement Refunding Revenue Bonds, Series 2005, and Taxable Capital Improvement Revenue Bonds, Series 2012B 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, Second Guaranteed Entitlement, and additional State Reserve Sharing Funds (less the Guaranteed Entitlement and the Second Guaranteed Entitlement).

Total Bonds Payable

\$ 62,519,000

Notes payable is comprised of the following at September 30, 2013:

SunTrust Equipment Finance & Leasing Corp

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.

\$ 2,102,044

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

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			
Fiscal Year Ending September 30,	Principal	Interest	Total
2014	\$ 6,654,251	\$ 2,379,055	\$ 9,033,306
2015	6,973,606	2,067,169	9,040,775
2016	7,293,540	1,742,038	9,035,578
2017	7,583,077	1,454,216	9,037,293
2018	7,139,239	1,149,951	8,289,190
2019-2023	22,427,331	3,706,332	26,133,663
2024-2026	6,550,000	462,551	7,012,551
Total	<u>\$ 64,621,044</u>	<u>\$ 12,961,312</u>	<u>\$ 77,582,356</u>

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

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

	Balance October 1, 2012	Reductions	Additions	Balance September 30, 2013	Due Within One Year
Governmental Activities:					
Capital Improvement Revenue Bonds, Series 2003A	\$ 7,965,000	\$ (7,965,000)	\$ 0	\$ 0	\$ 0
Capital Improvement Revenue Bonds, Series 2012A	0	0	8,267,000	8,267,000	0
Taxable Capital Improvement Revenue Bonds, Series 2003B	12,465,000	(12,465,000)	0	0	0
Taxable Capital Improvement Revenue Bonds, Series 2012B	0	(119,000)	12,956,000	12,837,000	158,000
Capital Improvement Revenue Refunding Bonds, Series 2005	44,505,000	(3,090,000)	0	41,415,000	6,090,000
Capital Improvement Refunding Revenue Bonds, Series 2011	<u>2,686,070</u>	<u>(2,686,070)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Special Revenue Debt	<u>67,621,070</u>	<u>(26,325,070)</u>	<u>21,223,000</u>	<u>62,519,000</u>	<u>6,248,000</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

Note VIII. LONG-TERM OBLIGATIONS (continued)

	Balance October 1, 2012	Reductions	Additions	Balance September 30, 2013	Due Within One Year
Liability for compensated absences	14,483,083	(6,623,385)	6,750,973	14,610,671	4,627,263
Other postemployment benefits	4,340,225	(126,718)	1,041,057	5,254,564	889,578
Arbitrage rebate liability	25,000	0	0	25,000	0
Bank of America - Notes payable	2,493,500	(391,456)	0	2,102,044	406,251
Governmental Activity Long-term Debt	<u>\$88,962,878</u>	<u>\$(33,466,629)</u>	<u>\$29,015,030</u>	<u>\$84,511,279</u>	<u>\$12,171,092</u>

	Balance October 1, 2012	Reductions	Additions	Balance September 30, 2013	Due Within One Year
Business-type activities:					
Liabilities for compensated absences	\$ 172,287	\$ (100,796)	\$ 90,327	\$ 161,818	\$ 54,407
Other postemployment benefits	72,886	(2,093)	19,739	90,532	17,239
Landfill closure and postclosure costs	<u>11,327,787</u>	<u>0</u>	<u>192,573</u>	<u>11,520,360</u>	<u>0</u>
Business-type activity Long-term liabilities	<u>\$ 11,572,960</u>	<u>\$ (102,889)</u>	<u>\$ 302,639</u>	<u>\$ 11,772,710</u>	<u>\$ 71,646</u>

For the governmental activities, other postemployment benefits and the liability for the compensated absences is usually liquidated by the general fund.

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 2013 is as follows:

Beginning balance	\$ 400,491
Purchases	4,141,251
Payments	<u>(4,108,226)</u>
Ending balance	<u>\$ 433,516</u>

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note VIII. LONG-TERM OBLIGATIONS (continued)

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, 2013, pursuant to its authorization:

	<u>Amount Outstanding</u>
Single Family Mortgage Revenue and Refunding Bonds, Series 1995 A	<u>\$ 215,000</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.

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, 2013, the conduit debts outstanding were as follows:

<u>Project Description</u>	<u>Fiscal Year Issued</u>	<u>Original Bond Issue</u>	<u>Principal Outstanding @ 9/30/2013</u>
Holy Comforter Episcopal School	2002	\$ 4,400,000	\$ 3,010,100
Apalachee Center, Inc.	2008	8,500,000	7,022,684
Goodwill Industries - Big Bend, Inc.	2009	2,400,000	2,106,718
Educational Facilities Authority Refunding Series 1998A	1998	12,000,000	8,820,000

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

Note VIII. LONG-TERM OBLIGATIONS (continued)

<u>Project Description</u>	<u>Fiscal Year Issued</u>	<u>Original Bond Issue</u>	<u>Principal Outstanding @ 9/30/2013</u>
Refunding Series 1998B	1998	20,500,000	20,500,000
Student Housing Revenue Bonds 2003	2008	23,315,000	19,800,000

Total Conduit Debt Principal Balance as of September 30, 2013 **\$ 61,259,502**

Defeased Conduit Debt

Educational Facilities Authority **\$ 3,625,000**

J. Debt Parity

The Capital Improvement Revenue Bonds, Series 2003A, 2003B, and 2011, and the Capital Improvement Revenue Refunding Bonds, Series 2005 and 2011, 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, second guaranteed entitlement, and 50% of the additional state revenue funds received in the prior fiscal year.

	<u>Actual 2010</u>	<u>Actual 2011</u>	<u>Actual 2012</u>	<u>Actual 2013</u>
Pledged revenues:				
Revenues available for debt service:				
Local Government Half-Cent Sales Tax	\$10,288,684	\$10,437,198	\$10,445,949	\$10,899,174
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 funds	699,931	708,334	778,737	842,056
Total revenues available for debt service	<u>\$12,332,062</u>	<u>\$12,488,979</u>	<u>\$12,568,133</u>	<u>\$13,084,677</u>

Combined maximum annual debt service for debt
(Series 1998B, Series 2003A and 2003B, Series
2005, and Series 2011)

\$ 8,927,843 \$ 8,845,936 \$ 8,801,618 \$ 8,476,156

Debt service coverage

1.38 x 1.41 x 1.43 x 1.54 x

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

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 \$11,520,360 reported as landfill closure and post-closure care liability at September 30, 2013, 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 2013 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 III materials recovery facility and recovered screened materials. Since the landfill is permitted as a single permit, until the entire landfill is closed, the County 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, 2013, held investments in the amount of \$7,232,318 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 fund reported a reserve balance of \$4,721,907 at September 30, 2013. 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.

Note X. EMPLOYEE BENEFITS

A. Florida Retirement System

Plan Description - The County contributes to the Florida Retirement System (the FRS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of Florida, Department of Administration, Division of Retirement. The FRS 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. During the 2011 Legislative Session SB2100 was passed making changes to the FRS effective July 1, 2011, as outlined below. The FRS issues financial statements and required supplementary information obtainable at www.dms.myflorida.com/human_resource_support/retirement/publications/system_information/annual_reports.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

Note X. EMPLOYEE BENEFITS (continued)

A. Florida Retirement System (continued)

Funding Policy - Prior to July 1, 2011, the FRS was employee noncontributory. Beginning July 1, 2011, employees who are not participating in the Deferred Retirement Option Plan (DROP) are required to contribute 3% of their salary to the FRS. 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, 2013, the contribution rate was 1.20% of payroll pursuant to Section 112.363, *Florida Statutes*.

The contributions required for the years ended September 30, 2013, 2012, and 2011 were \$7,877,084, \$6,723,355, and \$11,022,177, respectively, which is equal to 100% of the required contribution for each year. The rates for 2013 and 2012 fiscal years were as follows:

Membership Category	Benefit	Vesting	Employer Contribution Rate	
			July 1, 2012	July 1, 2013
Regular Class	For employees in the FRS as of June 30, 2011, 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.	5.18 %	6.95 %
	For employees joining the FRS on or after July 1, 2011, normal retirement at age 65, or at least 33 years of service: 1.6% times average compensation (eight highest years) times years of creditable service.	After eight years creditable service.		
Senior Management Class	For employees in the FRS as of June 30, 2011, 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.	6.30 %	18.31 %

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

Note X. EMPLOYEE BENEFITS (continued)

Membership Category	Benefit	Vesting	Employer Contribution Rate	
			July 1, 2012	July 1, 2013
	For employees joining the FRS on or after July 1, 2011, normal retirement at age 65, or at least 33 years of service: 2.00% times average compensation (eight highest years) times years of creditable service.	After eight years creditable service.		
Special Risk (sworn employees)	For employees in the FRS as of June 30, 2011, 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.	14.90 %	19.06 %
	For employees joining the FRS on or after July 1, 2011, normal retirement at age 60, or at least 30 years of service: 2% to 3% times average compensation (8 highest years) times years of creditable service.	After eight years creditable service.		
Elected County Officers' Class (ESCOC)- Nonjudicial	For employees in the FRS as of June 30, 2011, 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 of creditable service.	10.23 %	33.03 %
	For employees joining the FRS on or after July 1, 2011, normal retirement at age 65, or at least 33 years of service: 3.00% times average compensation (eight highest years) times years of creditable service.	After eight years creditable service.		
Deferred Retirement Option Program (Drop)	For employees in DROP as of June 30, 2011, 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.	5.44 %	12.84 %

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

Note X. EMPLOYEE BENEFITS (continued)

Membership Category	Benefit	Vesting	Employer Contribution Rate	
			July 1, 2012	July 1, 2013
	For employees entered in DROP on or after July 1, 2011, retirement benefit paid to DROP where it earns 1.3% interest, tax deferred, for up to five years while the member continues to work.			

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 \$16,500 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. Except for the Clerk, 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. The liability associated with compensated absences is reported on the fund level in the internal service fund for the Clerk only.

D. Executive Service Plan

Executive service and senior management employees of Leon County are entitled to severance pay if terminated from employment. If there is a contract or an employment agreement, they are entitled to up to twenty weeks of severance pay. If there is no contract, severance pay is limited to six weeks.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

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 health portion of the Program is considered by the County's insurance provider to be community-rated and, therefore, no Other Postemployment Benefit (OPEB) obligation is calculated for healthcare. The Program may be amended by the County's Board of County Commissioners. 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 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:

	FY 2013	FY 2012	FY 2011
Normal cost (service cost for one year)	\$ 505,874	\$ 470,090	\$ 470,090
Amortization of unfunded actuarial accrued liability	580,344	642,166	642,166
Interest on normal cost and amortization	43,449	44,490	44,490
Annual required contribution	1,129,667	1,156,746	1,156,746
Interest on net OPEB obligation	176,524	140,246	102,466
Adjustment to annual required contribution	(245,394)	(202,760)	(148,141)
Annual OPEB cost	1,060,797	1,094,232	1,111,071
Contributions made	(128,809)	(187,261)	(166,589)
Increase in net OPEB obligation	931,988	906,971	944,482
Net OPEB obligation at beginning of year	4,413,111	3,506,140	2,561,658
Net OPEB obligation at end of year	<u>\$ 5,345,099</u>	<u>\$ 4,413,111</u>	<u>\$ 3,506,140</u>

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note X. EMPLOYEE BENEFITS (continued)

The percentage of annual OPEB cost contributed to the plan for fiscal year 2013, 2012, and 2011, was 12.14%, 17.11%, and 14.99%, respectively.

Funded Status and Funding Progress

As of September 30, 2013, the County's share of the actuarial accrued liability for benefits recognized in the County's financial statements was \$10,436,732, all of which was unfunded. The County's covered payroll (annual payroll of active employees covered by the plan) was \$80,356,724. The ratio of the County's actuarial accrued liability to the County's covered payroll was 12.99% at September 30, 2013.

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, 2012 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. As stated in the plan description, healthcare costs are not included in the liability; therefore no healthcare cost trend assumption is made. 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, 2013, was 30 years.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note XI. RISK MANAGEMENT AND CONVENTIONALLY INSURED CLAIMS & LOSSES

A. General Liability

Effective October 1, 2009, the County purchased commercial insurance for general liabilities from Travelers. From October 1, 2002 to September 30, 2008, the County maintained commercial insurance for general liabilities from Preferred Governmental Insurance Trust. The County maintained a \$10,000 deductible with each insurance carrier.

Changes in the Board's claim liability amount were as follows:

	Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
September 30, 2013	\$ 62,998	\$ (47,033)	\$ 0	\$ 15,965
September 30, 2012	\$ 97,000	\$ (34,002)	\$ 0	\$ 62,998

The claims liability of \$15,965 includes an actuarial valuation for incurred but not yet reported claims of \$15,000.

B. Workers' Compensation

The County's Insurance Service Fund is used 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, 2013, 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 Insurance Service Fund based upon payroll exposure in the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. Excess payments are recorded as a designation of retained earnings for catastrophic losses.

The claims liability for workers' compensation of \$2,714,523, which includes an actuarial evaluation for incurred but not reported claims of \$1,313,201, is included in other current liabilities and reported in the Internal Service Fund at September 30, 2013. 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.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

Note XI. RISK MANAGEMENT AND CONVENTIONALLY INSURED CLAIMS & LOSSES (continued)

Changes in the fund's claims liability amount were as follows:

Year	Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
September 30, 2013	\$ 2,531,277	\$ 930,246	\$ 747,000	\$ 2,714,523
September 30, 2012	\$ 2,870,000	\$ (458,723)	\$ (120,000)	\$ 2,531,277

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.

As a member of the Florida Sheriff's Association, the Sheriff participates in the Sheriffs' Automobile Risk Program 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, 2013 was \$189,428.

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

Year	Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
September 30, 2013	\$ 5,321	\$ 30,917	\$ 0	\$ 36,238
September 30, 2012	\$ 5,000	\$ 321	\$ 0	\$ 5,321

The claims liability of \$36,238 includes an actuarial valuation for incurred but not reported claims of \$5,000.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note XI. RISK MANAGEMENT AND CONVENTIONALLY INSURED CLAIMS & LOSSES (continued)

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, 2013 was \$404,619.

The limits of the Self-Insurance Fund for the above mentioned damages, fees and defense costs are \$3,200,000 per person; \$3,300,000 per incident or occurrence; and \$10,000,000 in aggregate for the policy year. Settled claims did not exceed this coverage in the current year.

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, 2013, 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, 2013 was \$66,599.

Note XII. SEGMENT INFORMATION - ENTERPRISE FUNDS

The County maintained one enterprise fund. The Leon County Landfill Fund accounts for revenues and expenditures related to the operation of the landfill and collection of revenues from the sale of processed recyclables and related costs to support the program. The County has not issued bonds to finance the activity of the enterprise fund. Further, none of the revenues streams of the enterprise fund are pledged in support of outstanding debt.

Note XIII. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

A. Excess of Expenditures Over Appropriation

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.

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note XIII. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (continued)

C. Deficit Fund Balances

The Special Assessment Sewer Fund has a deficit fund balance of \$1,213 as of September 30, 2013.

D. Minimum Fund Balance Policy

On September 16, 2008, Leon County adopted Policy Number 07-2 called "Reserves." The first section, Emergency Reserves includes the general revenue emergency reserves which are maintained at an amount not to be less than three percent and not to exceed eight percent of the projected General Fund and Fine & Forfeiture Fund operating expenditures for the ensuing fiscal year. In addition, a catastrophe reserve will be maintained at two percent. The reserve will provide immediate cash flow in the event of a natural disaster. The Reserve for Contingency is separate from the Reserves for Cash Balances and annually determined by the Board of County Commissioners as a part of the budget. Any funds not included under this category will be included as part of the unreserved fund balance.

Reserves for Cash Balances are maintained by the County as an annual unassigned reserve for cash balance at a level sufficient to maintain adequate cash flow and to eliminate the need for short-term borrowing. The fund balance shall be no less than ten percent and no greater than twenty percent of the projected General Fund and Fine & Forfeiture Fund operating expenditures. All major funds will retain sufficient cash balances to eliminate the need for short-term borrowing.

As a part of the annual budget process, a determination is made of the minimum and maximum amounts based on above requirements. Funds in excess of the minimums established can be utilized to support one-time capital expenses.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

Note XIII. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES (continued)

E. Fund Balance

At fiscal year end, fund balances reported on the Statements of Revenues, Expenditures, and Changes in Fund Balance include:

Primary Government Fund Balances:	General Fund	Major Funds	Other Funds	Total
Nonspendable:				
Inventory	\$ 541,161	\$ 0	\$ 571	\$ 541,732
Prepaid assets	6,333	0	18,000	24,333
Long-term receivables	172,303	248,783	4,041,638	4,462,724
Total nonspendable	<u>719,797</u>	<u>248,783</u>	<u>4,060,209</u>	<u>5,028,789</u>
Restricted:				
General government	0	1,158,699	902,993	2,061,692
Public safety	0	127,305	3,610,162	3,737,467
Physical environment	0	5,327,190	0	5,327,190
Transportation	0	0	9,551,271	9,551,271
Economic environment	0	0	12,234	12,234
Judicial	0	0	366,655	366,655
Total restricted	<u>0</u>	<u>6,613,194</u>	<u>14,443,315</u>	<u>21,056,509</u>
Committed:				
General government	1,986,530	1,158,699	0	3,145,229
Public safety	0	127,305	5,944,996	6,072,301
Physical environment	0	2,590,344	1,888,932	4,479,276
Transportation	0	108,442	11,077	119,519
Culture and recreation	0	0	1,845,029	1,845,029
Judicial	0	0	455,762	455,762
Total committed	<u>1,986,530</u>	<u>3,984,790</u>	<u>10,145,796</u>	<u>16,117,116</u>
Assigned:				
General government	7,287,788	874,592	3,185,860	11,348,240
Public safety	0	1,803,667	1,882,109	3,685,776
Physical environment	0	20,464,796	295,076	20,759,872
Transportation	0	17,499,801	12,185,431	29,685,232
Economic environment	0	0	5,681,462	5,681,462
Culture and recreation	0	266,905	51,661	318,566
Judicial	0	0	1,526,685	1,526,685
Total assigned	<u>7,287,788</u>	<u>40,909,761</u>	<u>24,808,284</u>	<u>73,005,833</u>
Unassigned:	<u>34,011,598</u>	<u>0</u>	<u>(1,213)</u>	<u>34,010,385</u>
Total Fund Balances	<u>\$44,005,713</u>	<u>\$51,756,528</u>	<u>\$53,456,391</u>	<u>\$ 149,218,632</u>

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

Note XIV. COMMITMENTS AND CONTINGENCIES

A. Contract Commitments

Lease Income

On 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, 2013 are as follows:

Fiscal Year Ending September 30,	Amount
2014	\$ 1,529,967
2015	1,503,256
2016	1,015,439
2017	543,478
2018	220,476
2019-2022	874,996
Total minimum payments	<u>\$ 5,687,612</u>

The property being leased is included in the Statement of Net Position Governmental Activities column with a carrying value of \$18,745,881 and depreciation expense of \$473,935 for fiscal year 2013. The facility is carried as a governmental activity because the County purchased the building to provide offices for County staff.

In October 2009, the Board purchased the Lake Jackson Oaks Hunington Property. 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, 2013, are as follows:

Fiscal Year Ending September 30,	Amount
2014	\$ 241,824
2015	\$ 217,681
2016	\$ 137,249
2017	\$ 4,408
Total minimum payments	<u>\$ 601,162</u>

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note XIV. COMMITMENTS AND CONTINGENCIES (continued)

Lease Income (continued)

The property being leased is included in the Statement of Net Position Governmental Activities column under Land and construction in progress with a carrying value of \$6,871,853 for fiscal year 2013. The facility is carried as a governmental activity because the County purchased the building to provide offices for County staff as well as to provide Library services to the community.

Operating Leases

Effective October 1, 2013, the Property Appraiser entered into a two-year computer maintenance contract with Tyler Technologies, Inc. to support the newly installed iasWorld CAMA Standard Solution software applications effective through September 30, 2015. The new maintenance contract replaces the existing contract due to expire October 2014. The commitment for the fiscal years ended September 30, 2014 and 2015 are \$65,198 and \$130,395, respectively. The contract may be terminated by either party by giving thirty days written notice to the other party before the effective date of termination.

On April 11, 2012, the Supervisor of Elections entered into an operating lease for the rental of space for the voter operations center. The lease agreement provides for monthly rentals, which escalate over the term of the lease. The lease commenced on September 1, 2012 for a period of ten years. Minimum future lease payments are as follows:

Fiscal Year Ending September 30,	Amount
2014	\$ 187,026
2015	190,472
2016	193,919
2017	197,365
2018	200,838
2019-2023	822,675
Total minimum payments	<u>\$ 1,792,295</u>

Rental expense for the year ended September 30, 2013 was \$219,118.

Leon County, Florida

Notes to the Financial Statements

Year Ended September 30, 2013

Note XIV. COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases (continued)

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, 2013, aggregate future minimum payments under non-cancelable operating leases with remaining terms equal to or exceeding one year are as follows:

Fiscal Year Ending September 30,	Amount
2014	\$ 886,139
2015	894,756
2016	981,963
2017	922,085
2018	928,667
2019-2023	3,542,169
2024-2028	2,797,061
2029-2033	2,657,207
Total minimum payments	<u><u>\$13,610,047</u></u>

Lease expenditures incurred under operating leases for the year ended September 30, 2013 were \$1,378,215.

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, 2013, equipment lease expenses were \$103,044. Following is a schedule of future minimum lease payments under the equipment lease as of September 30:

Fiscal Year Ending September 30,	Amount
2014	\$ 39,044
2015	27,293
2016	16,977
2017	9,344
Total minimum payments	<u><u>\$ 92,658</u></u>

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note XIV. COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases (continued)

The Clerk leases office equipment and building space under operating leases expiring in various years through 2023. Minimum future lease payments under operating leases having remaining terms in excess of one year as of September 30, 2013, for each of the next five years and in the aggregate are as follows:

Fiscal Year Ending September 30,	Amount
2014	\$ 63,348
2015	57,485
2016	61,500
2017	61,500
2018	61,500
2019-2023	307,500
Total minimum payments	<u>\$ 612,833</u>

Rent expense paid during the fiscal year ended September 30, 2013 was \$67,008.

On June 27, 2010, the Clerk entered into an agreement for installation and implementation of new software. The total fees under this contract are \$792,854. As of September 30, 2013, a total of \$546,116 has been paid. The remaining balance will be paid based on the implementation of the civil and criminal case maintenance systems.

The implementation of the civil case maintenance will take place within the 2013-2014 fiscal year at which time \$105,000 will be paid. There has not been a date setup from the criminal case maintenance system implementation.

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

Grants

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

Leon County, Florida
Notes to the Financial Statements
Year Ended September 30, 2013

Note XIV. COMMITMENTS AND CONTINGENCIES (continued)

Long-Term Construction Projects

The County is committed to various material long-term construction projects at September 30, 2013. These commitments have been included in the 2012-2013 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 \$5 million as compared to \$38 million at September 30, 2012.

The Sheriff, the County, and the City of Tallahassee (the Parties) entered into an inter-local agreement on December 20, 2007 to establish parameters relating to ownership, expansion, operation, maintenance, and the use of the 800MHz Project 25 Digital Trunked Simulcast (TSR) System. The agreement provides 50% ownership of the TSR System's backbone equipment by the Sheriff and the County. The agreement also provides that the Sheriff and the County are required to pay 50% of the TSR System's operating costs. Absent a prior notice to withdraw, the agreement shall continue until the date the agreement is terminated by mutual written agreement of the Parties. Activity related to the agreement is accounted for as a joint operation.

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 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 2727 Apalachee Parkway, Suite 200, 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.

D. Subsequent Events

The County has evaluated subsequent events through February 19, 2014, the date the financial statements were available to be issued.

**INTERNAL CONTROL
AND
COMPLIANCE REPORTS**

Independent Auditor's 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, in accordance with the 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, the 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, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Leon County, Florida's basic financial statements, and have issued our report thereon dated February 19, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Leon County, Florida's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Leon County, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of Leon County, Florida's internal control.

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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Leon County, Florida's financial statements are free from 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 19, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Thomas Howell Ferguson P.A.

Law, Redd, Crona & Munroe P.A.



Tallahassee, Florida
February 19, 2014

Tallahassee, Florida

Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by
OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*

Honorable Board of County Commissioners
Leon County, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited Leon County, Florida's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the requirements described in the *Florida Department of Financial Service's State Projects Compliance Supplement*, that could have a direct and material effect on each of Leon County, Florida's major federal programs and state projects for the year ended September 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Leon County, Florida's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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; 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 on compliance for each major federal program and state project. However, our audit does not provide a legal determination of Leon County, Florida's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, Leon County, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of Leon County, Florida is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Leon County, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses, or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Page Three

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

Thomas Howell Ferguson P.A.

Law, Redd, Crona & Munroe P.A.

Handwritten signature of Thomas Howell Ferguson P.A. in black ink.Handwritten signature of Law, Redd, Crona & Munroe P.A. in blue ink.

Tallahassee, Florida
February 19, 2014

Tallahassee, Florida

Leon County Board of County Commissioners
Schedule of Expenditure of Federal Awards and State Financial Assistance
Year Ended September 30, 2013

Federal / State Agency Pass-through Entity Federal Program / State Project	CFDA or CSFA Number	Grant Contract Number	Expenditures
FEDERAL AWARDS			
<u>U.S. Department of Housing and Urban Development</u>			
Pass through Florida Department of Economic Opportunities			
Community Development Block Grants	14.228	10DB-4N-02-47-01-NE3	54,185
Community Development Block Grants	14.228	10DB-K4-02-47-01-K21	1,174,905
Community Development Block Grants	14.228	12DB-P5-02-47-01-K38	1,918,978
Total CFDA # 14.228			3,148,068
<u>U.S. Department of Interior</u>			
Direct Program			
Payment in Lieu of Taxes	15.226	Unknown	190,363
<u>Fish & Wildlife Service, U.S. Department of Interior</u>			
Pass through Florida Department of Financial Services			
Schools and Roads - Grants to States	10.665	USFOR2012	56,955
<u>U.S. Department of Justice</u>			
Direct Programs			
Equitable Sharing Program	16.922	N/A	394,968
Joint Law Enforcement Operations	16.111	N/A	32,159
Direct Programs			
Public Safety Partnership and Community Policing Grants	16.710	2009CKWX0601	400,000
Public Safety Partnership and Community Policing Grants	16.710	2008CKWX0342	119,960
Total CFDA # 16.710			519,960
Pass through State of Florida Office of the Attorney General			
Crime Victim Assistance	16.575	V12151	32,138
Pass through Florida Department of Law Enforcement			
ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG)	16.804	2013-JAGC-LEON-1-D7-147	107,847
<u>U.S. Department of State</u>			
Pass through Florida Department of State			
Help America Vote Act Requirements Payments	90.401	Title III	46,783
<u>U.S. Department of Transportation</u>			
Pass through Florida Department of Environmental Protection			
Recreational Trails Program	20.219	T2913	1,831
Recreational Trails Program	20.219	T1005	31,325
Total CFDA # 20.219			33,156
Pass through Florida Department of Transportation			
Highway Planning and Construction	20.205	430154-1-58-01	130,842
<u>U.S. Department of Health and Human Services</u>			
Pass through Florida Department of Revenue			
Child Support Enforcement-Service of Process	93.563	CSP37	14,507
Child Support Enforcement-Title IV D Incentive	93.563	Unknown	3,085
Child Support Enforcement-Title IV D	93.563	CD337	383,790
Total CFDA # 93.563			401,382

(continued)

Leon County Board of County Commissioners
Schedule of Expenditure of Federal Awards and State Financial Assistance (continued)
Year Ended September 30, 2013

Federal / State Agency Pass-through Entity Federal Program / State Project	CFDA or CSFA Number	Grant Contract Number	Expenditures
FEDERAL AWARDS (continued)			
<u>U.S. Department of Homeland Security, Office of Domestic Preparedness</u>			
Pass through Executive Office of the Governor			
Hazard Mitigation Grant-Joint Dispatch Center	97.039	11HM-3E-02-47-01-002	2,017,258
Pass through Florida Division of Emergency Management			
Homeland Security Grant Program	97.067	12-DS-20-02-47-01-382	27,382
Homeland Security Grant Program	97.067	12-DS-9Z-02-47-01-246	469,560
Homeland Security Grant Program	97.067	13-DS-40-01-27-01-325	6,000
Homeland Security Grant Program	97.067	13-DS-40-02-47-01-278	590,439
Homeland Security Grant Program	97.067	13-DS-9Z-01-47-01-397	22,000
Homeland Security Grant Program	97.067	13-DS-9Z-02-47-01-485	87,433
Pass through Florida Department of Law Enforcement			
Homeland Security Grant Program	97.067	2012-SHSP-LEON-3-A5-001	15,205
Homeland Security Grant Program	97.067	2011-SHSP-LEON-2-B9-005	106,904
Homeland Security Grant Program	97.067	2012-SHSP-LEON-1-B9-006	48,881
Homeland Security Grant Program	97.067	2011-SHSP-LEON-3-V3-097	5,788
Total CFDA # 97.067			<u>1,379,592</u>
<u>Federal Emergency Management Agency</u>			
Pass through Florida Department of Community Affairs			
Emergency Management Performance Grants	97.042	13-FG-86-02-4-7-01-104	60,530
Total Expenditures of Federal Awards			<u>\$ 8,552,001</u>

(continued)

Leon County Board of County Commissioners
Schedule of Expenditure of Federal Awards and State Financial Assistance (continued)
Year Ended September 30, 2013

Federal / State Agency Pass-through Entity Federal Program / State Project	CFDA or CSFA Number	Grant Contract Number	Expenditures
STATE FINANCIAL ASSISTANCE			
<u>Florida Department of Agriculture & Consumer Services</u>			
Direct Project			
Mosquito Control	42.003	018791	18,500
<u>Florida Department of State</u>			
Direct Project			
State Aid to Libraries	45.030	13-ST-27	165,913
<u>Florida Housing Finance Corporation</u>			
Direct Project			
State Housing Initiatives Partnership (SHIP) Program	52.901	SHIP 12	129,146
<u>Florida Department of Transportation</u>			
Direct Project			
State Highway Project Reimbursement	55.023	AQT90	60,263
<u>Florida Department of Health</u>			
Direct Projects			
County Grant Awards	64.005	C1037	52,900
Emergency Medical Services (EMS) Matching Awards	64.003	M0004	1,222
Emergency Medical Services (EMS) Matching Awards	64.003	M0005	31,254
Emergency Medical Services (EMS) Matching Awards	64.003	M1071	24,984
Emergency Medical Services (EMS) Matching Awards	64.003	M1072	13,854
Total Florida Department of Health			124,214
<u>State of Florida Division of Emergency Management</u>			
Emergency Management Base Grant	52.008	13-BG-06-02-47-01-037	71,395
<u>State of Florida Division of Emergency Management</u>			
Emergency Management Projects	31.067	13-CP-11-02-47-23-216	7,500
<u>Florida Department of Management Services</u>			
Direct Project			
E911 State Grant Program	72.002	S3-10-11-02	984,632
Total Expenditures of State Financial Assistance			\$ 1,561,563

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:

Community Development Block Grant-Entitlement	14.218	\$ 43,980
State Housing Initiatives Partnership Program	52.901	1,962,596
		\$ 2,006,576

- (3) There were no transfers to subrecipients during the fiscal year.

See independent auditors' report.

**Board of County Commissioners
Leon County, Florida
Schedule of Findings and Questioned Costs
Year ended September 30, 2013**

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: Unmodified

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? Unmodified

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 Housing and Urban Development
		Pass through Florida Department of Economic Opportunities
	14.228	Community Development Block Grants
		U.S. Department of Justice
		Direct Programs
	16.710	Public Safety Partnership and Community Policing Grants
	16.922	Equitable Sharing Program
		U.S. Department of Homeland Security, Office of Domestic Preparedness
		Pass through Executive Office of the Governor
	97.039	Hazard Mitigation Grant-Joint Dispatch Center

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, 2013**

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: Unmodified

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? Unmodified

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>
		Florida Department of Management Services
		Direct Program
	72.002	E911 State Grant Program

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.

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

**Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance**

Year ended September 30, 2013

Findings and Questioned Costs – Major Federal and State Projects Award Programs

None.

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

**Schedule of Findings and Questioned Costs
Federal Awards and State Financial Assistance**

Year ended September 30, 2013

Prior Year Findings and Questioned Costs – Major Federal and State Projects Award Programs

None.

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, 2013, and have issued our report thereon dated February 19, 2014.

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*; and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550 Rules of the Florida Auditor General, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 19, 2014, 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 except as noted below under the heading Prior Year Findings and Recommendations.
- 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*.
- Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5., *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)6a., *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)6.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, 2013, 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, 2013. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)6.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.

Prior Year Findings and Recommendations

12-01 Timing of Juror Payments

During our testing of compliance with this statute during the current year, we noted that payments for three jury service dates were not made within the statutory requirement. We recommend that the Clerk's office comply with the statute and implement a procedure to monitor such compliance. See Current Year Findings and Recommendation number 13-01.

Current Year Findings and Recommendations

13-01 Timing of Juror Payments

During our testing of compliance with *Florida Statute* 40.32(3) during the current year, we noted that payments for two jury service dates were not made within the statutory requirement. We recommend that the Clerk's office comply with the statute and implement a procedure to monitor such compliance.

Management Response:

Payments to the jurors were made within the 20 day statute requirement 99.23% of the time. We had one isolated payroll that missed the deadline. So that our office can make sure that Jury payments are done before the 20 day deadline, our Clerk Information Systems department has developed an aging report for the Courts to review at any time. Both Supervisors and staff have been assigned the task of reviewing the report. It is also assessable to senior staff for review. We are also exploring the possibility of using email notification to send to staff payrolls reaching the 15 day deadline. These reports should give us time to take corrective steps to meet the deadline.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, 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.



Tallahassee, Florida
February 19, 2014

Tallahassee, Florida